FWD TAKAFUL BERHAD

200601011780 (731530-M)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2023

200601011780 (731530-M)

FWD Takaful Berhad
(Incorporated in Malaysia)

Contents	**Page(s)**

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 2023.

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 activities during the financial year.

Results

	RM'000
Net loss for the financial year	(50,061)

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 2023.

Share capital

During the financial year ended 31 December 2023, the Company increased its issued and paid-up capital from RM617,000,000 to RM829,000,000 via issuance of 2,120 new preference shares for cash of RM212,000,000 on 30 June 2023.

Reserves and provisions

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

Directors

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

Datuk Ahmad Hizzad Baharuddin	Chairman, Independent Non-Executive Director *(Appointed as Chairman on 27 June 2023)*
Muhammad Ali Jinnah bin Ahmad	Independent Non-Executive Director
Varsha Abdullah	Independent Non-Executive Director
Azizul bin Zainol	Non-Independent Non-Executive Director *(Appointed on 22 February 2023)*
Abdul Karim bin Md. Lassim	Independent Non-Executive Director *(Appointed on 1 August 2023)*
Azim Khursheid Ahmed Mithani	Executive Director *(Appointed on 14 August 2023)*
Nor Azian binti Mohd Noor	Non-Independent Non-Executive Director *(Term ended on 21 February 2023)*
Adil Ahmad	Chairman, Independent Non-Executive Director *(Retired on 27 June 2023)*
Yip Jian Lee	Independent Non-Executive Director *(Term ended on 13 August 2023)*
Binayak Dutta	Executive Director *(Resigned on 14 August 2023)*
Tam Chiew Lin	Non-Independent Non-Executive Director (*Resigned on 8 March 2024*)

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 2023 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, the directors have received total fees of RM 1.1 million (FY2022: RM 1.1 million). Other than this, none of the Directors of the Company received or became entitled to receive any benefit 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.

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 2023 pursuant to section 289 of the Companies Act, 2016. The cost of cover effected amounted to RM16,273.

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

Total amount paid or payable to auditors as remuneration during the financial year is RM 1,408,000. 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

Other statutory information (cont'd.)

At the date of this report, the Directors are not aware of any circumstances: (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 certificates 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 2023 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 Holdings 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:

Datuk Ahmad Hizzad Baharuddin	Abdul Karim bin Md. Lassim
Chairman	Director

Kuala Lumpur, Malaysia
29 March 2024

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's ("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;

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 six (6) members comprising four (4) Independent Non-Executive Directors, one (1) Non-Independent Non-Executive Director and one (1) Executive Director. The details of the Directors are set out on pages 9 to 12.

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 the requirements of BNM's Corporate Governance ("CG") Policy Document are followed in relation to the appointment of Directors.

At each Annual General Meeting, one-third of the Directors for the time being (or if their number is not three or a multiple of three, then the number nearest to one-third with the minimum of one) shall retire from office and shall be eligible for re-election only if nominated by a Member. Non-Executive Directors are appointed for an initial two or 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 maximum 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.

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

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 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.

Corporate Governance Disclosure (cont'd.)

Board of Directors (cont'd.)

Board Meetings

The Board met ten (10) times during the financial year ended 31 December 2023 with timely notices of issues to be discussed.

Details of attendance of each director are as follows:

Directors	Attendance
Datuk Ahmad Hizzad bin Baharuddin (Chairman) *(Appointed as Chairman on 27 June 2023)*	10/10
Muhammad Ali Jinnah bin Ahmad	10/10
Varsha Abdullah	9/10
Azizul bin Zainol *(Appointed on 22 February 2023)*	9/9
Abdul Karim bin Md. Lassim *(Appointed on 1 August 2023)*	5/5
Azim Khursheid Ahmed Mithani *(Appointed on 14 August 2023)*	4/4
Nor Azian binti Mohd Noor *(Resigned on 21 February 2023)*	1/1
Adil Ahmad (Chairman) *(Retired on 27 June 2023)*	5/5
Yip Jian Lee *(Term ended on 13 August 2023)*	6/6
Binayak Dutta *(Resigned on 14 August 2023)*	4/6
Tam Chiew Lin *(Resigned on 8 March 2024)*	10/10

Directors' Profile

1 **Datuk Ahmad Hizzad bin Baharuddin, 60**
Chairman / Independent Non-Executive Director
Member of Audit Committee, Risk Committee and Nominations and Remuneration Committee
Appointed to the Board: 24 June 2022

Datuk Ahmad Hizzad Baharuddin has more than 32 years of experience in Islamic Finance and Takaful, Financial Sector Supervision/Regulation & Development and Payments Systems and Instruments within BNM. He was the Director General of Labuan Financial Authority (Labuan FSA) from 2011 to 2017. In the same period, Datuk Ahmad Hizzad served as Assistant Governor of BNM from 2014 until his retirement in 2018.

He is currently the Non-Independent Non-Executive Chairman of Payments Network (PayNet) Malaysia Sdn Bhd, Chairman of KAF Digital Berhad and an Independent Non-Executive Director of SME Bank Malaysia Berhad.

Corporate Governance Disclosure (cont'd.)

Directors' Profile (cont'd.)

1 Datuk Ahmad Hizzad bin Baharuddin, 60 (cont'd.)
Chairman / Independent Non-Executive Director

Datuk Ahmad Hizzad holds a Master of Business Administration from St Louis University, St Louis, Missouri and Bachelor's Degree in Business Studies from Eastern Illinois University, Charleston, Illinois both in the United States of America. He is a Fellow Chartered Banker of the Asian Institute of Chartered Bankers and Fellow of Islamic Banking School, University Utara Malaysia.

Datuk Ahmad Hizzad does not have any shareholding in the Company.

2 Muhammad Ali Jinnah bin Ahmad, 45
Independent Non-Executive Director
Chairman of Nominations and Remuneration Committee and Member of Risk Committee
Appointed to the Board: 21 August 2017

Mr Muhammad Ali Jinnah is a former researcher at ISRA@INCEIF and lecturer at International Islamic University College Selangor (KUIS).

He received his first degree from Al-al Bayt University Jordan, a Master's degree from Longhborough University in the UK in 2004, and is currently pursuing his Doctorate of Philosophy (Business).

He currently serves as a member of the Shariah Committee at Maybank Islamic Berhad. He had also served as a Shariah Committee member at HSBC Amanah Takaful Berhad and BNP Paribas Malaysia Berhad.

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

3 Varsha Abdullah, 61
Independent Non-Executive Director
Chairman of Audit Committee and Member of Risk Committee
Appointed to the Board: 15 November 2021

Madam 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, and Partner Reinsurance Asia Pte Ltd, Singapore.

Corporate Governance Disclosure (cont'd.)

Directors' Profile (cont'd.)

3 Varsha Abdullah, 61 (cont'd.)
Independent Non-Executive Director

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. She also holds a Sustainability and Climate Risk (SCR) certificate by the Global Association of Risk Professionals (GARP).

Madam Varsha does not have any shareholding in the Company.

4 Azizul bin Zainol, 48
Non-Independent Non-Executive Director
Member of Audit Committee and Nominations and Remuneration Committee
Appointed to the Board: 22 February 2023

Mr Azizul has more than 25 years of experience mainly in the area of Treasury and Fixed Income. He started his career at Arab Malaysian Merchant bank in the Treasury Dealing Department from 1997 to 2001. He then joined Malakoff Corporation Berhad where he held several positions in the Accounts & Treasury Department and Corporate Finance Department until 2014. He is currently the Head of Treasury Department at Employees Provident Fund. He also serves on the Board of Konsortium Lebuhraya Utara-Timur (KL) Sdn Bhd.

He graduated from The University of Michigan, Ann Arbor with a Bachelor of Arts Degree in Economics.

Mr Azizul does not have any shareholding in the Company.

5 Abdul Karim bin Md. Lassim, 64
Independent Non-Executive Director
Chairman of Risk Committee and Member of Audit Committee
Appointed to the Board: 1 August 2023

Mr Abdul Karim has more than 38 years of cross-industry experience and corporate leadership in business, retail and trading, marketing, banking and finance. He started his career in banking and finance in 1997 with Maybank Finance Berhad and thereafter, with Credit Guarantee Corporation Berhad until 2001. He became the Chief Executive Officer of Southern Finance Berhad from 2003 until 2005 and thereafter was appointed as the Executive Vice President of Automotive Financial Services, Southern Bank Berhad until 2006. After the acquisition of Southern Bank Berhad by CIMB Bank Berhad, he was appointed as the Deputy Head, Retail Financial Services until August 2013.

He held the position as Chief Executive Officer of Touch 'n Go Sdn Bhd from 2012 until 2015. He then held the position of Chief Executive Officer of PadiBeras Nasional Berhad, Central Sugars Refinery Sdn Bhd and Gula Padang Terap Sdn Bhd between 2015 until 2018.

Corporate Governance Disclosure (cont'd.)

Directors' Profile (cont'd.)

5 Abdul Karim bin Md. Lassim, 64 (cont'd.)
Independent Non-Executive Director

He is currently the Independent Non-Executive Director of Public Investment Bank Berhad. He also sits on the Board of Financial Information Services Sdn Bhd and 2 of its subsidiaries as Executive Director. Previously, he held several directorships in auto finance, business and trading sectors, among others, as the Board member of PT CIMB Niaga Auto Finance, Indonesia from 2008 to 2015 and Cagamas Berhad from 2005 until 2006.

Mr Abdul Karim holds a Bachelor of Economics (Hons) degree in Economic Analysis and Public Policy from Universiti Kebangsaan Malaysia and Master's degree of Business Administration from Keele University, United Kingdom.

Mr Abdul Karim does not have any shareholding in the Company.

6 Azim Khursheid Ahmed Mithani, 54
Executive Director
Appointed to the Board: 14 August 2023

Mr Azim was appointed to the board on 14 August 2023 as an Executive Director. He is currently Group Chief Commercial Officer at FWD Group overseeing Group Digital Commerce, Product Proposition, Corporate Communications and Real Estate Management. He has over 30 years of insurance experience gained from a range of leadership roles across Asia and the UK, which included Executive Vice President at Singlife, Chief Operating Officer for Prudential Corporation Asia and Chief Executive Officer of Prudential BSN Takaful in Malaysia.

He holds a Bachelor of Physics (1st Class Hons) degree from Durham University, United Kingdom. He is a qualified actuary.

Mr Azim does not have any shareholding in the Company.

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 and operations. 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 sessions and trainings during the financial year under review that includes the following:

- Can America Stop China's Rise? Will ASEAN be damaged?
- FIDE FORUM Special Interest Group Discussion in preparation for the BNM-FIDE FORUM Roundtable on Licensing & Regulatory Framework for DITO Exposure Draft
- Understanding the Impact of Digital Transformation in the Financial Industry: What Board Members Need to Know
- IIBF CEO Talk Series No: 2/2023
- Briefing on Takaful
- Briefing on MFRS 17
- Climate Risk Management
- Information Security Updates
- Orientation for New Directors
- Module A - FIDE Core Program Insurance
- CIIF Chartered Fast-Track Masterclass (CFM)
- PIDM's National Resolution Symposium 2023
- Contemporary Market & Shariah Development in Takaful Industry
- Cybersecurity Awareness
- Risk Management: Back to Basics
- E-Learning on Annual Anti-Money Laundering, Counter-Terrorist Financing and Sanctions Course

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 members of the Audit Committee, are:

- Varsha Abdullah (Chairman) *(Appointed on 13 August 2023)*
- Datuk Ahmad Hizzad bin Baharuddin *(Appointed on 27 June 2023)*
- Abdul Karim bin Md. Lassim *(Appointed on 13 August 2023)*
- Azizul bin Zainol *(Appointed on 14 August 2023)*
- Adil Ahmad (*Retired on 27 June 2023*)
- Yip Jian Lee (*Term ended on 13 August 2023*)
- Muhammad Ali Jinnah bin Ahmad *(Ceased as Member of Audit Committee on 13 August 2023)*

During 2023, the Audit Committee held 6 meetings. Attendance is set out in the table below.

Directors	Attendance
Varsha Abdullah	2/2
Datuk Ahmad Hizzad bin Baharuddin	3/3
Abdul Karim bin Md. Lassim	2/2
Azizul bin Zainol	2/2
Adil Ahmad *(Retired on 27 June 2023)*	3/3
Yip Jian Lee *(Term ended on 13 August 2023)*	4/4
Muhammad Ali Jinnah bin Ahmad *(Ceased as Member of Audit Committee on 13 August 2023)*	4/4

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 members of the Risk Committee, all being non-executive directors, are:
- Abdul Karim bin Md. Lassim (Chairman) *(Appointed as Chairman on 13 August 2023)*
- Muhammad Ali Jinnah bin Ahmad
- Datuk Ahmad Hizzad bin Baharuddin *(Appointed as Member on 27 June 2023)*
- Varsha Abdullah *(Stepped down as Chairman on 13 August 2023)*
- Adil Ahmad (*Retired on 27 June 2023*)
- Yip Jian Lee (*Term ended on 13 August 2023*)
- Tam Chiew Lin (*Resigned on 8 March 2024*)

During 2023, the Risk Committee held 7 meetings. Attendance is set out in the table below.

Directors	Attendance
Abdul Karim bin Md. Lassim	4/4
Muhammad Ali Jinnah bin Ahmad	7/7
Datuk Ahmad Hizzad bin Baharuddin	4/4
Varsha Abdullah	7/7
Adil Ahmad *(Retired on 27 June 2023)*	3/3
Yip Jian Lee *(Term ended on 13 August 2023)*	3/3
Tam Chiew Lin (*Resigned on 8 March 2024*)	7/7

Corporate Governance Disclosure (cont'd.)

Board Committees (cont'd.)

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

The 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.

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:

- Muhammad Ali Jinnah bin Ahmad (Chairman) (*Appointed as Chairman on 13 August 2023*)
- Datuk Ahmad Hizzad bin Baharuddin (*Appointed as Member on 27 June 2023*)
- Azizul bin Zainol (*Appointed as Member on 13 August 2023*)
- Nor Azian binti Mohd Noor (*Term ended on 21 February 2023*)
- Adil Ahmad (*Retired on 27 June 2023*)
- Yip Jian Lee (*Term ended on 13 August 2023*)

During 2023, the Nominations and Remuneration Committee held 8 meetings. Attendance is set out in the table below.

Directors	Attendance
Muhammad Ali Jinnah bin Ahmad	8/8
Datuk Ahmad Hizzad bin Baharuddin	4/4
Azizul bin Zainol	3/3
Nor Azian binti Mohd Noor *(Term ended on 21 February 2023)*	1/1
Adil Ahmad *(Retired on 27 June 2023)*	4/4
Yip Jian Lee *(Term ended on 13 August 2023)*	5/5

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. Yusri bin Mohamad (Chairman)
- En. Lokmanulhakim bin Hussain
- Dr. Mohammad Mahbubi bin Ali
- En. Ahmad Fauwaz bin Ali@Fadzil
- En. Ismail bin Nik (*Appointed as member on 23 January 2023*)
- Assoc. Prof. Dr. Asmak binti Ab Rahman (*Appointed as member on 15 May 2023*)
- Dr. Muhamad Azhari bin Wahid (*Term ended on 31 March 2023*)

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 related to Shariah matters pertaining to the Company's business; and

Corporate Governance Disclosure (cont'd.)

Board Committees (cont'd.)

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

j) assess the work carried out by Shariah review, Shariah risk 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 2023, the SC held 12 meetings including special meetings. Attendance is set out in the table below.

Shariah Committee Members	Attendance
Dr. Yusri bin Mohamad (Chairman)	12/12
En. Lokmanulhakim bin Hussain	12/12
Dr. Mohammad Mahbubi bin Ali	11/12
En. Ahmad Fauwaz bin Ali@Fadzil	12/12
En. Ismail bin Nik	11/11
Assoc. Prof. Dr. Asmak binti Ab Rahman	8/8
Dr. Muhamad Azhari bin Wahid	2/2

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 Risk 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 established:

(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.

Corporate Governance Disclosure (cont'd.)

Executive Committee (cont'd.)

(b) Compliance and Operational Risk Commitee
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 IT financial planning and IT performance.

Conflicts of Interest and Indemnification of Directors

The Board has adopted policies 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 RM5,376,230.

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 Plan
- Business Progress Report
- Financial Performance Report
- Risk Appetite Statement
- Internal Capital Adequacy Assessment Process
- Risk Management Reports

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.

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 its 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)
  - Takaful Risks (including Mortality, Morbidity, Persistency, Expense, Underwriting, Claim, Pricing and Model Risk)
  - Shariah Risks (including Shariah Non-Compliance, Process, System & Transaction, Governance and Competency)
  - Strategic Risks (including Group, Channel, Reputation, Business Intelligence and Technological Strategy and Political & Social Risk)
  - Operational and Compliance 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.

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 2023, attention was focused on:
  - Agency Channel Related Risk
  - Persistency Risk
  - Competition Risk
  - Market Risk
  - Business Concentration Risk
  - Fraud Risk
  - Regulatory Compliance Risk
  - Cyber Risk
  - Operational Risk
  - IT Risk
  - Climate-related Risk
  - Project Risk in relation to MFRS 17 Implementation

- 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 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.

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.

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.

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 incentivise outstanding contributions

The Company adopts an approach in providing a transparent and simple compensation framework to incentivise 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 summarised 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 those of the 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 Nominations 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 reviewing and proposing compensation recommendations for Board approval.

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 control significant amounts of the Company's resources or whose actions are likely to have a significant impact on the Company's risk profile. Members of the Executive Committee are considered 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. Employees 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.

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 the 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.

The remuneration of the Executive Committee is 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 fees 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.

Corporate Governance Disclosure (cont'd.)

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

The Non-Executive Directors' remuneration for financial year ended 31 December 2023 are set out in the table below:

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

Disclosure

The details of remuneration of the Directors and Chief Executive Officer of the Company in respect of financial year ended 31 December 2023 are shown in Note 19 to the Company's financial statements.

FWD Takaful Berhad
(Incorporated in Malaysia)

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

We, Datuk Ahmad Hizzad Baharuddin and Abdul Karim bin Md. Lassim, being two of the Directors of FWD Takaful Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 37 to 154 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 2023 and of its financial position and cash flows for the financial year ended on that date.

On behalf of the Board,

Datuk Ahmad Hizzad Baharuddin
Chairman

Abdul Karim bin Md. Lassim
Director

Kuala Lumpur, Malaysia
29 March 2024

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 37 to 154 are in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly)
declared by the abovenamed)
Yeoh Eng Hun)
at Kuala Lumpur in the)
Federal Territory on 29 March 2024)

Before me

PESURUHJAYA SUMPAH
No. W790
Nama: ZAINUL ABIDIN
BIN AHMAD
1 JAN 2023 - 31 DIS 2025
MALAYSIA

Commissioner for Oaths

22nd Floor, Wisma Hamzah Kwong Hing
No. 1, Leboh Ampang,
50100 Kuala Lumpur

Report of the Shariah Committee

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

Praise be to Allah, the Lord of the Worlds, and peace and blessings upon our Prophet Muhammad and on his scion and companions.

In compliance with the Policy Document of Shariah Governance, Financial Reporting for Takaful Operators and other relevant guidelines issued by Bank Negara Malaysia, we hereby submit the following report for the financial year ended 31 December 2023:

We are responsible to provide objective and sound advice to the Company 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 the Company during the period that ended 31 December 2023. In order to make an opinion, we also reviewed the information without being unduly influenced by any party as to whether the Company 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 the Company 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 the Company.

The Company held two (2) Board of Directors and Shariah Committee engagement sessions which serve as a platform for effective communication between the Board of Directors and Shariah Committee members on Shariah governance oversight, and for the discussion on understanding key Shariah Committee resolutions and issues in operationalizing Shariah Committee resolutions.

The Company also has organised various training programs during the year 2023 to the Board of Directors, Shariah Committee, senior management, staff and agents to provide adequate knowledge on Shariah and Islamic finance.

We had six (6) 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 the Company. 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 the Company has not violated Shariah rules and principles.

Report of the Shariah Committee (cont'd.)

We have also assessed the work carried out by Shariah review, Shariah risk, and Shariah audit which included examining, on a test basis, each selected type of transaction, the relevant documentation, and procedures adopted by the Company. The review, audit reports, and risk rating were deliberated in our meetings to confirm that the Company 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.

In our opinion and to the best of our knowledge:

(a) The overall operations, business, affairs and activities carried out by the Company during the year ended 31 December 2023 that we have reviewed are in compliance with the Shariah rules and principles;

(b) The allocation of profit, incurrence of losses and surplus distribution relating to Shareholders' Fund, Participants' Investment Fund and Participants' Risk Fund conform to the basis that we have approved in accordance with Shariah rules and principles;

(c) No earnings and purification were recorded from sources or by means prohibited by the Shariah principles during the financial year;

(d) Based on the information disclosed by the Company on the incidents and events that were identified and reported to us during the financial year, no Shariah non-compliant event occurred; and

(e) The computation of Zakat on business is in compliance with Shariah principles. Based on the calculation made, the Company is not in the position to pay Zakat as yet for this financial year.

We, the Shariah Committee of FWD Takaful Berhad, based on what had been presented to us by the Company, do hereby confirm that nothing has come to our attention that causes us to believe that the operations, business, affairs and activities of the Company for the financial year ended 31 December 2023 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)

Dr. Yusri bin Mohamad
Chairman
Shariah Committee

Assoc. Prof. Dr. Asmak binti Ab Rahman
Member
Shariah Committee

Kuala Lumpur
29 March 2024

Building a better working world

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
SST ID: W10-2002-32000062
Chartered Accountants
Level 23A Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur, Malaysia

Tel: +603 7495 8000
Fax: +603 2095 5332 (General line)
+603 2095 9076
+603 2095 9078
ey.com

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 2023, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 37 to 154.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, 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 audit 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.

A member firm of Ernst & Young Global Limited

Building a better working world

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, Corporate Governance disclosures and Report of the Shariah Committee, 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.

A member firm of Ernst & Young Global Limited

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 scepticism 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.

A member firm of Ernst & Young Global Limited

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

Muhammad Syarizal Bin Abdul Rahim
No. 03157/01/2025 J
Chartered Accountant

Kuala Lumpur, Malaysia
29 March 2024

A member firm of Ernst & Young Global Limited

FWD Takaful Berhad
(Incorporated in Malaysia)

Statement of financial position as at 31 December 2023

		Family Takaful Fund			Company		
		31.12.2023 RM'000	31.12.2022 RM'000 Restated	01.01.2022 RM'000 Restated	31.12.2023 RM'000	31.12.2022 RM'000 Restated	01.01.2022 RM'000 Restated
	Note						
Assets							
Property, plant and equipment	9	-	-	-	1,615	2,580	4,143
Intangible assets	10	-	-	-	7,125	4,432	5,793
Right-of-use assets	11(a)	-	-	-	2,911	5,571	3,829
Investments	7	1,565,672	1,379,110	1,389,893	1,731,456	1,526,924	1,543,177
Retakaful certificate assets	8	13,349	21,322	16,648	52,800	63,073	48,363
Current tax assets		-	-	-	7,481	11,881	10,977
Deferred tax assets	13	-	1,645	-	-	-	-
Other receivables	12	14,076	10,429	9,535	38,415	32,402	15,268
Cash and cash equivalents	14	209,618	183,920	118,181	380,913	277,035	136,260
Total assets		1,802,715	1,596,426	1,534,257	2,222,716	1,923,898	1,767,810
Shareholders' equity							
Share capital	15.1	-	-	-	829,000	617,000	401,000
Accumulated losses		-	-	-	(278,477)	(228,416)	(145,040)
Fair value reserve	15.2	10,056	(11,779)	10,123	10,131	(12,242)	10,918
Takaful finance reserve	15.3	(10,056)	11,779	(10,123)	(8,549)	18,708	(5,100)
Total equity		-	-	-	552,105	395,050	261,778

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 2023 (cont'd.)

		Family Takaful Fund			Company		
	Note	31.12.2023 RM'000	31.12.2022 RM'000 Restated	01.01.2022 RM'000 Restated	31.12.2023 RM'000	31.12.2022 RM'000 Restated	01.01.2022 RM'000 Restated
Liabilities							
Takaful certificate liabilities	8	1,725,389	1,534,244	1,469,020	1,546,492	1,405,282	1,397,111
Retakaful certificate liabilites	8	31,230	27,769	20,133	40,129	43,734	25,901
Other payables	16	39,589	32,988	34,354	58,487	57,562	57,416
Lease liabilities	11(b)	-	-	-	2,940	5,681	3,849
Current tax liabilities		3,927	1,425	2,985	-	-	-
Deferred tax liabilities	13	2,580	-	7,765	22,563	16,589	21,755
Total liabilities		1,802,715	1,596,426	1,534,257	1,670,611	1,528,848	1,506,032
Total equity and liabilities		1,802,715	1,596,426	1,534,257	2,222,716	1,923,898	1,767,810

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

FWD Takaful Berhad
(Incorporated in Malaysia)

Income statement for the financial year ended 31 December 2023

	Note	Family Takaful Fund 2023 RM'000	Family Takaful Fund 2022 RM'000 Restated	Company 2023 RM'000	Company 2022 RM'000 Restated
Takaful revenue	4	267,349	218,208	245,443	228,363
Takaful service expenses	5	(290,888)	(252,887)	(279,741)	(215,658)
Takaful service result before retakaful certificates held		(23,539)	(34,679)	(34,298)	12,705
Net expense from retakaful certificates held		(275)	(7,128)	(9,957)	(10,969)
Takaful service result		(23,814)	(41,807)	(44,255)	1,736
Net fair value gains/(losses) on financial assets at fair value through profit or loss	6	41,697	(80,887)	43,718	(79,654)
Other investment profit	6	56,311	47,233	71,752	59,588
(Impairment loss)/reversal of impairment loss on financial assets	6	(345)	(373)	(938)	85
Net investment income/(expense)		97,663	(34,027)	114,532	(19,981)
Takaful finance (expenses)/income for takaful certificates issued	6	(66,277)	62,017	(70,751)	34,104
Retakaful finance income/(expenses) for retakaful certificates held	6	275	7,128	(80)	57
Net takaful financial result		(66,002)	69,145	(70,831)	34,161
Other operating expenses	5(b)	-	-	(40,108)	(101,288)
Profit/(loss) before taxation		**7,847**	**(6,689)**	**(40,662)**	**(85,372)**

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

FWD Takaful Berhad
(Incorporated in Malaysia)

Income statement for the financial year ended 31 December 2023 (cont'd.)

		Family Takaful Fund		Company	
		2023	2022	2023	2022
		RM'000	RM'000	RM'000	RM'000
	Note		Restated		Restated
Tax (expense)/credit attributable to participants		(7,847)	6,689	(7,847)	6,689
Tax expense attributable to Takaful Operator		-	-	(1,552)	(4,693)
Taxation	17	**(7,847)**	**6,689**	**(9,399)**	**1,996**
Net loss for the year		**-**	**-**	**(50,061)**	**(83,376)**

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

FWD Takaful Berhad
(Incorporated in Malaysia)

Statement of comprehensive income for the financial year ended 31 December 2023

		Family Takaful Fund		Company	
		2023 RM'000	2022 RM'000 Restated	2023 RM'000	2022 RM'000 Restated
	Note				
Net loss for the year		-	-	(50,061)	(83,376)
Other comprehensive income					
Other comprehensive income/(loss) to be reclassified to profit and loss in subsequent periods:					
Change in fair value of financial assets, net of impairment loss	6	23,411	(23,756)	24,145	(25,395)
Debt instruments at fair value through other comprehensive income		**23,411**	**(23,756)**	**24,145**	**(25,395)**
Takaful finance (expense)/income for takaful certificates issued	6	(21,834)	21,901	(24,639)	23,692
Retakaful finance (expense)/income for retakaful certificates held	6	-	-	(2,618)	116
Net takaful financial result		**(21,834)**	**21,901**	**(27,257)**	**23,808**
Deferred tax relating to items that may be reclassified	13	(1,577)	1,855	(1,772)	2,235
Total other comprehensive (loss)/income		-	-	**(4,884)**	**648**
Total comprehensive loss for the year		-	-	**(54,945)**	**(82,728)**

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 2023

	Note	Issued and fully paid	Non-distributable			
		Share capital RM'000	Fair value reserve RM'000	Takaful finance reserve RM'000	Accumulated losses RM'000	Total RM'000
At 1 January 2022 (As previously stated)		401,000	780	-	(227,327)	174,453
Impact of initial application of MFRS 9	2.3(iii)	-	10,138	-	(10,138)	-
Impact of initial application of MFRS 17	2.3(iii)	-	-	(5,100)	92,425	87,325
At 1 January 2022 (Restated)		401,000	10,918	(5,100)	(145,040)	261,778
Preference shares issued during the financial year	15.1	216,000	-	-	-	216,000
Net loss for the financial year		-	-	-	(83,376)	(83,376)
Other comprehensive income for the financial year		-	(23,160)	23,808	-	648
Total comprehensive loss for the financial year		-	(23,160)	23,808	(83,376)	(82,728)
At 31 December 2022 (Restated)		617,000	(12,242)	18,708	(228,416)	395,050
At 1 January 2023		617,000	(12,242)	18,708	(228,416)	395,050
Preference shares issued during the financial year		212,000	-	-	-	212,000
Net loss for the financial year		-	-	-	(50,061)	(50,061)
Other comprehensive loss for the financial year		-	22,373	(27,257)	-	(4,884)
Total comprehensive loss for the financial year		-	22,373	(27,257)	(50,061)	(54,945)
At 31 December 2023		829,000	10,131	(8,549)	(278,477)	552,105

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

FWD Takaful Berhad
(Incorporated in Malaysia)

Statement of cash flows
For the financial year ended 31 December 2023

	Note	2023 RM'000	2022 RM'000 Restated
Cash flows from operating activities			
Net loss for the year		(50,061)	(83,376)
Adjustments for:			
Net fair value (gains)/losses on financial assets at fair value through profit or loss	6	(43,718)	79,654
Other profit and similar income	6	(71,752)	(59,588)
Impairment loss/(reversal of impairment loss) on financial assets	6	938	(85)
Taxation of family takaful business		7,847	(6,689)
Amortisation of intangible assets	10	4,526	4,161
Depreciation of right-of-use assets	11(a)	2,607	2,369
Depreciation of property, plant and equipment	9	1,464	2,482
Profit expense on lease liabilities	11(b)	167	88
Loss on disposal of property, plant and equipment		3	-
Operating loss before changes in working capital		(147,979)	(60,984)
Increase in other receivables		(3,176)	(7,560)
Increase/(decrease) in other payables		5,127	(2,782)
Increase in takaful certificate liabilities		141,210	8,171
Decrease/(increase) in retakaful certificate assets		10,273	(14,710)
(Decrease)/increase in retakaful certificate liabilities		(3,605)	17,833
Purchase of investments		(271,465)	(251,236)
Proceeds from maturities of investments		55,000	85,000
Proceeds from disposal of investments		51,707	99,218
Profits received		51,874	43,995
Dividends received		10,672	10,800
Fund management fee rebate received, net of investment expense paid		5,276	5,347
Payment of profit portion of lease liabilities		(167)	(88)
Cash used in operations		(95,253)	(66,996)
Income tax paid		(2,456)	(2,231)
Net cash used in operating activities		(97,709)	(69,227)

Statement of cash flows (cont'd.)

	Note	2023 RM'000	2022 RM'000 Restated
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(602)	(919)
Purchase of intangible assets	10	(7,219)	(2,800)
Proceeds from disposal of property, plant and equipment		96	-
Net cash used in investing activities		(7,725)	(3,719)
Cash flows from financing activities			
Increase in share capital	15	212,000	216,000
Payment of principal portion of lease liabilities		(2,688)	(2,279)
Net cash generated from financing activities		209,312	213,721
Net increase in cash and cash equivalents		103,878	140,775
Cash and cash equivalents at 1 January		277,035	136,260
Cash and cash equivalents at 31 December		380,913	277,035

Cash and cash equivalents

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

	2023 RM'000	2022 RM'000
Short term deposits with licensed Islamic financial institutions with original maturity period of less than 3 months	329,938	255,463
Cash and bank balances	50,975	21,572
	380,913	277,035

Notes to the financial statements
For the financial year ended 31 December 2023

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 during the financial year was 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"). On 8 March 2024, the shareholding held by JAB Capital Berhad was transferred to FWD Life Insurance Company (Bermuda) Limited and EPF. Arising from the transfer of shareholding, JAB Capital Berhad is no longer a shareholder of the Company.

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

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

The financial statements were authorised by the Board of Directors on 29 March 2024.

2 Material accounting policy information

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 2023, as described in Note 2.3.

2 Material accounting policy information (cont'd.)

2.1 Basis of preparation (cont'd.)

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

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

Takaful operations and its funds

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.

A separate column for the Family Takaful Fund is presented in the statement of financial position, the income statement, the statement of comprehensive income as well as certain relevant notes to the financial statements in order to ensure the financial statements provide relevant information that is useful to those users with an interest in the Family Takaful Fund's activities.

2.2 Summary of material accounting policy information

(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.

2. Material accounting policy information (cont'd.)

2.2 Summary of material accounting policy information (cont'd.)

(a) Property, plant and equipment (cont'd.)

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.

(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.

2. Material accounting policy information (cont'd.)

2.2 Summary of material accounting policy information (cont'd.)

(b) Intangible assets (cont'd.)

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.

2. Material accounting policy information (cont'd.)

2.2 Summary of material accounting policy information (cont'd.)

(c) Financial assets

(i) Initial recognition

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. On initial recognition, a financial asset is measured at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial instruments are initially recognised on the trade date and measured at their fair value. Except for financial instruments recorded at FVTPL, transaction costs are added to this amount.

(ii) Classification

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and profit ("SPPI").

Financial assets at FVOCI

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are SPPI.

2. Material accounting policy information (cont'd.)

2.2 Summary of material accounting policy information (cont'd.)

(c) Financial assets (cont'd.)

(ii) Classification (cont'd.)

Financial assets at FVTPL

Financial assets at FVTPL are those that are managed in a fair value business model, or that have been designated by management upon initial recognition, or are mandatorily required to be measured at fair value under MFRS 9. This category includes debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

(i) Business model assessment

The Company assesses the objective of the business model in which a financial asset is held for each portfolio of financial assets because this best reflects the way that the business is managed. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice, including whether management's strategy focuses on earning contractual profit income, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

2. Material accounting policy information (cont'd.)

2.2 Summary of material accounting policy information (cont'd.)

(c) Financial assets (cont'd.)

(ii) Classification (cont'd.)

(i) Business model assessment (cont'd.)

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

For a majority of investments in debt instruments, the objective of the Company's business model is to fund takaful certificate liabilities. The Company undertakes significant buying and selling activity on a regular basis to rebalance its portfolio of assets and to ensure that contractual cash flows from the financial assets are sufficient to settle takaful certificate liabilities. The Company determines that both collecting contractual cash flows as they come due and selling financial assets to maintain the desired asset profile are integral to achieving the business model's objective.

Assessment of whether contractual cash flows are SPPI

For the purposes of this assessment, principal is defined as the fair value of the financial asset on initial recognition. However, the principal may change over time – e.g. if there are repayments of principal.

Profit is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

2. Material accounting policy information (cont'd.)

2.2 Summary of material accounting policy information (cont'd.)

(c) Financial assets (cont'd.)

(ii) Classification (cont'd.)

(i) Business model assessment (cont'd.)

Assessment of whether contractual cash flows are SPPI (cont'd.)

In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- leverage features;
- prepayment and extension features;
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration for the time value of money (e.g. periodic reset of profit rates).

A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and profit on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. In addition, for a financial asset acquired at a premium or discount to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual profit (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant on initial recognition.

2. Material accounting policy information (cont'd.)

2.2 Summary of material accounting policy information (cont'd.)

(c) Financial assets (cont'd.)

(ii) Classification (cont'd.)

(i) Business model assessment (cont'd.)

Assessment of whether contractual cash flows are SPPI (cont'd.)

Some prepayment features permit the debtor to prepay the debt instrument at an amount calculated as the remaining contractual cash flows discounted at the current market benchmark profit rate plus a fixed spread. The Company has determined that these prepayment features are consistent with the SPPI criterion. Because the Company would be compensated only for the change in the market benchmark profit rate and for lost profit margin, the prepayment penalty would not include any non-SPPI risks and may be seen as reasonable compensation.

(iii) Subsequent measurement

Financial assets at amortised cost

After initial measurement, financial assets are measured at amortised cost, using the effective profit method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective profit method. Expected Credit Losses ("ECLs") are recognised in the income statement when the investments are impaired.

Financial assets at FVOCI

FVOCI debt securities are subsequently measured at fair value. Changes in the fair value, except for relevant foreign exchange gains and losses and impairment losses, are recognised in other comprehensive income and accumulated in a separate fair value reserve within equity.

2. Material accounting policy information (cont'd.)

2.2 Summary of material accounting policy information (cont'd.)

(c) Financial assets (cont'd.)

(iii) Subsequent measurement (cont'd.)

Financial assets at FVTPL

Financial assets at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit or loss. Profit earned on assets mandatorily required to be measured at FVTPL is recorded using contractual profit rate.

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.

2. Material accounting policy information (cont'd.)

2.2 Summary of material accounting policy information (cont'd.)

(c) Financial assets (cont'd.)

(iv) Impairment of financial assets

(i) General

The Company recognises allowances for expected credit loss ("ECL") on financial assets measured at amortised cost and debt instruments measured at FVOCI.

The Company measures loss allowances at an amount equal to 12-month ECL, except for Stage 2 and Stage 3 assets where a lifetime ECL is recognised.

ECL is assessed in three stages:

- Stage 1: if the financial asset is not credit-impaired upon origination and the credit risk on the financial instrument has not increased significantly since initial recognition, the loss allowance is measured at an amount up to 12-month ECL;
- Stage 2: if the financial asset is not credit-impaired upon origination but the credit risk on the financial instrument has increased significantly since initial recognition, the loss allowance is measured at an amount equal to the lifetime ECL. Lifetime ECL results from all possible default events over the expected life of the financial instrument; and
- Stage 3: if the financial asset is credit-impaired, with one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred, the loss allowance is also measured at an amount equal to the lifetime ECL.

In all cases, the maximum period considered when estimating ECL is the maximum contractual period over which the Company is exposed to credit risk.

For debt securities at low credit risk at the reporting date, it is assumed that the credit risk has not increased significantly since initial recognition, and hence, the loss allowance is measured at an amount up to 12-month ECL.

2. Material accounting policy information (cont'd.)

2.2 Summary of material accounting policy information (cont'd.)

(c) Financial assets (cont'd.)

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

(ii) Measurement of ECL

ECL is calculated as a probability-weighted forward-looking estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

(iii) Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets measured at amortised cost and debt instruments at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or past-due event;
- the restructuring of an amount due to the Company on terms that the Company would not otherwise consider;
- the debtor entering bankruptcy or other financial reorganisation becoming probable; or
- the disappearance of an active market for a security because of financial difficulties.

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

2. Material accounting policy information (cont'd.)

2.2 Summary of material accounting policy information (cont'd.)

(c) Financial assets (cont'd.)

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

(iv) Presentation of loss allowances in the statement of financial position

Allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: the loss allowance is deducted from the gross carrying amount of the assets; and
- debt investments measured at FVOCI: the loss allowance does not reduce the carrying amount of the financial assets (which are measured at fair value) but gives rise to an equal and opposite gain in Other Comprehensive Income ("OCI").

ECL is recognised as "Impairment loss on financial assets" in the income statement.

(v) Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level. Although the Company expects no significant recovery from amounts written off, financial assets that are written off could still be subject to enforcement activities and company activities that may result in recovery of written off amounts.

(v) Derecognition of financial assets

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.

2. Material accounting policy information (cont'd.)

2.2 Summary of material accounting policy information (cont'd.)

(c) Financial assets (cont'd.)

(v) Derecognition of financial assets (cont'd.)

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.

(vi) 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 de-recognised, as applicable, using the trade date accounting. Trade date accounting refers to:

- The recognition of an asset to be received and the liability to pay for it on the trade date; and
- 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.

2. Material accounting policy information (cont'd.)

2.2 Summary of material accounting policy information (cont'd.)

(d) Takaful and retakaful certificates classification

The Company issues takaful certificates in the normal course of business, under which it accepts significant takaful risk from participants of the Participant Risk Fund. As a general guideline, the Company determines whether it has significant takaful risk, by comparing benefits payable after a covered event with benefits payable if the covered event had not occurred. Takaful certificates can also transfer financial risk.

The Company does not issue retakaful certificates.

(e) Takaful and retakaful certificates accounting treatment

(i) Separating components from takaful and retakaful certificates

The Company assesses its family takaful certificates to determine whether they contain distinct components which must be accounted for under another MFRS rather than MFRS 17. After separating any distinct components, an entity must apply MFRS 17 to all remaining components of the (host) takaful certificate. Currently, the Company's products do not include distinct components that require separation.

Some term family takaful certificates issued by the Company include a surrender option under which the surrender value is paid to the participant on maturity or earlier lapse of the contract. These surrender options have been assessed to meet the definition of a non-distinct investment component ("NDIC") in MFRS 17. MFRS 17 defines investment components as the amounts that a takaful certificate requires a takaful operator to repay to a participant in all circumstances, regardless of whether a covered event occurs. Investment components which are highly interrelated with the takaful certificate of which they form a part are considered non-distinct and are not separately accounted for. However, receipts and payments of the investment components are recorded outside of profit or loss. The surrender options are considered NDICs as the Company is unable to measure the value of the surrender option component separately from the family takaful portion of the contract.

2. Material accounting policy information (cont'd.)

2.2 Summary of material accounting policy information (cont'd.)

(e) Takaful and retakaful certificates accounting treatment (cont'd.)

(ii) Level of aggregation

MFRS 17 requires an entity to determine the level of aggregation for applying its requirements. The level of aggregation for the Company is determined firstly by dividing the business written into portfolios. A portfolio comprise groups of contracts with similar risks which are managed together. The Company considers factors such as duration of the contracts and product lines to define the portfolio grouping. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. This means that, for determining the level of aggregation, the Company identifies a contract as the smallest 'unit', i.e., the lowest common denominator. However, the Company makes an evaluation of whether a series of contracts can be treated together in making the profitability assessment based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts. As such, what is treated as a contract for accounting purposes may differ from what is considered as a contract for other purposes (i.e., legal or management). MFRS 17 also notes that no group for level of aggregation purposes may contain contracts issued more than one year apart.

The groups of certificates for which the fair value approach has been adopted on transition include contracts issued more than one year apart. Please refer to the transition approach applied by the Company in Note 2.3(i).

The takaful certificates portfolios are divided into:
- A group of certificates that are onerous at initial recognition
- A group of certificates that at initial recognition have no significant possibility of becoming onerous subsequently
- A group of the remaining contracts in the portfolio

The retakaful certificates held portfolios are divided into:
- A group of contracts on which there is a net gain on initial recognition
- A group of contracts that have no significant possibility of a net gain arising subsequent to initial recognition
- A group of the remaining contracts in the portfolio

2. Material accounting policy information (cont'd.)

2.2 Summary of material accounting policy information (cont'd.)

(e) Takaful and retakaful certificates accounting treatment (cont'd.)

(iii) Recognition

The Company recognises groups of takaful certificates that it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts
- The date when the first payment from a participant in the group is due, or when the first payment is received if there is no due date
- For a group of onerous contracts, as soon as facts and circumstances indicate that the group is onerous

The Company recognises a group of retakaful certificates held:

- If the retakaful certificates provide proportionate coverage, at the later of the beginning of the coverage period of the group, or the initial recognition of any underlying contract.
- In all other cases, from the beginning of the coverage period of the first contract in the group.
- For a group of onerous underlying contracts, as soon as facts and circumstances indicate that the group is onerous.

The Company adds new contracts to the group when they are issued or initiated.

(iv) Onerous groups of certificates

The Company may issue some contracts before the coverage period starts and the first contribution becomes due. Therefore, the Company has determined whether any contracts issued form a group of onerous contracts before the earlier of the beginning of the coverage period and the date when the first payment from a participant in the group is due. The Company looks at facts and circumstances to identify if a group of contracts are onerous based on:

- Pricing information
- Results of similar contracts it has recognised
- Environmental factors, e.g., a change in market experience or regulations

2. Material accounting policy information (cont'd.)

2.2 Summary of material accounting policy information (cont'd.)

(e) Takaful and retakaful certificates accounting treatment (cont'd.)

(v) Certificate boundary

The Company includes in the measurement of a group of takaful certificates all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of a takaful certificate if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the participant to pay the contributions, or in which the Company has a substantive obligation to provide the participant with services. A substantive obligation to provide services ends when:

- The Company has the practical ability to reassess the risks of the particular participant and, as a result, can set a price or level of benefits that fully reflects those risks.

  Or

- Both of the following criteria are satisfied:
  - The Company has the practical ability to reassess the risks of the portfolio of takaful certificates that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and
  - The pricing of the contributions for coverage up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

A liability or asset relating to expected contributions or claims outside the boundary of the takaful certificate are not recognised. Such amounts relate to future takaful certificates.

For takaful certificates with renewal periods, the Company assesses whether contributions and related cash flows that arise from the renewed contract are within the contract boundary. The pricing of the renewals are established by the Company by considering all the risks covered for the participant by the Company, that the Company would consider when underwriting equivalent certificates on the renewal dates for the remaining coverage. The Company reassesses the contract boundary of each group at the end of each reporting period.

2. Material accounting policy information (cont'd.)

2.2 Summary of material accounting policy information (cont'd.)

(e) Takaful and retakaful certificates accounting treatment (cont'd.)

(vi) Measurement - Contracts not measured under the Premium Allocation Approach ("PAA")

Takaful certificates – initial measurement

Company

On initial recognition, the Company measures a group of takaful certificates as the total of:

- Fulfilment cash flows.
- A contractual service margin ("CSM"), representing the unearned profit the Company will recognise as it provides services in connection with the takaful certificates in the group.

Fulfilment cash flows comprise unbiased and probability-weighted estimates of future cash flows, discounted to present value to reflect the time value of money and financial risks, plus a risk adjustment for non-financial risk.

The Company's objective in estimating future cash flows is to determine the expected value, or the probability-weighted mean, of the full range of possible outcomes, considering all reasonable and supportable information available at the reporting date without undue cost or effort. The Company estimates future cash flows considering a range of scenarios which have commercial substance and give a good representation of possible outcomes. The cash flows from each scenario are probability-weighted and discounted using current assumptions.

When estimating future cash flows, the Company includes all cash flows that are within the contract boundary including:

- Contributions and related cash flows.
- Claims and benefits, including reported claims not yet paid, incurred claims not yet reported, expected future claims and surplus to participants.
- An allocation of takaful acquisition cash flows attributable to the portfolio to which the contract belongs.
- Claims handling costs.

2. Material accounting policy information (cont'd.)

2.2 Summary of material accounting policy information (cont'd.)

(e) Takaful and retakaful certificates accounting treatment (cont'd.)

(vi) Measurement - Contracts not measured under the Premium Allocation Approach ("PAA") (cont'd.)

Takaful certificates – initial measurement (cont'd.)

Company (cont'd.)

- Certificate administration and maintenance costs, including recurring commissions that are expected to be paid to intermediaries.
- An allocation of fixed and variable overheads directly attributable to fulfilling takaful certificates.
- Transaction-based taxes.

The fulfillment cash flows may include amounts that are in the scope of a standard other than MFRS 17. For example, the Company has included some depreciation costs on property, plant and equipment in the fulfillment cash flows under paragraph B64(l) of MFRS 17. The Company removes such costs from the fulfillment cash flows when they are incurred and included in the carrying amount of another asset or liability (e.g. property, plant and equipment) in accordance with the other standard.

The Company incorporates, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows. The Company estimates the probabilities and amounts of future payments under existing contracts based on information obtained, including:

- Information about claims already reported by participants.
- Other information about the known or estimated characteristics of the takaful certificates.
- Historical data about the Company's own experience, supplemented when necessary with data from other sources. Historical data is adjusted to reflect current conditions.
- Current pricing information, when available.

The measurement of fulfilment cash flows includes takaful acquisition cash flows which are allocated as a portion of contribution to profit or loss (through takaful revenue) over the period based on number of certificates.

2. Material accounting policy information (cont'd.)

2.2 Summary of material accounting policy information (cont'd.)

(e) Takaful and retakaful certificates accounting treatment (cont'd.)

(vi) Measurement - Contracts not measured under the Premium Allocation Approach ("PAA") (cont'd.)

Takaful certificates – initial measurement (cont'd.)

Company (cont'd.)

The Company's CSM is a component of the asset or liability for the group of takaful certificates that represents the unearned profit the Company will recognise as it provides services in the future. The Company measures the CSM on initial recognition at an amount that, unless the group of contracts is onerous, results in no income or expenses arising from:

- Initial recognition of the fulfilment cash flows.
- Derecognition at the date of initial recognition of any asset or liability recognised for takaful acquisition cash flows.
- Any cash flows arising from the contracts in the group at that date.

For groups of contracts assessed as onerous, the Company has recognised a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows and the CSM of the group being zero. A loss component has been established by the Company for the liability for remaining coverage for an onerous group depicting the losses recognised.

The liability for remaining coverage is the Company's obligation to investigate and pay valid claims for covered events that have not yet occurred (i.e., the obligation that relates to the unexpired portion of the coverage period) and at initial recognition, comprises all remaining expected future cash inflows and cash outflows under an takaful certificate plus the CSM for that contract.

The liability for incurred claims is the Company's obligation to investigate and pay valid claims for covered events that have already occurred, including events that have occurred but for which claims have not been reported, and other incurred takaful expenses. At initial recognition of a group of contracts, the liability for incurred claims is usually nil as no covered events have occurred.

Family Takaful Fund

Initial measurement of takaful certificates within the Family Takaful Fund follows the same principles as those for the Company, with the exceptions of the following:

2. Material accounting policy information (cont'd.)

2.2 Summary of material accounting policy information (cont'd.)

(e) Takaful and retakaful certificates accounting treatment (cont'd.)

(vi) Measurement - Contracts not measured under the Premium Allocation Approach ("PAA") (cont'd.)

Takaful certificates – initial measurement (cont'd.)

Family Takaful Fund (cont'd.)

- No CSM is recognised in the Family Takaful Fund on the basis that there should only be one (1) CSM for a takaful certificate, considering the key principle of the certificate being the lowest unit of account.
- When estimating future cash flows within the certificate boundary, the Family Takaful Fund includes cash flows that are relevant to the Family Takaful Fund only, including:
  - Contributions and related cash flows
  - Claims and benefits, including reported claims not yet paid, incurred claims not yet reported, expected future claims and surplus to participants
  - Remunerations to shareholder's fund, including Wakalah fee, surplus sharing, and investment profit sharing
  - Qard and repayment of Qard

Takaful certificates – subsequent measurement

Company

The CSM at the end of the reporting period represents the profit in the group of takaful certificates that has not yet been recognised in profit or loss, because it relates to future service to be provided.

Takaful certificates without direct participation features

For a group of takaful certificates the carrying amount of the CSM of the group at the end of the reporting period equals the carrying amount at the beginning of the reporting period adjusted, as follows:

2. Material accounting policy information (cont'd.)

2.2 Summary of material accounting policy information (cont'd.)

(e) Takaful and retakaful certificates accounting treatment (cont'd.)

(vi) Measurement - Contracts not measured under the Premium Allocation Approach ("PAA") (cont'd.)

Takaful certificates – subsequent measurement (cont'd.)

Company (cont'd.)

- The effect of any new contracts added to the group.
- Profit accreted on the carrying amount of the CSM during the reporting period, measured at the discount rates at initial recognition.
- The changes in fulfilment cash flows relating to future service, except to the extent that:
  - Such increases in the fulfilment cash flows exceed the carrying amount of the CSM, giving rise to a loss, or
  - Such decreases in the fulfilment cash flows are allocated to the loss component of the liability for remaining coverage.
- The amount recognised as takaful revenue because of the transfer of services in the period, determined by the allocation of the CSM remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period.

The locked-in discount rate is the weighted average of the rates applicable at the date of initial recognition of contracts that joined a group over a 12-month period. The discount rate used for accretion of profit on the CSM is determined using the bottom-up approach at inception (see note 3(i)).

2. Material accounting policy information (cont'd.)

2.2 Summary of material accounting policy information (cont'd.)

(e) Takaful and retakaful certificates accounting treatment (cont'd.)

(vi) Measurement - Contracts not measured under the Premium Allocation Approach ("PAA") (cont'd.)

Takaful certificates – subsequent measurement (cont'd.)

Company (cont'd.)

The changes in fulfilment cash flows relating to future service that adjust the CSM are comprised of:

- Experience adjustments that arise from the difference between the contribution receipts (and any related cash flows such as takaful acquisition cash flows and contribution related costs) and the estimate, at the beginning of the period, of the amounts expected. Differences related to contributions received (or due) related to current or past services are recognised immediately in profit or loss while differences related to contributions received (or due) for future services are adjusted against the CSM.
- Changes in estimates of the present value of future cash flows in the liability for remaining coverage, except those relating to the time value of money and changes in financial risk (recognised in the income statment or other comprehensive income rather than adjusting the CSM).
- Differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period.
- Changes in the risk adjustment for non-financial risk that relate to future service.

Except for changes in the risk adjustment, adjustments to the CSM noted above are measured at discount rates that reflect the characteristics of the cash flows of the group of takaful certificates at initial recognition (see note 3 (i)).

2. Material accounting policy information (cont'd.)

2.2 Summary of material accounting policy information (cont'd.)

(e) Takaful and retakaful certificates accounting treatment (cont'd.)

(vi) Measurement - Contracts not measured under the Premium Allocation Approach ("PAA") (cont'd.)

Takaful certificates – subsequent measurement (cont'd.)

Company (cont'd.)

Takaful certificates with direct participation features

Direct participating contracts are contracts under which the Company's obligation to the participants is the net of:

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

When measuring a group of direct participating contracts, the Company adjusts the fulfilment cash flows for the whole of the changes in the obligation to pay participants an amount equal to the fair value of the underlying items. These changes do not relate to future services and are recognised in profit or loss. The Company then adjusts any CSM for changes in the amount of the Company's share of the fair value of the underlying items, which relate to future services, as explained below.

For a group of takaful certificates the carrying amount of the CSM of the group at the end of the reporting period equals the carrying amount at the beginning of the reporting period adjusted, as follows:

- the effect of any new contracts added to the group.
- the change in the amount of the Company's share of the fair value of the underlying items and changes in fulfilment cash flows that relate to future services, except to the extent that:

2. Material accounting policy information (cont'd.)

2.2 Summary of material accounting policy information (cont'd.)

(e) Takaful and retakaful certificates accounting treatment (cont'd.)

(vi) Measurement - Contracts not measured under the Premium Allocation Approach ("PAA") (cont'd.)

Takaful certificates – subsequent measurement (cont'd.)

Company (cont'd.)

  - the Company has applied the risk mitigation option to exclude from the CSM changes in the effect of financial risk on the amount of its share of the underlying items or fulfilment cash flows;
  - a decrease in the amount of the Company's share of the fair value of the underlying items, or an increase in the fulfilment cash flows that relate to future services, exceeds the carrying amount of the CSM, giving rise to a loss in profit or loss (included in takaful service expenses) and creating a loss component; or
  - an increase in the amount of the Company's share of the fair value of the underlying items, or a decrease in the fulfilment cash flows that relate to future services, is allocated to the loss component, reversing losses previously recognised in profit or loss (included in takaful service expenses);
- the amount recognised as takaful revenue because of the transfer of services in the period, determined by the allocation of the CSM remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period.

Changes in fulfilment cash flows not varying based on the return on underlying items that relate to future services include the changes relating to future services specified above for contracts without direct participation features (measured at current discount rates) and changes in the effect of the time value of money and financial risks that do not arise from underlying items – e.g. the effect of financial guarantees.

The Company measures the carrying amount of a group of takaful certificates at the end of each reporting period as the sum of: (i) the liability for remaining coverage comprising fulfilment cash flows related to future service allocated to the group at that date and the CSM of the group at that date; and (ii) the liability for incurred claims for the Company comprising the fulfilment cash flows related to past service allocated to the group at that date.

2. Material accounting policy information (cont'd.)

2.2 Summary of material accounting policy information (cont'd.)

(e) Takaful and retakaful certificates accounting treatment (cont'd.)

(vi) Measurement - Contracts not measured under the Premium Allocation Approach ("PAA") (cont'd.)

Takaful certificates – subsequent measurement (cont'd.)

Family Takaful Fund

Subsequent measurement of takaful certificates within the Family Takaful Fund follows the same principles as those for the Company, with the exceptions of the following:

- There is no CSM for a group of takaful certificates as the Family Takaful Fund does not seek profit from its participants
- When estimating future cash flows, the Family Takaful Fund includes cash flows that are relevant to the Family Takaful Fund only, including:
  - Contributions and related cash flows
  - Claims and benefits, including reported claims not yet paid, incurred claims not yet reported, expected future claims and surplus to participants
  - Remunerations to shareholder's fund, including Wakalah fee, surplus sharing, and investment profit sharing.
  - Qard and repayment of Qard

Retakaful certificates held

The measurement of retakaful certificates held for the Company follows the same principles as those for takaful certificates issued, with the exception of the following:

- Measurement of the cash flows include an allowance on a probability-weighted basis for the effect of any non-performance by the retakaful operators, including the effects of collateral and losses from disputes.
- The Company determines the risk adjustment for non-financial risk so that it represents the amount of risk being transferred to the retakaful operator.

2. Material accounting policy information (cont'd.)

2.2 Summary of material accounting policy information (cont'd.)

(e) Takaful and retakaful certificates accounting treatment (cont'd.)

(vi) Measurement - Contracts not measured under the Premium Allocation Approach ("PAA") (cont'd.)

Retakaful certificates held (cont'd.)

The measurement of retakaful certificates held for the Family Takaful Fund follows the same principles as those for takaful certificates issued, with the exception of the following:

- On initial recognition, the CSM of a group of retakaful certificates is measured as the equal and opposite amount of the total of (a) the fulfilment cash flows, (b) any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group, (c) any cash flows arising at that date and (d) any income recognised in profit or loss because of onerous underlying contracts recognised at that date. However, if any net cost on purchasing retakaful coverage relates to covered events that occurred before the purchase of the group, then the Company recognises the cost immediately in profit or loss as an expense.
- Changes in the fulfilment cash flows are recognised in profit or loss if the related changes arising from the underlying ceded contracts have been recognised in profit or loss. Otherwise, changes in the fulfilment cash flows adjust the CSM.
- Measurement of the cash flows include an allowance on a probability-weighted basis for the effect of collateral and losses from disputes.
- Measurement of the cash flows include a transfer of the results of the retakaful certificates held on this basis that such results are utilised for estimation of net surplus within the Family Takaful Fund. Therefore, there is no CSM for retakaful certificates held.

(vii) Measurement - Contracts measured under the PAA

Takaful certificates

The Company generally uses the Premium* Allocation Approach ("PAA"), to simplify the measurement of groups of contracts when the coverage period of each contract in the group is one year or less.

*Premium refers to contribution in Takaful terms

2. Material accounting policy information (cont'd.)

2.2 Summary of material accounting policy information (cont'd.)

(e) Takaful and retakaful certificates accounting treatment (cont'd.)

(vii) Measurement - Contracts measured under the PAA (cont'd.)

Takaful certificates (cont'd.)

On initial recognition of each group of takaful certificates, the carrying amount of the liability for remaining coverage is measured at the contribution received on initial recognition minus any takaful acquisition cash flows allocated to the group at that date, and adjusted for any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any contribution received and the amortisation of takaful acquisition cash flows recognised as expenses, and decreased by the amount recognised as takaful revenue for services provided and any additional takaful acquisition cash flows allocated after initial recognition. On initial recognition of each group of contracts, the Company expects that the time between providing each part of the services and the related contribution due date is no more than a year. Accordingly, the Company has chosen not to adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Company recognises a loss in profit or loss and increases the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage exceed the carrying amount of the liability for remaining coverage. The fulfilment cash flows are discounted (at current rates) if the liability for incurred claims is also discounted.

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

Measurement for the Family Takaful Fund follows the same principles as that for the Company.

2. Material accounting policy information (cont'd.)

2.2 Summary of material accounting policy information (cont'd.)

(e) Takaful and retakaful certificates accounting treatment (cont'd.)

(vii) Measurement - Contracts measured under the PAA (cont'd.)

Retakaful certificates held

The Company applies the same accounting policies to measure a group of retakaful certificates held, adapted where necessary to reflect features that differ from those of takaful certificates.

Measurement for the Family Takaful Fund follows the same principles as that for the Company.

(viii) Modification and derecognition

The Company and Family Takaful Fund derecognises takaful certificates when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired), or

- The contract is modified such that the modification results in a change in the measurement model, or the applicable standard for measuring a component of the contract. In such cases, the Company and Family Takaful Fund derecognises the initial contract and recognises the modified contract as a new contract.

(ix) Qard

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

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

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

2. Material accounting policy information (cont'd.)

2.2 Summary of material accounting policy information (cont'd.)

(e) Takaful and retakaful certificates accounting treatment (cont'd.)

(x) Presentation

The Company has presented separately in the statement of financial position the carrying amount of portfolios of takaful certificates issued that are assets, portfolios of takaful certificates issued that are liabilities, portfolios of retakaful certificates held that are assets and portfolios of retakaful certificates held that are liabilities.

Any assets or liabilities for takaful acquisition cash flows recognised before the corresponding takaful certificates are recognised are included in the carrying amount of the related groups of takaful certificates issued.

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

The Company does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the takaful service result.

The Company separately presents income or expenses from takaful certificates held from the expenses or income from retakaful certificates issued.

Takaful Revenue

The Company's takaful revenue depicts the provision of coverage and other services arising from a group of takaful certificates at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services. Takaful revenue from a group of takaful certificates is therefore the relevant portion for the period of the total consideration for the contracts, (i.e., the amount of contributions paid to the Company adjusted for financing effect (the time value of money) and excluding any distinct investment components).

2. Material accounting policy information (cont'd.)

2.2 Summary of material accounting policy information (cont'd.)

(e) Takaful and retakaful certificates accounting treatment (cont'd.)

(x) Presentation (cont'd.)

Takaful Revenue (cont'd.)

The total consideration for a group of contracts covers amounts related to the provision of services and is comprised of:

- Takaful service expenses, excluding any amounts allocated to the loss component of the liability for remaining coverage.
- The risk adjustment for non-financial risk, excluding any amounts allocated to the loss component of the liability for remaining coverage.
- The CSM release.
- Amounts related to takaful acquisition cash flows.

Loss components

The Company has grouped contracts that are onerous at initial recognition separately from contracts in the same portfolio that are not onerous at initial recognition. Groups that were not onerous at initial recognition can also subsequently become onerous if assumptions and experience changes. The Company has established a loss component in the liability for remaining coverage for any onerous group depicting the future losses recognised.

A loss component represents a notional record of the losses attributable to each group of onerous takaful certificates (or contracts profitable at inception that have become onerous). The loss component is released based on a systematic allocation of the subsequent changes in the fulfilment cash flows to: (i) the loss component; and (ii) the liability for remaining coverage excluding the loss component. The loss component is also updated for subsequent changes in estimates of the fulfilment cash flows related to future service. The systematic allocation of subsequent changes to the loss component results in the total amounts allocated to the loss component being equal to zero by the end of the coverage period of a group of contracts (since the loss component will have been materialised in the form of incurred claims). The Company uses the proportion on initial recognition to determine the systematic allocation of subsequent changes in future cash flows between the loss component and the liability for remaining coverage excluding the loss component.

2. Material accounting policy information (cont'd.)

2.2 Summary of material accounting policy information (cont'd.)

(e) Takaful and retakaful certificates accounting treatment (cont'd.)

(x) Presentation (cont'd.)

Takaful finance income and expense

Takaful finance income or expenses comprise the change in the carrying amount of the group of takaful certificates arising from:

- The effect of the time value of money and changes in the time value of money.
- The effect of financial risk and changes in financial risk.

The Company defines the Family Takaful Fund as an underlying item. Hence, changes in measurement of a group of takaful certificates caused by changes in the value of the Family Takaful Fund are reflected in takaful finance income or expenses.

The Company disaggregates takaful finance income or expenses on takaful certificates issued between profit or loss and OCI. The impact of changes in market profit rates on the value of the family takaful and related retakaful assets and liabilities are reflected in OCI in order to minimise accounting mismatches between the accounting for financial assets and takaful assets and liabilities.

The Company systematically allocates expected total takaful finance income or expenses over the duration of the group of contracts to profit or loss using discount rates determined on initial recognition of the group of contracts.

In the event of transfer of a group of takaful certificates or derecognition of a takaful certificate, the Company reclassifies the takaful income finance or expense to profit or loss as a reclassification adjustment to any remaining amounts for the group (or contract) that were previously recognised in other comprehensive income.

2. Material accounting policy information (cont'd.)

2.2 Summary of material accounting policy information (cont'd.)

(e) Takaful and retakaful certificates accounting treatment (cont'd.)

(x) Presentation (cont'd.)

Net income or expense from retakaful certificates held

The Company presents separately on the face of the income statement and other comprehensive income, the amounts expected to be recovered from retakaful operators, and an allocation of the retakaful contributions paid. The Company treats retakaful cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the retakaful certificate held, and excludes investment components and commissions from an allocation of retakaful contributions presented on the face of the income statement and other comprehensive income.

Presentation for the Family Takaful Fund

Presentation for the Family Takaful Fund follows the same principles as those for the Company.

(f) Fair value measurement

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

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

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

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.

2. Material accounting policy information (cont'd.)

2.2 Summary of material accounting policy information (cont'd.)

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

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

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

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

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

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

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.

2. Material accounting policy information (cont'd.)

2.2 Summary of material accounting policy information (cont'd.)

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

The fair value of financial assets that are actively traded in organised financial markets, i.e. quoted Shariah-approved equities and financial instruments with embedded derivatives is determined by reference to quoted market bid prices for assets at the close of business on statement of financial position date. Fair value for investments in, collective investement schemes ("CIS") 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 Bloomberg Valuation Services ("BVAL").

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

(g) Employee benefits

(i) Short-term benefits

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

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

2. Material accounting policy information (cont'd.)

2.2 Summary of material accounting policy information (cont'd.)

(g) 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.

(h) 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.

(i) 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.

(j) 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.

2. Material accounting policy information (cont'd.)

2.2 Summary of material accounting policy information (cont'd.)

(j) Income tax (cont'd.)

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 under taxation attributable to participants 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, in which case the deferred tax is also charged or credited directly in other comprehensive income.

(k) 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.

(l) 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.

2. Material accounting policy information (cont'd.)

2.2 Summary of material accounting policy information (cont'd.)

(m) 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.

<u>Short-term leases and leases of low-value assets</u>

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.

2. Material accounting policy information (cont'd.)

2.2 Summary of material accounting policy information (cont'd.)

(m) Leases (cont'd.)

(i) As Lessee (cont'd.)

<u>Lease term</u>

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 reassesses 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.

<u>Lease modifications</u>

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.

(n) 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.

2. Material accounting policy information (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 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*
- MFRS 17 *Insurance Contracts*
- 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*

The adoption of the above standards and pronouncement did not have any significant impact on the financial statements of the Company, except for the following:

(i) MFRS 17 Insurance Contracts and Amendments to MFRS 17

MFRS 17 replaces MFRS 4 *Insurance Contracts* for annual periods beginning on or after 1 January 2023. The Company has restated comparative information for the financial year ended 31 December 2022 and as at 1 January and 31 December 2022, applying the transitional provisions in Appendix C to MFRS 17. The nature of the changes in accounting policies can be summarised, as follows:

The adoption of MFRS 17 did not change the classification of the Company's takaful certificates. However, MFRS 17 establishes specific principles for the recognition and measurement of takaful certificates issued and retakaful certificates held by the Company.

2. Material accounting policy information (cont'd.)

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

(i) MFRS 17 Insurance Contracts and Amendments to MFRS 17 (cont'd.)

The key principles of MFRS 17 are that the Company:

- Identifies takaful certificates as those under which the Company accepts significant takaful risk from another party (the participants) by agreeing to compensate the participants if a specified uncertain future event (the covered event) adversely affects the participants.
- Separates specified embedded derivatives, distinct investment components and distinct non-takaful goods or services from takaful certificates and accounts for them in accordance with other standards.
- Divides the takaful and retakaful certificates into groups it will recognise and measure.
- Recognises and measures groups of takaful certificates at:
  - A risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all available information about the fulfilment cash flows in a way that is consistent with observable market information, plus
  - An amount representing the unearned profit in the group of contracts (CSM), plus
  - Recognises profit from a group of takaful certificates over the period the Company provides takaful coverage, as the Company is released from risk. If a group of contracts is expected to be onerous (i.e., loss-making) over the remaining coverage period, the Company recognises the loss immediately.

The Company's classification and measurement of takaful and retakaful certificates is explained in Note 2.2(e).

Changes to presentation and disclosure

For presentation in the statement of financial position, the Company aggregates takaful and retakaful certificates issued and retakaful certificates held, respectively and presents separately:

- Portfolios of takaful certificates issued that are assets
- Portfolios of retakaful certificates held that are assets
- Portfolios of takaful certificates issued that are liabilities
- Portfolios of retakaful certificates held that are liabilities

The portfolios referred to above are those established at initial recognition in accordance with the MFRS 17 requirements.

2. Material accounting policy information (cont'd.)

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

(i) MFRS 17 Insurance Contracts and Amendments to MFRS 17 (cont'd.)

Changes to presentation and disclosure (cont'd.)

The line item descriptions in the income statement and other comprehensive income have been changed significantly compared with last year. Previously the Company reported the following main line items: net earned contributions, net benefits and claims, and other expenses. MFRS 17 requires separate presentation of:

- Takaful revenue
- Takaful service expense
- Takaful finance income or expense
- Income or expenses from retakaful certificate held

The Company provides disaggregated qualitative and quantitative information in the notes to the financial statements about:

- The amounts recognised in its financial statements from takaful certificates.
- Significant judgements, and changes in those judgements, made when applying the standard.

Transition

On transition date, 1 January 2022, the Company:

- Has identified, recognised and measured each group of takaful certificates as if MFRS 17 had always applied, unless impracticable.
- Derecognised any existing balances that would not exist had MFRS 17 always been applied.
- Recognised any resulting net difference in equity.

Full retrospective approach

On transition to MFRS 17, the Company has applied the full retrospective approach unless impracticable. The Company has applied the full retrospective approach on transition to all contracts issued on or after 1 January 2021.

2. Material accounting policy information (cont'd.)

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

(i) MFRS 17 Insurance Contracts and Amendments to MFRS 17 (cont'd.)

Fair value approach

The Company has applied the fair value approach on transition for all contracts issued on or before 31 December 2020. Obtaining reasonable and supportable information to apply the full retrospective approach was impracticable without undue cost or effort. The Company has determined the CSM of the liability for remaining coverage at the transition date, as the difference between the fair value of the group of takaful certificates and the fulfilment cash flows measured at that date. In determining fair value, the Company has applied the requirements of MFRS 13 *Fair Value Measurement*.

The Company has aggregated contracts issued more than one year apart in determining groups of takaful certificates under the fair value approach at transition as it did not have reasonable and supportable information to aggregate groups into those including only contracts issued within one year.

For the application of the fair value approach, the Company has used reasonable and supportable information available at the transition date in order to:

- Identify groups of takaful certificates
- Determine whether any contracts are direct participating takaful certificates
- Identify any discretionary cash flows for takaful certificates without direct participation features

The discount rate for the group of contracts applying the fair value approach was determined at the transition date. Therefore, for the measurement of fulfilment cash flows at the date of transition, the locked-in discount rate is the weighted average of the rates applicable at the date of initial recognition of contracts that joined a group over a 12-month period. The discount rate used for accretion of profit on the CSM is determined using the bottom-up approach at inception.

The Company has elected to disaggregate takaful finance income or expenses between amounts included in profit or loss and amounts included in other comprehensive income and reset the cumulative amount of takaful finance income or expense recognised in other comprehensive income at the transition date to zero.

The Company used the income approach to fair value the takaful certificates at the transition date.

2. Material accounting policy information (cont'd.)

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

(ii) MFRS 9 Financial Instruments

MFRS 9 replaces MFRS 139 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018. However, the Company elected, under the amendments to MFRS 4 to apply the temporary exemption from MFRS 9, deferring the initial application date of MFRS 9 to align with the initial application of MFRS 17. The Company has applied MFRS 9 retrospectively and restated comparative information for the financial year ended 31 December 2022 and as at 1 January and 31 December 2022, for financial instruments in the scope of MFRS 9. Differences arising from the adoption of MFRS 9 have been recognised in retained earnings as of 1 January 2022.

The nature of the changes in accounting policies can be summarised as follows:

Changes to the classification and measurement

To determine their classification and measurement category, MFRS 9 requires all financial assets to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The MFRS 139 measurement categories for financial assets (fair value through profit or loss ("FVTPL"), available for sale ("AFS"), held-to-maturity ("HTM") and loans and receivables ("L&R") at amortised cost), have been replaced by:

- Financial assets at fair value through profit or loss including equity
- Debt instruments at fair value through other comprehensive income, with gains or losses recycled to profit or loss on derecognition
- Debt instruments at amortised cost
- Equity instruments at fair value through other comprehensive income, with no recycling of gains or losses to profit or loss on derecognition (not used by the Company)

The Company's classification of its financial assets is explained in Note 2.2(c).

2. Material accounting policy information (cont'd.)

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

(ii) MFRS 9 Financial Instruments (cont'd.)

Changes to the impairment calculation

The adoption of MFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets held at FVOCI or amortised cost by replacing MFRS 139's incurred loss approach with a forward-looking expected credit loss ("ECL") approach.

MFRS 9 requires the Company to record an allowance for ECLs for all debt instruments not held at FVTPL.

For debt instruments, the ECL is based on the portion of lifetime ECLs that would result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination or purchase of the assets, the allowance is based on the full lifetime ECL. The Company considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to mitigating actions.

The Company defines a financial asset as in default, which is fully aligned with the definition of credit-impaired and the default equivalent credit rating set out in the Company's internal credit risk rating policy. As a general rule of thumb, there is a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due. The definition of default used should be applied consistently to all financial instruments, unless information becomes available that demonstrates that another definition of default is more appropriate for a particular financial instrument.

The adoption of the ECL requirements of MFRS 9 resulted in increases in impairment allowances related to the Company's debt instruments. The increase in allowance was adjusted to retained earnings.

Details of the Company's impairment methodology are disclosed in Note 2.2 (c)(iv).

Transition

The following section sets out the impact of adopting MFRS 9 on the statement of financial position, including the effect of replacing MFRS 139's incurred credit loss calculations with MFRS 9's ECLs.

2. Material accounting policy information (cont'd.)

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

(ii) MFRS 9 Financial Instruments (cont'd.)

Transition (cont'd.)

A reconciliation between the carrying amounts under MFRS 139 to the balances reported under MFRS 9 as of 1 January 2022 is, as follows:

			1 January 2022 Classification under MFRS 9		
	31 December 2021 as per audited MFRS139	Remeasurement/ Reclassification/ Expected Credit Losses ("ECLs")	Fair Value Through Profit or Loss ("FVTPL")	Fair Value Through Other Comprehensive Income ("FVOCI")	Amortised Cost ("AC")
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Family Takaful Fund					
Financial assets					
Available-For-Sale ("AFS")					
Investment in debt securities	516,912	316,872	-	833,784	-
FVTPL (held for trading)					
Investment in debt securities	316,872	(316,872)	-	-	-
Investment in equity instruments held for trading	15,298	-	15,298	-	-
Collective investment scheme	540,811	-	540,811	-	-
Financing & Receivables ("F&R")					
Other assets	9,535	-	-	-	9,535
Cash and cash equivalents	15,973	-	-	-	15,973
Fixed deposits with licensed banks	102,208	-	-	-	102,208
	1,517,609	**-**	**556,109**	**833,784**	**127,716**

2. Material accounting policy information (cont'd.)

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

(ii) MFRS 9 Financial Instruments (cont'd.)

Transition (cont'd.)

			1 January 2022 Classification under MFRS 9		
	31 December 2021 as per audited MFRS139	Remeasurement/ Reclassification/ Expected Credit Losses ("ECLs")	Fair Value Through Profit or Loss ("FVTPL")	Fair Value Through Other Comprehensive Income ("FVOCI")	Amortised Cost ("AC")
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Company					
Financial assets					
Available-For-Sale ("AFS")					
Investment in debt securities	604,351	316,872	-	921,223	-
FVTPL (held for trading)					
Investment in debt securities	316,872	(316,872)	-	-	-
Investment in equity instruments held for trading	15,298	-	15,298	-	-
Collective investment scheme	606,656	-	606,656	-	-
Financing & Receivables ("F&R")					
Other assets	12,290	-	-	-	12,290
Cash and cash equivalents	19,609	-	-	-	19,609
Fixed deposits with licensed banks	116,651	-	-	-	116,651
	1,691,727	**-**	**621,954**	**921,223**	**148,550**

2. Material accounting policy information (cont'd.)

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

(ii) MFRS 9 Financial Instruments (cont'd.)

Transition (cont'd.)

A reconciliation between the carrying amounts under MFRS 139 to the balances reported under MFRS 9 as of 1 January 2023 is, as follows:

	31 December 2022 as per audited MFRS139	Remeasurement/ Reclassification/ Expected Credit Losses ("ECLs")	1 January 2023 Classification under MFRS 9 Fair Value Through Profit or Loss ("FVTPL")	Fair Value Through Other Comprehensive Income ("FVOCI")	Amortised Cost ("AC")
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Family Takaful Fund					
Financial assets					
Available-For-Sale ("AFS")					
Investment in debt securities	486,298	413,295	-	899,593	-
FVTPL (held for trading)					
Investment in debt securities	413,295	(413,295)	-	-	-
Investment in equity instruments held for trading	12,328	-	12,328	-	-
Collective investment scheme	467,189	-	467,189	-	-
Financing & Receivables ("F&R")					
Other assets	10,429	-	-	-	10,429
Cash and cash equivalents	19,021	-	-	-	19,021
Fixed deposits with licensed banks	164,899	-	-	-	164,899
	1,573,459	**-**	**479,517**	**899,593**	**194,349**

2. Material accounting policy information (cont'd.)

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

(ii) MFRS 9 Financial Instruments (cont'd.)

Transition (cont'd.)

			1 January 2023 Classification under MFRS 9		
	31 December 2022 as per audited MFRS139	Remeasurement/ Reclassification/ Expected Credit Losses ("ECLs")	Fair Value Through Profit or Loss ("FVTPL")	Fair Value Through Other Comprehensive Income ("FVOCI")	Amortised Cost ("AC")
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Company					
Financial assets					
Available-For-Sale ("AFS")					
Investment in debt securities	566,776	413,295	-	980,071	-
FVTPL (held for trading)					
Investment in debt securities	413,295	(413,295)	-	-	-
Investment in equity instruments held for trading	12,328	-	12,328	-	-
Collective investment scheme	534,525	-	534,525	-	-
Financing & Receivables ("F&R")					
Other assets	14,359	-	-	-	14,359
Cash and cash equivalents	21,572	-	-	-	21,572
Fixed deposits with licensed banks	255,463	-	-	-	255,463
	1,818,318	**-**	**546,853**	**980,071**	**291,394**

2. Material accounting policy information (cont'd.)

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

(iii) Transition impact from MFRS 17 Insurance Contracts and MFRS 9 Financial Instruments on 1 January 2022

The impact of the restatement on the reserves and accumulated losses is as follows:

	Reserves and retained earnings RM'000
Fair value reserve	
Closing balance under MFRS 139 (31 December 2021)	780
Reclassification of investment asset in relation to MFRS 9 application	10,138
Opening balance under MFRS 9 (1 January 2022)	**10,918**
Takaful finance reserve	
Recognition of balances from initial application of MFRS 17	(5,100)
Opening balance under MFRS 17 (1 January 2022)	**(5,100)**
Accumulated Losses	
Closing balance under MFRS 4 and MFRS 139 (31 December 2021)	(227,327)
Derecognition of MFRS 4 balances	1,472,284
Recognition of balances from initial application of MFRS 17	(1,351,548)
Reclassification of investment asset in relation to MFRS 9 application	(10,138)
Deferred tax impact from MFRS 17 application	(28,311)
Opening balance under MFRS 17 and MFRS 9 (1 January 2022)	**(145,040)**
Total change in equity due to application MFRS 9	-
Total change in equity due to application of MFRS 17	87,325

2. Material accounting policy information (cont'd.)

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 2024

- Lease Liability in a Sale and Leaseback (Amendments to MFRS 16 *Leases*)
- Non-current Liabilities with Covenants (Amendments to MFRS 101 *Presentation of Financial Statements)*
- Disclosures: Supplier Finance Arrangements (Amendments to MFRS 107 *Statement of Cash Flows* and MFRS 7 *Financial Instruments: Disclosures*)

Effective for financial periods beginning on or after 1 January 2025
Deferred

- Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Lack of exchangeability (Amendments to MFRS 121 *The Effects of Changes in Foreign Exchange Rates*)

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

3. Significant accounting estimates and judgements

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.

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:

Takaful and retakaful certificates

The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

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

Takaful and retakaful certificates (cont'd.)

(i) The methods used to measure takaful certificates

The Company primarily uses deterministic projections to estimate the present value of future cash flows. The following assumptions were used when estimating future cash flows:

- In the preparation of the Company's financial

  Assumptions are based on market data where available, set with reference to retakaful rates, and adjusted when appropriate to reflect the Company's own experiences. Assumptions are differentiated by participant gender, underwriting class and contract type. An increase in expected mortality and morbidity rates will increase the expected claim cost which will reduce future expected profits of the Company.

- Expenses

  Operating expenses assumptions reflect the projected costs of maintaining and servicing in–force certificates and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate.

  An increase in the expected level of expenses will reduce future expected profits of the Company.

  The cash flows within the contract boundary include an allocation of fixed and variable overheads directly attributable to fulfilling takaful certificates. (Such overheads are allocated to groups of contracts using methods that are systematic and rational, and are consistently applied to all costs that have similar characteristics).

- Lapse and surrender rates

  Lapses relate to the termination of certificates due to non–payment of contributions. Surrenders relate to the voluntary termination of certificates by participants. Certificate termination assumptions are determined using statistical measures based on the Company's experience and vary by product type, certificate duration and sales channel.

  An increase in lapse rates would tend to reduce profits of the Company.

- Discount rate

  All cash flows are discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity of the takaful certificates. The risk-free yield curve is interpolated between the last available market data point and an ultimate forward rate, which reflects long-term real profit rate and inflation expectations. Although the ultimate forward rate is subject to revision, it is expected to be stable and would change only on changes to long-term expectations. To reflect the liquidity characteristics of the takaful certificates, the risk-free yield curves are adjusted by an illiquidity premium. Illiquidity premiums are determined by adjusting the return of a reference portfolio to eliminate any factors that are not relevant to the takaful certificates.

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

Takaful and retakaful certificates (cont'd.)

(i) The methods used to measure takaful certificates (cont'd.)

The tables below set out the discount rates used:

As at 31 December 2023

	1 year	5 years	10 years	15 years	20 years
Risk free	3.26%	3.91%	3.84%	4.44%	4.72%
With illiquidity premium	3.47%	4.13%	4.06%	4.65%	4.93%

As at 31 December 2022

	1 year	5 years	10 years	15 years	20 years
Risk free	3.46%	4.06%	4.34%	4.69%	4.83%
With illiquidity premium	4.49%	5.09%	5.37%	5.72%	5.86%

Cash flows that vary based on the returns on any financial underlying items are adjusted for the effect of that variability using risk-neutral measurement techniques and discounted using the risk-free rates as adjusted for illiquidity.

(ii) Risk adjustment for non-financial risk

The risk adjustment for non-financial risk represents the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of takaful certificates and covers takaful risk, lapse risk and expense risk. The risk adjustment reflects an amount that a takaful operator would rationally pay to remove the uncertainty that future cash flows will exceed the best estimate amount. The Company has estimated the risk adjustment at 75% confidence level using the margin approach.

(iii) Amortisation of the CSM

The CSM is a component of the asset or liability for the group of takaful certificates that represents the unearned profit the Company will recognise as it provides services in the future. An amount of the CSM for a group of takaful certificates is recognised in profit or loss as takaful revenue in each period to reflect the services provided under the group of takaful certificates in that period, based on the number of coverage units provided in the period, which is determined by considering for each contract, the quantity of the services provided, its expected coverage period and time value of money.

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

Takaful and retakaful certificates (cont'd.)

(iii) Amortisation of the CSM (cont'd.)

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

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

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

The amortisation of the CSM of the retakaful certificates held follows the same principles as those for takaful certificates issued.

Impairment losses for financial assets

The measurement of impairment losses under MFRS 9 across relevant financial assets requires judgement, in particular for the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by the outcome of modelled ECL scenarios and the relevant inputs used.

4. Takaful revenue

The table below presents an analysis of the total takaful revenue recognised in the year:

	Note	2023 RM'000	2022 RM'000
Family Takaful Fund			
Certificates not measured under the PAA			
Amounts relating to the changes in the liability for remaining coverage			
Expected claims and takaful service expenses incurred in the year	a	170,560	125,568
Amounts relating to recovery of takaful acquisition cash flows		1,670	967
Takaful revenue - certificates not measured under the PAA		172,230	126,535
Takaful revenue - certificates measured under the PAA		95,119	91,673
Total takaful revenue		**267,349**	**218,208**

Notes:

a. Expected takaful service expenses incurred in the period comprise claims and other expenses which the Family Takaful Fund expects to pay on covered events that occurred during the period. Refer to Note 2.2(e)(vi) for the full list of the cash flows included.

4. Takaful revenue (cont'd.)

The table below presents an analysis of the total takaful revenue recognised in the year: (cont'd.)

	Note	2023 RM'000	2022 RM'000
Company			
Certificates not measured under the PAA			
Amounts relating to the changes in the liability for remaining coverage			
Expected claims and takaful service expenses incurred in the year	a	100,565	100,297
Change in the risk adjustment for non-financial risk	b	3,607	1,736
Amount of CSM recognised in profit or loss	c	8,462	13,414
Other amount		(5,129)	(5,284)
Amounts relating to recovery of takaful acquisition cash flows			
Allocation of the portion of contributions that relate to the recovery of takaful acquisition cash flows		42,808	26,527
Takaful revenue - certificates not measured under the PAA		150,313	136,690
Takaful revenue - certificates measured under the PAA		95,130	91,673
Total takaful revenue		**245,443**	**228,363**

Notes:

a. Expected takaful service expenses incurred in the period comprise claims and other expenses which the Company expects to pay on covered events that occurred during the period. Refer to Note 2.2(e)(vi) for the full list of the cash flows included.

b. Change in risk adjustment shows the amount of risk expired during the period. Refer to Note 3(ii) for the details of accounting policy.

c. The CSM is recognised in profit or loss over the coverage period of the corresponding group of certificates based on coverage units. Refer to Note 3(iii) for the details of accounting policy.

5. Takaful service expenses

The table below presents an analysis of the total takaful service expenses recognised in the year:

	Note	2023 RM'000	2022 RM'000
Family Takaful Fund			
Incurred claims and other takaful service expenses	b	(233,596)	(221,444)
Incurred wakalah fees	a	(66,940)	(62,450)
Amortisation of acquisition cash flows - wakalah fees	a	(8,370)	(11,852)
Changes to liabilities for incurred claims		18,018	42,859
Total takaful service expenses		**(290,888)**	**(252,887)**
Represented by:			
Contracts not measured under the PAA		(195,769)	(161,214)
Contracts measured under the PAA		(95,119)	(91,673)
		(290,888)	**(252,887)**

Notes:

a. The wakalah fees paid to the Shareholder's Fund during the year is RM141.4 million (2022: RM131.9 million).

b. The surplus distribution declared to the Shareholder's Fund during the year is RM26.7 million (2022: RM18.0 million). The surplus distribution declared to participants during the year is RM26.9 million (2022: RM18.6 million). The investment profit sharing paid to the Shareholder's Fund during the year is RM2.5 million (2022: RM2.5 million).

5. Takaful service expenses (cont'd.)

The table below presents an analysis of the total takaful service expenses recognised in the year:

	Note	2023 RM'000	2022 RM'000
Company			
Incurred claims and other takaful service expenses	a, b	(215,752)	(212,696)
Amortisation of acquisition cash flows	b	(55,485)	(39,356)
Losses on onerous contracts and reversal of losses on onerous contracts		(26,522)	(6,465)
Changes to liabilities for incurred claims		18,018	42,859
Total takaful service expenses		**(279,741)**	**(215,658)**
Represented by:			
Contracts not measured under the PAA		(191,578)	(139,366)
Contracts measured under the PAA		(88,163)	(76,292)
		(279,741)	**(215,658)**

Notes:

a. The surplus distribution declared to the Shareholder's Fund during the year is RM26.7 million (2022: RM18.0 million). The surplus distribution declared to certificate holders during the year is RM26.9 million (2022: RM18.6 million).

5. Takaful Service Expenses (cont'd.)

Notes: (cont'd.)

b. The breakdown of expenses incurred by the Company:

	Note	2023 RM'000	2022 RM'000
Fees and commision expenses		89,784	79,632
Personnel expenses :			
Salaries, bonus and other related costs		49,214	48,046
Contribution to defined contribution plans		8,643	8,419
Others		5,342	6,020
Shariah Committee fee and other emoluments	19	282	251
Auditor's remuneration:			
Statutory audit fees		425	351
Other assurance services		984	510
Amortisation of intangible assets	10	4,526	4,161
Depreciation of property, plant and equipment	9	1,464	2,482
Directors' Fees	19	1,115	1,126
Information technology costs		20,589	22,509
Marketing and research		30,888	36,783
Printing and stationery		476	1,264
Professional fees		3,998	6,175
Channel development costs		52,688	21,199
Postage and stamp duties		328	754
Utilities, assessment and maintenance		562	687
Depreciation of right-of-use assets	11(a)	2,607	2,369
Profit expense on lease liabilities	11(b)	167	88
Seed money for Family Takaful Fund		5,000	5,000
Corporate Social Responsibility project		2,402	20,404
Contribution subsidy		37	18,438
Others		8,665	9,940
		290,186	296,608
Less: Amount attributed to acquisition cash flows		(206,147)	(161,428)
Add: Amortisation of acquisition cash flows		55,485	39,356
		139,524	174,536
Represented by:			
Takaful service expenses:			
Maintenance expenses		43,931	33,892
Acquisition expenses		55,485	39,356
		99,416	73,248
Other expenses		40,108	101,288
		139,524	174,536

6. Net investment income and net takaful finance result

The table below presents an analysis of total investment income and takaful finance result recognised in profit or loss and OCI in the year:

	2023 RM'000	2022 RM'000
Family Takaful Fund		
Investment income		
Amounts recognised in profit or loss		
Net fair value gains/(losses) on financial assets at fair value through profit or loss	41,697	(80,887)
Other investment profit	56,311	47,233
Impairment loss on financial assets	(345)	(373)
Total amounts recognised in the profit or loss	**97,663**	**(34,027)**
Amounts recognised in OCI		
Net fair value gains/(losses) on financial assets at fair value through OCI	23,066	(24,129)
Impairment loss on financial assets	345	373
Total amounts recognised in OCI	**23,411**	**(23,756)**
Total investment income	**121,074**	**(57,783)**
Takaful finance income/(expenses) from takaful certificates issued		
Profit accreted to takaful certificates	(2,872)	(1,679)
Due to changes in profit rates and other financial assumptions	(606)	291
Due to changes in the value of underlying items	(84,633)	85,306
Total takaful finance income/(expenses) from takaful certificates issued	**(88,111)**	**83,918**
Represented by :		
Amount recognised in profit or loss	(66,277)	62,017
Amount recognised in OCI	(21,834)	21,901

6. Net investment income and net takaful finance result (cont'd.)

	2023 RM'000	2022 RM'000
Family Takaful Fund		
Retakaful finance income/(expenses) from retakaful certificates held		
Due to changes in profit rates and other financial assumptions	275	7,152
Changes in non-performance risk of retakaful operators	-	(24)
Retakaful finance income/(expenses) from retakaful certificates held	**275**	**7,128**
Represented by :		
Amount recognised in profit or loss	275	7,128
Total net investment income, takaful finance expenses and retakaful finance income	**33,238**	**33,263**
Represented by :		
Amount recognised in profit or loss	31,661	35,118
Amount recognised in OCI	1,577	(1,855)

6. Net investment income and net takaful finance result (cont'd.)

	2023 RM'000	2022 RM'000
Company		
Investment income		
Amounts recognised in profit or loss		
Net fair value gains/(losses) on financial assets at fair value through profit or loss	43,718	(79,654)
Other profit and similar income	71,752	59,588
(Impairment loss)/reversal of impairment loss on financial assets	(938)	85
Total amounts recognised in the profit or loss	**114,532**	**(19,981)**
Amounts recognised in OCI		
Net fair value gains/(losses) on financial assets at fair value through OCI	23,779	(25,802)
Impairment loss on financial assets	366	407
Total amounts recognised in OCI	**24,145**	**(25,395)**
Total investment income	**138,677**	**(45,376)**
Takaful finance income/(expenses) from takaful certificates issued		
Profit accreted to takaful certificates	(2,175)	(1,722)
Due to changes in profit rates and other financial assumptions	(2,237)	191
Due to changes in the value of underlying items	(90,978)	59,327
Total takaful finance income/(expenses) from takaful certificates issued	**(95,390)**	**57,796**
Represented by :		
Amount recognised in profit or loss	(70,751)	34,104
Amount recognised in OCI	(24,639)	23,692

6. Net investment income and net takaful finance result (cont'd.)

	2023 RM'000	2022 RM'000
Company		
Retakaful finance income/(expenses) from retakaful certificates held		
Profit accreted to retakaful certificates using locked-in rate	(154)	102
Due to changes in profit rates and other financial assumptions	(2,515)	95
Changes in non-performance risk of retakaful operators	(29)	(24)
Retakaful finance income/(expenses) from retakaful certificates held	**(2,698)**	**173**
Represented by :		
Amount recognised in profit or loss	(80)	57
Amount recognised in OCI	(2,618)	116
Total net investment income, takaful finance expenses and retakaful finance income	**40,589**	**12,593**
Represented by :		
Amount recognised in profit or loss	43,701	14,180
Amount recognised in OCI	(3,112)	(1,587)

7. Financial assets

The breakdown of financial assets as follows:

	31 December		1 January
	2023	2022	2022
	RM'000	RM'000	RM'000
Family Takaful Fund			
Total equity measured at FVTPL	526,950	479,517	556,109
Debt instruments measured at FVOCI	1,038,722	899,593	833,784
Total financial assets	1,565,672	1,379,110	1,389,893
Company			
Total equity measured at FVTPL	596,707	546,853	621,954
Debt instruments measured at FVOCI	1,134,749	980,071	921,223
Total financial assets	1,731,456	1,526,924	1,543,177

(a) Equity measured at FVTPL

The breakdown of financial assets mandatorily measured at FVTPL is, as follows:

	31 December		1 January
	2023	2022	2022
	RM'000	RM'000	RM'000
Family Takaful Fund			
Collective investment schemes	526,950	467,189	540,811
Quoted equity securities	-	12,328	15,298
Total equity at FVTPL	526,950	479,517	556,109
Company			
Collective investment schemes	596,707	534,525	606,656
Quoted equity securities	-	12,328	15,298
Total equity at FVTPL	596,707	546,853	621,954

7. Financial assets (cont'd.)

(b) Debt instruments measured at fair value through other comprehensive income

The breakdown of debt instruments measured at FVOCI is set out in the table below.

	31 December		1 January
	2023	2022	2022
	RM'000	RM'000	RM'000
Family Takaful Fund			
Debt instruments measured at FVOCI			
Government Investment Issues	256,251	236,728	213,468
Government guaranteed sukuk	243,496	204,392	188,730
Corporate debt securities	538,975	458,473	431,586
Total debt instruments measured at FVOCI	1,038,722	899,593	833,784
Company			
Debt instruments measured at FVOCI			
Government Investment Issues	276,790	256,984	234,406
Government guaranteed sukuk	253,574	219,505	204,205
Corporate debt securities	604,385	503,582	482,612
Total debt instruments measured at FVOCI	1,134,749	980,071	921,223

The loss allowance for debt investments at FVOCI of RM1.0 million (2022: RM0.6 million) does not reduce the carrying amount of these investments (which are measured at fair value) but gives rise to an equal and opposite gain in OCI.

8. Takaful and retakaful certificates

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

	31 December						1 January		
	2023			2022			2022		
	Assets RM'000	Liabilities RM'000	Net RM'000	Assets RM'000	Liabilities RM'000	Net RM'000	Assets RM'000	Liabilities RM'000	Net RM'000
Family Takaful Fund									
Takaful certificates issued									
Family takaful certificates	-	1,725,389	1,725,389	-	1,534,244	1,534,244	-	1,469,020	1,469,020
Total takaful certificates	**-**	**1,725,389**	**1,725,389**	**-**	**1,534,244**	**1,534,244**	**-**	**1,469,020**	**1,469,020**
Retakaful certificates held									
Family takaful certificates	13,349	(31,230)	(17,881)	21,322	(27,769)	(6,447)	16,648	(20,133)	(3,485)
Total retakaful certificates held	**13,349**	**(31,230)**	**(17,881)**	**21,322**	**(27,769)**	**(6,447)**	**16,648**	**(20,133)**	**(3,485)**
Company									
Takaful certificates issued									
Family takaful certificates	-	1,546,492	1,546,492	-	1,405,282	1,405,282	-	1,397,111	1,397,111
Total takaful certificates	**-**	**1,546,492**	**1,546,492**	**-**	**1,405,282**	**1,405,282**	**-**	**1,397,111**	**1,397,111**
Retakaful certificates held									
Family takaful certificates	52,800	(40,129)	12,671	63,073	(43,734)	19,339	48,363	(25,901)	22,462
Total retakaful certificates held	**52,800**	**(40,129)**	**12,671**	**63,073**	**(43,734)**	**19,339**	**48,363**	**(25,901)**	**22,462**

8. Takaful and retakaful certificates

8 Takaful certificates issued and retakaful certificates held

8.1.1 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage or assets for remaining coverage and the liability for incurred claims or amounts recoverable on incurred claims - Contracts not measured under the PAA

8.1.1.1 Takaful certificates issued

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

		2023				2022			
		Liabilities for remaining coverage		Liabilities for incurred claims	Total	Liabilities for remaining coverage		Liabilities for incurred claims	Total
		Excluding loss component	Loss component			Excluding loss component	Loss component		
Family Takaful Fund	**Note**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Takaful certificate liabilities as at 1 January		1,416,027	-	86,631	1,502,658	1,373,713	-	67,550	1,441,263
Net family takaful certificate liabilities as at 1 January		**1,416,027**	**-**	**86,631**	**1,502,658**	**1,373,713**	**-**	**67,550**	**1,441,263**
Takaful revenue	4	(172,230)	-	-	(172,230)	(126,535)	-	-	(126,535)
Certificates under the fair value approach		(53,388)	-	-	(53,388)	(58,470)	-	-	(58,470)
Other certificates		(118,842)	-	-	(118,842)	(68,065)	-	-	(68,065)
Takaful service expense	5	1,670	-	194,099	195,769	967	-	160,247	161,214
Investment components		(142,444)	-	142,444	-	(143,753)	-	143,753	-
Takaful service result		**(313,004)**	**-**	**336,543**	**23,539**	**(269,321)**	**-**	**304,000**	**34,679**
Takaful finance expenses/(income)	6	**89,339**	**-**	**(1,228)**	**88,111**	**(80,556)**	**-**	**(3,362)**	**(83,918)**
Total changes in the income statement and OCI		**(223,665)**	**-**	**335,315**	**111,650**	**(349,877)**	**-**	**300,638**	**(49,239)**
Cash flows									
Contribution and other cash flows received		435,755	-	-	435,755	436,704	-	-	436,704
Claims and other expenses paid including investment components *		-	-	(305,686)	(305,686)	-	-	(281,557)	(281,557)
Takaful acquisition cash flows		(52,121)	-	-	(52,121)	(44,513)	-	-	(44,513)
Total cash flows		**383,634**	**-**	**(305,686)**	**77,948**	**392,191**	**-**	**(281,557)**	**110,634**
Other movements		-	-	-	-	-	-	-	-
Net takaful certificate liabilities as at 31 December		**1,575,996**	**-**	**116,260**	**1,692,256**	**1,416,027**	**-**	**86,631**	**1,502,658**
Takaful certificate liabilities as at 31 December		1,575,996	-	116,260	1,692,256	1,416,027	-	86,631	1,502,658
Net takaful certificate liabilities as at 31 December		**1,575,996**	**-**	**116,260**	**1,692,256**	**1,416,027**	**-**	**86,631**	**1,502,658**

* Includes a transfer of the results of the retakaful certificates held on the basis that such results are utilised for estimation of net surplus within the Family Takaful Fund.

8. Takaful and retakaful certificates (cont'd.)

8 Takaful certificates issued and retakaful certificates held (cont'd.)

8.1.1 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage or assets for remaining coverage and the liability for incurred claims or amounts recoverable on incurred claims - Contracts not measured under the PAA (cont'd.)

8.1.1.1 Takaful certificates issued (cont'd.)

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

		2023				2022			
		Liabilities for remaining coverage		Liabilities for incurred claims	Total	Liabilities for remaining coverage		Liabilities for incurred claims	Total
Company	**Note**	**Excluding loss component RM'000**	**Loss component RM'000**	**RM'000**	**RM'000**	**Excluding loss component RM'000**	**Loss component RM'000**	**RM'000**	**RM'000**
Takaful certificate liabilities as at 1 January		1,276,152	7,864	86,769	1,370,785	1,294,752	3,962	67,549	1,366,263
Net family takaful certificate liabilities as at 1 January		**1,276,152**	**7,864**	**86,769**	**1,370,785**	**1,294,752**	**3,962**	**67,549**	**1,366,263**
Takaful revenue	4	(150,313)	-	-	(150,313)	(136,690)	-	-	(136,690)
Certificates under the fair value approach		(43,940)	-	-	(43,940)	(55,401)	-	-	(55,401)
Other certificates		(106,373)	-	-	(106,373)	(81,289)	-	-	(81,289)
Takaful service expense	5	42,808	25,019	123,751	191,578	26,527	3,625	109,214	139,366
Investment components		(142,444)	-	142,444	-	(143,753)	-	143,753	-
Takaful service result		**(249,949)**	**25,019**	**266,195**	**41,265**	**(253,916)**	**3,625**	**252,967**	**2,676**
Takaful finance expenses/(income)	6	**83,029**	**2,132**	**10,229**	**95,390**	**(58,073)**	**277**	**-**	**(57,796)**
Total changes in the income statement and OCI		**(166,920)**	**27,151**	**276,424**	**136,655**	**(311,989)**	**3,902**	**252,967**	**(55,120)**
Cash flows									
Contribution and other cash flows received		435,755	-	-	435,755	436,707	-	-	436,707
Claims and other expenses paid including investment components		-	-	(246,793)	(246,793)	-	-	(233,747)	(233,747)
Takaful acquisition cash flows		(185,327)	-	-	(185,327)	(143,318)	-	-	(143,318)
Total cash flows		**250,428**	**-**	**(246,793)**	**3,635**	**293,389**	**-**	**(233,747)**	**59,642**
Other movements		**(299)**	**-**	**-**	**(299)**	**-**	**-**	**-**	**-**
Net takaful certificate liabilities as at 31 December		**1,359,361**	**35,015**	**116,400**	**1,510,776**	**1,276,152**	**7,864**	**86,769**	**1,370,785**
Takaful certificate liabilities as at 31 December		1,359,361	35,015	116,400	1,510,776	1,276,152	7,864	86,769	1,370,785
Net takaful certificate liabilities as at 31 December		**1,359,361**	**35,015**	**116,400**	**1,510,776**	**1,276,152**	**7,864**	**86,769**	**1,370,785**

8. Takaful and retakaful certificates (cont'd.)

8.1 Takaful certificates issued and retakaful certificates held (cont'd.)

8.1.1 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage or assets for remaining coverage and the liability for incurred claims or amounts recoverable on incurred claims - Contracts not measured under the PAA (cont'd.)

8.1.1.2 Retakaful certificates held

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

		2023				2022			
		Assets for remaining coverage		Amounts recoverable on incurred claims		Assets for remaining coverage		Amounts recoverable on incurred claims	
Family Takaful Fund	**Note**	**Excluding loss-recovery/ component/ gain component**	**Loss-recovery/ component/ gain component**	**Estimates of the present value of future cash flows RM'000**	**Total RM'000**	**Excluding loss-recovery component RM'000**	**Loss-recovery component RM'000**	**Estimates of the present value of future cash flows RM'000**	**Total RM'000**
Retakaful certificate assets as at 1 January		-	-	21,322	21,322	1,036	-	15,612	16,648
Retakaful certificate liabilities as at 1 January		(27,769)	-	-	(27,769)	(20,133)	-	-	(20,133)
Net retakaful certificate assets/(liabilities) as at 1 January		**(27,769)**	**-**	**21,322**	**(6,447)**	**(19,097)**	**-**	**15,612**	**(3,485)**
Allocation of retakaful contributions		(40,436)	-	-	(40,436)	(31,899)	-	-	(31,899)
Amounts recoverable from retakaful operators		-	-	40,161	40,161	-	-	24,771	24,771
Retakaful investment components		-	-	-	-	(72)	-	72	-
Net income/(expenses) from retakaful certificates held		**(40,436)**	**-**	**40,161**	**(275)**	**(31,971)**	**-**	**24,843**	**(7,128)**
Retakaful finance income/(expenses)	6	**275**	**-**	**-**	**275**	**(1,347)**	**-**	**8,499**	**7,152**
Effect of changes in non-performance risk of retakaful operators	6	**-**	**-**	**-**	**-**	**(24)**	**-**	**-**	**(24)**
Total changes in the income statement and OCI		**(40,161)**	**-**	**40,161**	**-**	**(33,342)**	**-**	**33,342**	**-**
Cash flows									
Contributions paid		36,700	-	-	36,700	24,670	-	-	24,670
Amounts received *		-	-	(48,134)	(48,134)	-	-	(27,632)	(27,632)
Total cash flows		**36,700**	**-**	**(48,134)**	**(11,434)**	**24,670**	**-**	**(27,632)**	**(2,962)**
Other movements		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net retakaful certificate assets/(liabilities) as at 31 December		**(31,230)**	**-**	**13,349**	**(17,881)**	**(27,769)**	**-**	**21,322**	**(6,447)**
Retakaful certificate assets as at 31 December		-	-	13,349	13,349	-	-	21,322	21,322
Retakaful certificate liabilities as at 31 December		(31,230)	-	-	(31,230)	(27,769)	-	-	(27,769)
Net retakaful certificate assets/(liabilities) as at 31 December		**(31,230)**	**-**	**13,349**	**(17,881)**	**(27,769)**	**-**	**21,322**	**(6,447)**

* Includes a transfer of the results of the retakaful certificates held on the basis that such results are utilised for estimation of net surplus within the Family Takaful Fund.

8. Takaful and retakaful certificates (cont'd.)

8.1 Takaful certificates issued and retakaful certificates held (cont'd.)

8.1.1 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage or assets for remaining coverage and the liability for incurred claims or amounts recoverable on incurred claims - Contracts not measured under the PAA (cont'd.)

8.1.1.2 Retakaful certificates held (cont'd.)

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

		2023				2022			
		Assets for remaining coverage		Amounts recoverable on incurred claims		Assets for remaining coverage		Amounts recoverable on incurred claims	
Company	**Note**	**Excluding loss-recovery/ gain component RM'000**	**Loss-recovery/ gain component RM'000**	**Estimates of the present value of future cash flows RM'000**	**Total RM'000**	**Excluding loss-recovery/ gain component RM'000**	**Loss-recovery/ gain component RM'000**	**Estimates of the present value of future cash flows RM'000**	**Total RM'000**
Retakaful certificate assets as at 1 January		22,317	142	40,614	63,073	16,022	75	32,095	48,192
Retakaful certificate liabilities as at 1 January		(48,684)	572	4,654	(43,458)	(30,975)	194	4,880	(25,901)
Net retakaful certificate assets/(liabilities) as at 1 January		**(26,367)**	**714**	**45,268**	**19,615**	**(14,953)**	**269**	**36,975**	**22,291**
Allocation of retakaful contributions		(42,316)	-	-	(42,316)	(36,163)	-	-	(36,163)
Amounts recoverable from retakaful operators		-	231	31,628	31,859	-	423	25,258	25,681
Retakaful investment components		-	-	-	-	(72)	-	72	-
Net income/(expenses) from retakaful certificates held		**(42,316)**	**231**	**31,628**	**(10,457)**	**(36,235)**	**423**	**25,330**	**(10,482)**
Retakaful finance income/(expenses)	6	**(2,986)**	**317**	**-**	**(2,669)**	**175**	**22**	**-**	**197**
Effect of changes in non-performance risk of retakaful operators	6	**(29)**	**-**	**-**	**(29)**	**(24)**	**-**	**-**	**(24)**
Total changes in the income statement and OCI		**(45,331)**	**548**	**31,628**	**(13,155)**	**(36,084)**	**445**	**25,330**	**(10,309)**
Cash flows									
Contributions paid		36,699	-	-	36,699	24,670	-	-	24,670
Amounts received		-	-	(30,647)	(30,647)	-	-	(17,037)	(17,037)
Total cash flows		**36,699**	**-**	**(30,647)**	**6,052**	**24,670**	**-**	**(17,037)**	**7,633**
Other movements		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net retakaful certificate assets/(liabilities) as at 31 December		**(34,999)**	**1,262**	**46,249**	**12,512**	**(26,367)**	**714**	**45,268**	**19,615**
Retakaful certificate assets as at 31 December		7,955	674	43,868	52,497	22,317	142	40,614	63,073
Retakaful certificate liabilities as at 31 December		(42,954)	588	2,381	(39,985)	(48,684)	572	4,654	(43,458)
Net retakaful certificate assets/(liabilities) as at 31 December		**(34,999)**	**1,262**	**46,249**	**12,512**	**(26,367)**	**714**	**45,268**	**19,615**

8. **Takaful and retakaful certificates (cont'd.)**

8.1 **Takaful certificates issued and retakaful certificates held (cont'd.)**

8.1.2 **Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the estimates of present value of future cash flows, risk adjustment, and CSM - Contracts not measured under the PAA**

8.1.2.1 **Takaful certificates issued**

The table below presents a roll-forward of the net asset or liability for takaful certificates issued for contracts not measured under the PAA, showing estimates of the present value of future cash flows, risk adjustment and CSM for portfolios included in the Family Takaful Fund:

		2023				2022			
Family Takaful Fund	**Note**	**Estimates of present value of future cash flows RM'000**	**Risk adjustment RM'000**	**Contractual service margin RM'000**	**Total RM'000**	**Estimates of present value of future cash flows RM'000**	**Risk adjustment RM'000**	**Contractual service margin RM'000**	**Total RM'000**
Takaful certificate liabilities as at 1 January		1,502,658	-	-	1,502,658	1,441,263	-	-	1,441,263
Net takaful certificate liabilities as at 1 January		**1,502,658**	**-**	**-**	**1,502,658**	**1,441,263**	**-**	**-**	**1,441,263**
Changes that relate to current services		41,212	-	-	41,212	74,867	-	-	74,867
Contractual service margin recognised for services provided		-	-	-	-	-	-	-	-
Risk adjustment for the risk expired		-	-	-	-	-	-	-	-
Experience adjustments		41,212	-	-	41,212	74,867	-	-	74,867
Changes that relate to future services		-	-	-	-	-	-	-	-
Certificates initially recognised in the period		-	-	-	-	-	-	-	-
Changes in estimates that adjust the contractual service margin		-	-	-	-	-	-	-	-
Changes in estimates that do not adjust the contractual service margin		-	-	-	-	-	-	-	-
Changes that relate to past services		(17,673)	-	-	(17,673)	(40,188)	-	-	(40,188)
Adjustments to liabilities for incurred claims		(17,673)	-	-	(17,673)	(40,188)	-	-	(40,188)
Takaful service result		**23,539**	**-**	**-**	**23,539**	**34,679**	**-**	**-**	**34,679**
Takaful finance expenses/(income)	6	**88,111**	**-**	**-**	**88,111**	**(83,918)**	**-**	**-**	**(83,918)**
Total changes in the income statement and OCI		**111,650**	**-**	**-**	**111,650**	**(49,239)**	**-**	**-**	**(49,239)**
Cash flows									
Contribution and other cash flows received		435,755	-	-	435,755	436,704	-	-	436,704
Claims and other expenses paid including investment components *		(305,686)	-	-	(305,686)	(281,557)	-	-	(281,557)
Takaful acquisition cash flows		(52,121)	-	-	(52,121)	(44,513)	-	-	(44,513)
Total cash flows		**77,948**	**-**	**-**	**77,948**	**110,634**	**-**	**-**	**110,634**
Other movements		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net takaful certificate liabilities as at 31 December		**1,692,256**	**-**	**-**	**1,692,256**	**1,502,658**	**-**	**-**	**1,502,658**
Takaful certificate liabilities as at 31 December		1,692,256	-	-	1,692,256	1,502,658	-	-	1,502,658
Net takaful certificate liabilities as at 31 December		**1,692,256**	**-**	**-**	**1,692,256**	**1,502,658**	**-**	**-**	**1,502,658**

* Includes a transfer of the results of the retakaful certificates held on the basis that such results are utilised for estimation of net surplus within the Family Takaful Fund.

8. Takaful and retakaful certificates (cont'd.)

8.1 Takaful certificates issued and retakaful certificates held (cont'd.)

8.1.2 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the estimates of present value of future cash flows, risk adjustment, and CSM - Contracts not measured under the PAA (cont'd.)

8.1.2.1 Takaful certificates issued (cont'd.)

The table below presents a roll-forward of the net asset or liability for takaful certificates issued for contracts not measured under the PAA, showing estimates of the present value of future cash flows, risk adjustment and CSM for portfolios included in the Company:

		2023				2022			
Company	Note	Estimates of present value of future cash flows RM'000	Risk adjustment RM'000	Contractual service margin RM'000	Total RM'000	Estimates of present value of future cash flows RM'000	Risk adjustment RM'000	Contractual service margin RM'000	Total RM'000
Takaful certificate liabilities as at 1 January		1,248,808	16,930	105,047	1,370,785	1,226,212	17,797	122,254	1,366,263
Net takaful certificate liabilities as at 1 January		**1,248,808**	**16,930**	**105,047**	**1,370,785**	**1,226,212**	**17,797**	**122,254**	**1,366,263**
Changes that relate to current services		41,205	(3,607)	(8,462)	29,136	52,377	(1,735)	(13,414)	37,228
Contractual service margin recognised for services provided		-	-	(8,462)	(8,462)	-	-	(13,414)	(13,414)
Risk adjustment for the risk expired		-	(3,607)	-	(3,607)	-	(1,735)	-	(1,735)
Experience adjustments		41,205	-	-	41,205	52,377	-	-	52,377
Changes that relate to future services		60,494	9,853	(40,545)	29,802	14,052	868	(9,283)	5,637
Certificates initially recognised in the period		(27,906)	8,274	36,667	17,035	(62,062)	5,757	59,894	3,589
Changes in estimates that adjust the contractual service margin		75,740	1,472	(77,212)	-	73,939	(4,762)	(69,177)	-
Changes in estimates that do not adjust the contractual service margin		12,660	107	-	12,767	2,175	(127)	-	2,048
Changes that relate to past services		(17,673)	-	-	(17,673)	(40,189)	-	-	(40,189)
Adjustments to liabilities for incurred claims		(17,673)	-	-	(17,673)	(40,189)	-	-	(40,189)
Takaful service result		**84,026**	**6,246**	**(49,007)**	**41,265**	**26,240**	**(867)**	**(22,697)**	**2,676**
Takaful finance expenses/(income)	6	**94,222**	**(197)**	**1,365**	**95,390**	**(63,286)**	**-**	**5,490**	**(57,796)**
Total changes in the income statement and OCI		**178,248**	**6,049**	**(47,642)**	**136,655**	**(37,046)**	**(867)**	**(17,207)**	**(55,120)**
Cash flows									
Contribution and other cash flows received		**435,755**	**-**	**-**	**435,755**	**436,707**	**-**	**-**	**436,707**
Claims and other expenses paid including investment components		**(246,793)**	**-**	**-**	**(246,793)**	**(233,747)**	**-**	**-**	**(233,747)**
Takaful acquisition cash flows		**(185,327)**	**-**	**-**	**(185,327)**	**(143,318)**	**-**	**-**	**(143,318)**
Total cash flows		**3,635**	**-**	**-**	**3,635**	**59,642**	**-**	**-**	**59,642**
Other movements		**(299)**	**-**	**-**	**(299)**	**-**	**-**	**-**	**-**
Net takaful certificate liabilities as at 31 December		**1,430,392**	**22,979**	**57,405**	**1,510,776**	**1,248,808**	**16,930**	**105,047**	**1,370,785**
Takaful certificate liabilities as at 31 December		**1,430,392**	**22,979**	**57,405**	**1,510,776**	**1,248,808**	**16,930**	**105,047**	**1,370,785**
Net takaful certificate liabilities as at 31 December		**1,430,392**	**22,979**	**57,405**	**1,510,776**	**1,248,808**	**16,930**	**105,047**	**1,370,785**

8. Takaful and retakaful certificates (cont'd.)

8.1 Takaful certificates issued and retakaful certificates held (cont'd.)

8.1.2 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the estimates of present value of future cash flows, risk adjustment, and CSM - Contracts not measured under the PAA (cont'd.)

8.1.2.2 Retakaful certificates held

The table below presents a roll-forward of the net asset or liability for retakaful certificates held for contracts not measured under the PAA, showing estimates of the present value of future cash flows, risk adjustment and CSM for retakaful held portfolios included in the Family Takaful Fund.

		2023				2022			
Family Takaful Fund	**Note**	**Estimates of present value of future cash flows RM'000**	**Risk adjustment RM'000**	**Contractual service margin RM'000**	**Total RM'000**	**Estimates of present value of future cash flows RM'000**	**Risk adjustment RM'000**	**Contractual service margin RM'000**	**Total RM'000**
Retakaful certificate assets as at 1 January		21,322	-	-	21,322	16,648	-	-	16,648
Retakaful certificate liabilities as at 1 January		(27,769)	-	-	(27,769)	(20,133)	-	-	(20,133)
Net retakaful certificate assets/(liabilities) as at 1 January		**(6,447)**	**-**	**-**	**(6,447)**	**(3,485)**	**-**	**-**	**(3,485)**
Changes that relate to current services									
Contractual service margin recognised for services provided		-	-	-	-	-	-	-	-
Risk adjustment for the risk expired		-	-	-	-	-	-	-	-
Experience adjustments		(275)	-	-	(275)	(9,475)	-	-	(9,475)
Changes that relate to future services									
Certificates initially recognised in the period		-	-	-	-	-	-	-	-
Changes in estimates that adjust the contractual service margin		-	-	-	-	-	-	-	-
Changes that relate to past services									
Adjustments to liabilities for incurred claims		-	-	-	-	2,347	-	-	2,347
Retakaful finance income/(expenses)	6	**275**	**-**	**-**	**275**	**7,152**	**-**	**-**	**7,152**
Effect of changes in non-performance risk of retakaful operators	6	**-**	**-**	**-**	**-**	**(24)**	**-**	**-**	**(24)**
Total changes in the income statement and OCI		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Cash flows									
Contributions paid		36,700	-	-	36,700	24,670	-	-	24,670
Amounts received *		(48,134)	-	-	(48,134)	(27,632)	-	-	(27,632)
Total cash flows		**(11,434)**	**-**	**-**	**(11,434)**	**(2,962)**	**-**	**-**	**(2,962)**
Other movements		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net retakaful certificate assets/(liabilities) as at 31 December		**(17,881)**	**-**	**-**	**(17,881)**	**(6,447)**	**-**	**-**	**(6,447)**
Retakaful certificate assets as at 31 December		13,349	-	-	13,349	21,322	-	-	21,322
Retakaful certificate liabilities as at 31 December		(31,230)	-	-	(31,230)	(27,769)	-	-	(27,769)
Net retakaful certificate assets/(liabilities) as at 31 December		**(17,881)**	**-**	**-**	**(17,881)**	**(6,447)**	**-**	**-**	**(6,447)**

* Includes a transfer of the results of the retakaful certificates held on the basis that such results are utilised for estimation of net surplus within the Family Takaful Fund.

8. Takaful and retakaful certificates (cont'd.)

8.1 Takaful certificates issued and retakaful certificates held (cont'd.)

8.1.2 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the estimates of present value of future cash flows, risk adjustment, and CSM - Contracts not measured under the PAA (cont'd.)

8.1.2.2 Retakaful certificates held (cont'd.)

The table below presents a roll-forward of the net asset or liability for retakaful certificates held for contracts not measured under the PAA, showing estimates of the present value of future cash flows, risk adjustment and CSM for retakaful held portfolios included in the Company.

		2023				2022			
Company	Note	Estimates of present value of future cash flows RM'000	Risk adjustment RM'000	Contractual service margin RM'000	Total RM'000	Estimates of present value of future cash flows RM'000	Risk adjustment RM'000	Contractual service margin RM'000	Total RM'000
Retakaful certificate assets as at 1 January		47,910	2,360	12,803	63,073	32,948	2,107	13,137	48,192
Retakaful certificate liabilities as at 1 January		(55,615)	2,741	9,416	(43,458)	(32,677)	1,529	5,247	(25,901)
Net retakaful certificate assets/(liabilities) as at 1 January		**(7,705)**	**5,101**	**22,219**	**19,615**	**271**	**3,636**	**18,384**	**22,291**
Changes that relate to current services									
Contractual service margin recognised for services provided		-	-	(4,413)	(4,413)	-	-	(4,136)	(4,136)
Risk adjustment for the risk expired		-	(319)	-	(319)	-	(257)	-	(257)
Experience adjustments		(16,969)	-	-	(16,969)	(8,988)	-	-	(8,988)
Changes that relate to future services									
Certificates initially recognised in the period		(14,256)	1,525	12,731	-	(11,768)	1,466	10,302	-
Changes in estimates that adjust the contractual service margin		7,611	(107)	(6,314)	1,190	3,525	247	(3,220)	552
Changes that relate to past services									
Adjustments to liabilities for incurred claims		10,054	-	-	10,054	2,347	-	-	2,347
Retakaful finance income/(expenses)	6	**(3,858)**	**-**	**1,189**	**(2,669)**	**(701)**	**9**	**889**	**197**
Effect of changes in non-performance risk of retakaful operators	6	**(29)**	**-**	**-**	**(29)**	**(24)**	**-**	**-**	**(24)**
Total changes in the income statement and OCI		**(17,447)**	**1,099**	**3,193**	**(13,155)**	**(15,609)**	**1,465**	**3,835**	**(10,309)**
Cash flows									
Contributions paid		36,699	-	-	36,699	24,670	-	-	24,670
Amounts received		(30,647)	-	-	(30,647)	(17,037)	-	-	(17,037)
Total cash flows		**6,052**	**-**	**-**	**6,052**	**7,633**	**-**	**-**	**7,633**
Other movements		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net retakaful certificate assets/(liabilities) as at 31 December		**(19,100)**	**6,200**	**25,412**	**12,512**	**(7,705)**	**5,101**	**22,219**	**19,615**
Retakaful certificate assets as at 31 December		36,373	2,655	13,469	52,497	47,910	2,360	12,803	63,073
Retakaful certificate liabilities as at 31 December		(55,473)	3,545	11,943	(39,985)	(55,615)	2,741	9,416	(43,458)
Net retakaful certificate assets/(liabilities) as at 31 December		**(19,100)**	**6,200**	**25,412**	**12,512**	**(7,705)**	**5,101**	**22,219**	**19,615**

8. Takaful and retakaful certificates (cont'd.)

8.1 Takaful certificates issued and retakaful certificates held (cont'd.)

8.1.3 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage or assets for remaining coverage and the liability for incurred claims or amounts recoverable on incurred claims - Contracts measured under the PAA

8.1.3.1 Takaful certificates issued

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

		2023				2022			
		Liabilities for remaining coverage		Liabilities for incurred claims	Total	Liabilities for remaining coverage		Liabilities for incurred claims	Total
Family Takaful Fund	Note	Excluding loss component RM'000	Loss component RM'000	Estimates of the present value of future cash flows RM'000	RM'000	Excluding loss component RM'000	Loss component RM'000	Estimates of the present value of future cash flows RM'000	RM'000
Takaful certificate liabilities as at 1 January		19,282	-	12,304	31,586	19,242	-	8,515	27,757
Net family takaful certificate liabilities as at 1 January		**19,282**	**-**	**12,304**	**31,586**	**19,242**	**-**	**8,515**	**27,757**
Takaful revenue	4	(95,119)	-	-	(95,119)	(91,673)	-	-	(91,673)
Takaful service expense	5	6,700	-	88,419	95,119	10,885	-	80,788	91,673
Investment components		-	-	-	-	-	-	-	-
Takaful service result		**(88,419)**	**-**	**88,419**	**-**	**(80,788)**	**-**	**80,788**	**-**
Takaful finance expenses/(income)		-	-	-	-	-	-	-	-
Total changes in the income statement and OCI		**(88,419)**	**-**	**88,419**	**-**	**(80,788)**	**-**	**80,788**	**-**
Cash flows									
Contribution and other cash flows received		98,335	-	-	98,335	88,413	-	-	88,413
Claims and other expenses paid including investment components *		-	-	(87,244)	(87,244)	-	-	(75,232)	(75,232)
Takaful acquisition cash flows		(9,544)	-	-	(9,544)	(9,352)	-	-	(9,352)
Total cash flows		**88,791**	**-**	**(87,244)**	**1,547**	**79,061**	**-**	**(75,232)**	**3,829**
Other movements		**(824)**	**-**	**824**	**-**	**1,767**	**-**	**(1,767)**	**-**
Net takaful certificate liabilities as at 31 December		**18,830**	**-**	**14,303**	**33,133**	**19,282**	**-**	**12,304**	**31,586**
Takaful certificate liabilities as at 31 December		18,830	-	14,303	33,133	19,282	-	12,304	31,586
Net takaful certificate liabilities as at 31 December		**18,830**	**-**	**14,303**	**33,133**	**19,282**	**-**	**12,304**	**31,586**

* Includes a transfer of the results of the retakaful certificates held on the basis that such results are utilised for estimation of net surplus within the Family Takaful Fund.

8. Takaful and retakaful certificates (cont'd.)

8.1 Takaful certificates issued and retakaful certificates held (cont'd.)

8.1.3 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage or assets for remaining coverage and the liability for incurred claims or amounts recoverable on incurred claims - Contracts measured under the PAA (cont'd.)

8.1.3.1 Takaful certificates issued (cont'd.)

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

		2023				2022			
		Liabilities for remaining coverage		Liabilities for incurred claims	Total	Liabilities for remaining coverage		Liabilities for incurred claims	Total
Company	Note	Excluding loss component RM'000	Loss component RM'000	Estimates of the present value of future cash flows RM'000	RM'000	Excluding loss component RM'000	Loss component RM'000	Estimates of the present value of future cash flows RM'000	RM'000
Takaful certificate liabilities as at 1 January		18,774	3,558	12,165	34,497	19,600	2,732	8,516	30,848
Net family takaful certificate liabilities as at 1 January		**18,774**	**3,558**	**12,165**	**34,497**	**19,600**	**2,732**	**8,516**	**30,848**
Takaful revenue	4	(95,130)	-	-	(95,130)	(91,673)	-	-	(91,673)
Takaful service expense	5	12,677	(3,280)	78,766	88,163	12,829	826	62,637	76,292
Investment components		-	-	-	-	-	-	-	-
Takaful service result		**(82,453)**	**(3,280)**	**78,766**	**(6,967)**	**(78,844)**	**826**	**62,637**	**(15,381)**
Takaful finance expenses/(income)		-	-	-	-	-	-	-	-
Total changes in the income statement and OCI		**(82,453)**	**(3,280)**	**78,766**	**(6,967)**	**(78,844)**	**826**	**62,637**	**(15,381)**
Cash flows									
Contribution and other cash flows received		98,334	-	-	98,334	88,413	-	-	88,413
Claims and other expenses paid including investment components		-	-	(77,591)	(77,591)	-	-	(57,221)	(57,221)
Takaful acquisition cash flows		(12,557)	-	-	(12,557)	(12,162)	-	-	(12,162)
Total cash flows		**85,777**	**-**	**(77,591)**	**8,186**	**76,251**	**-**	**(57,221)**	**19,030**
Other movements		**(824)**	**-**	**824**	**-**	**1,767**	**-**	**(1,767)**	**-**
Net takaful certificate liabilities as at 31 December		**21,274**	**278**	**14,164**	**35,716**	**18,774**	**3,558**	**12,165**	**34,497**
Takaful certificate liabilities as at 31 December		21,274	278	14,164	35,716	18,774	3,558	12,165	34,497
Net takaful certificate liabilities as at 31 December		**21,274**	**278**	**14,164**	**35,716**	**18,774**	**3,558**	**12,165**	**34,497**

8. Takaful and retakaful certificates (cont'd.)

8.1 Takaful certificates issued and retakaful certificates held (cont'd.)

8.1.3 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage or assets for remaining coverage and the liability for incurred claims or amounts recoverable on incurred claims - Contracts measured under the PAA (cont'd.)

8.1.3.2 Retakaful certificates held

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

		2023				2022			
		Assets for remaining coverage		Amounts recoverable on incurred claims		Assets for remaining coverage		Amounts recoverable on incurred claims	
	Note	Excluding loss-recovery/ gain component	Loss-recovery/ gain component	Estimates of the present value of future cash flows	Total	Excluding loss-recovery/ gain component	Loss-recovery/ gain component	Estimates of the present value of future cash flows	Total
Family Takaful Fund		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Retakaful certificate assets as at 1 January		-	-	-	-	-	-	-	-
Retakaful certificate liabilities as at 1 January		-	-	-	-	-	-	-	-
Net retakaful certificate assets/(liabilities) as at 1 January		-	-	-	-	-	-	-	-
Allocation of retakaful contributions		(121)	-	-	(121)	(83)	-	-	(83)
Amounts recoverable from retakaful operators		-	-	121	121	-	-	83	83
Retakaful investment components		-	-	-	-	-	-	-	-
Net income/(expenses) from retakaful certificates held		(121)	-	121	-	(83)	-	83	-
Retakaful finance income/(expenses)		-	-	-	-	-	-	-	-
Effect of changes in non-performance risk of retakaful operators		-	-	-	-	-	-	-	-
Cost of retroactive cover on retakaful certificates held		-	-	-	-	-	-	-	-
Total changes in the income statement and OCI		(121)	-	121	-	(83)	-	83	-
Cash flows									
Contributions paid		121	-	-	121	83	-	-	83
Amounts received *		-	-	(121)	(121)	-	-	(83)	(83)
Total cash flows		121	-	(121)	-	83	-	(83)	-
Other movements		-	-	-	-	-	-	-	-
Net retakaful certificate assets/(liabilities) as at 31 December		-	-	-	-	-	-	-	-
Retakaful certificate assets as at 31 December		-	-	-	-	-	-	-	-
Retakaful certificate liabilities as at 31 December		-	-	-	-	-	-	-	-
Net retakaful certificate assets/(liabilities) as at 31 December		-	-	-	-	-	-	-	-

* Includes a transfer of the results of the retakaful certificates held on the basis that such results are utilised for estimation of net surplus within the Family Takaful Fund.

8. **Takaful and retakaful certificates (cont'd.)**

8.1 Takaful certificates issued and retakaful certificates held (cont'd.)

8.1.3 Roll-forward of net asset or liability of takaful certificates issued and retakaful certificates held showing the liability for remaining coverage or assets for remaining coverage and the liability for incurred claims or amounts recoverable on incurred claims - Contracts measured under the PAA (cont'd.)

8.1.3.2 Retakaful certificates held (cont'd.)

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

		2023				2022			
		Assets for remaining coverage		Amounts recoverable on incurred claims		Assets for remaining coverage		Amounts recoverable on incurred claims	
	Note	Excluding loss-recovery/ gain component	Loss-recovery/ gain component	Estimates of the present value of future cash flows	Total	Excluding loss-recovery/ gain component	Loss-recovery/ gain component	Estimates of the present value of future cash flows	Total
Company		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Retakaful certificate assets as at 1 January		-	-	-	-	-	-	171	171
Retakaful certificate liabilities as at 1 January		-	-	(276)	(276)	-	-	-	-
Net retakaful certificate assets/(liabilities) as at 1 January		-	-	(276)	(276)	-	-	171	171
Allocation of retakaful contributions		(176)	-	-	(176)	(83)	-	-	(83)
Amounts recoverable from retakaful operators		-	-	676	676	-	-	(404)	(404)
Retakaful investment components		-	-	-	-	-	-	-	-
Net income/(expenses) from retakaful certificates held		(176)	-	676	500	(83)	-	(404)	(487)
Retakaful finance income/(expenses)		-	-	-	-	-	-	-	-
Effect of changes in non-performance risk of retakaful operators		-	-	-	-	-	-	-	-
Cost of retroactive cover on retakaful certificates held		-	-	-	-	-	-	-	-
Total changes in the income statement and OCI		(176)	-	676	500	(83)	-	(404)	(487)
Cash flows									
Contributions paid		121	-	-	121	83	-	-	83
Amounts received		-	-	(186)	(186)	-	-	(43)	(43)
Total cash flows		121	-	(186)	(65)	83	-	(43)	40
Other movements		-	-	-	-	-	-	-	-
Net retakaful certificate assets/(liabilities) as at 31 December		(55)	-	214	159	-	-	(276)	(276)
Retakaful certificate assets as at 31 December		-	-	303	303	-	-	-	-
Retakaful certificate liabilities as at 31 December		(55)	-	(89)	(144)	-	-	(276)	(276)
Net retakaful certificate assets/(liabilities) as at 31 December		(55)	-	214	159	-	-	(276)	(276)

8. Takaful and retakaful certificates (cont'd.)

8.1 Takaful certificates issued and retakaful certificates held (cont'd.)

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

8.1.4.1 Family takaful certificates issued

The impact on the current period of the transition approaches adopted to establishing CSM for takaful certificates portfolios included in the family takaful unit is disclosed in the table below:

	2023			2022		
	Certificates using the fair value approach RM'000	All other certificates RM'000	Total RM'000	Certificates using the fair value approach RM'000	All other certificates RM'000	Total RM'000
Company						
Contractual service margin as at 1 January	33,262	71,785	105,047	66,948	55,306	122,254
Changes that relate to current services						
Contractual service margin recognised for services provided	(3,168)	(5,294)	(8,462)	(7,142)	(6,272)	(13,414)
Changes that relate to future services						
Certificates initially recognised in the period	-	36,667	36,667	-	59,894	59,894
Changes in estimates that adjust the contractual service margin	(17,730)	(59,482)	(77,212)	(26,709)	(42,468)	(69,177)
Takaful service result	(20,898)	(28,109)	(49,007)	(33,851)	11,154	(22,697)
Takaful finance expenses	211	1,154	1,365	165	5,325	5,490
Total changes in the income statement and OCI	(20,687)	(26,955)	(47,642)	(33,686)	16,479	(17,207)
Contractual service margin as at 31 December	12,575	44,830	57,405	33,262	71,785	105,047

8. Takaful and retakaful certificates (cont'd.)

8.1 Takaful certificates issued and retakaful certificates held (cont'd.)

8.1.4 The impacts on the current period of transition approaches adopted to establishing CSM (cont'd.)

8.1.4.2 Retakaful certificates held

The impact on the current period of the transition approaches adopted to establishing CSM for retakaful certificates held portfolios included in the family takaful unit is disclosed in the table below:

	2023			2022		
	Certificates using the fair value approach RM'000	All other certificates RM'000	Total RM'000	Certificates using the fair value approach RM'000	All other certificates RM'000	Total RM'000
Company						
Contractual service margin as at 1 January	10,831	11,388	22,219	11,771	6,613	18,384
Changes that relate to current services						
Contractual service margin recognised for services provided	(1,829)	(2,584)	(4,413)	(1,836)	(2,300)	(4,136)
Changes that relate to future services						
Certificates initially recognised in the period	-	12,731	12,731	-	10,302	10,302
Changes in estimates that adjust the contractual service margin	865	(7,179)	(6,314)	430	(3,650)	(3,220)
Retakaful finance income	428	761	1,189	466	423	889
Total changes in the income statement and OCI	(536)	3,729	3,193	(940)	4,775	3,835
Contractual service margin as at 31 December	10,295	15,117	25,412	10,831	11,388	22,219

8. Takaful and retakaful certificates (cont'd.)

8.1 Takaful certificates issued and retakaful certificates held (cont'd.)
8.1.5 The components of new business
8.1.5.1 Family takaful certificates issued

The components of new business for family takaful issued portfolios included in the family takaful unit is disclosed in the table below:

	2023			2022		
	Certificates issued			Certificates issued		
Family Takaful Fund	**Non-onerous RM'000**	**Onerous RM'000**	**Total RM'000**	**Non-onerous RM'000**	**Onerous RM'000**	**Total RM'000**
Family takaful certificate liabilities						
Estimates of present value of future cash outflows, excluding takaful acquisition cash flows	547,173	-	547,173	576,918	-	576,918
Estimates of takaful acquisition cash flows	93,569	-	93,569	193,293	-	193,293
Estimates of present value of future cash outflows	640,742	-	640,742	770,211	-	770,211
Estimates of present value of future cash inflows	(640,742)	-	(640,742)	(770,211)	-	(770,211)
Risk adjustment	-	-	-	-	-	-
CSM	-	-	-	-	-	-
Amount included in takaful certificate liabillities for the period	-	-	-	-	-	-
Company						
Family takaful certificate liabilities						
Estimates of present value of future cash outflows, excluding takaful acquisition cash flows	369,758	179,216	548,974	513,395	76,792	590,187
Estimates of takaful acquisition cash flows	163,914	91,512	255,426	155,496	37,797	193,293
Estimates of present value of future cash outflows	533,672	270,728	804,400	668,891	114,589	783,480
Estimates of present value of future cash inflows	(577,044)	(255,263)	(832,307)	(733,865)	(111,677)	(845,542)
Risk adjustment	6,705	1,570	8,275	5,080	677	5,757
CSM	36,667	-	36,667	59,894	-	59,894
Amount included in takaful certificate liabillities for the period	-	**17,035**	**17,035**	-	**3,589**	**3,589**

8. Takaful and retakaful certificates (cont'd.)

8.1 Takaful certificates issued and retakaful certificates held (cont'd.)
8.1.5 The components of new business (cont'd.)
8.1.5.2 Retakaful certificates held

The components of new business for retakaful certificates held portfolios included in the family takaful unit is disclosed in the table below:

	2023 RM'000	2022 RM'000
Family Takaful Fund		
Retakaful certificate assets		
Estimates of present value of future cash outflows	119,680	110,970
Estimates of present value of future cash inflows	(119,680)	(110,970)
Risk adjustment	-	-
CSM	-	-
Amount included in retakaful certificate assets for the period	**-**	**-**
Company		
Retakaful certificate assets		
Estimates of present value of future cash outflows	119,680	110,970
Estimates of present value of future cash inflows	(105,424)	(99,202)
Risk adjustment	(1,525)	(1,466)
CSM	(12,731)	(10,302)
Amount included in retakaful certificate assets for the period	**-**	**-**

8. Takaful and retakaful certificates

8.2 CSM recognition in profit or loss

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

	Less than 1 year RM'000	1-2 years RM'000	2-3 years RM'000	3-4 years RM'000	4-5 years RM'000	More than 5 years RM'000	Total RM'000
Company							
31 December 2023							
Family takaful certificates issued	7,488	5,701	5,017	4,447	3,950	30,802	57,405
	7,488	5,701	5,017	4,447	3,950	30,802	57,405
Family retakaful certificates held	(4,209)	(3,326)	(2,775)	(2,365)	(2,023)	(10,714)	(25,412)
31 December 2022							
Family takaful certificates issued	15,352	11,448	9,768	8,489	7,434	52,556	105,047
	15,352	11,448	9,768	8,489	7,434	52,556	105,047
Family retakaful certificates held	(3,605)	(2,835)	(2,349)	(1,997)	(1,718)	(9,715)	(22,219)

9. Property, plant and equipment

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 2022		6,955	1,633	14	1,332	9,934
Additions		832	87	-	-	919
At 31 December 2022		7,787	1,720	14	1,332	10,853
Additions		595	7	-	-	602
Disposal		(5,043)	-	-	-	(5,043)
Write off		(335)	(1)	-	-	(336)
At 31 December 2023		3,004	1,726	14	1,332	6,076
Accumulated depreciation						
At 1 January 2022		4,692	475	10	614	5,791
Charge for the financial year	5	1,770	265	1	446	2,482
At 31 December 2022		6,462	740	11	1,060	8,273
Charge for the financial year	5	913	278	1	272	1,464
Disposal		(4,944)	-	-	-	(4,944)
Write off		(332)	-	-	-	(332)
At 31 December 2023		2,099	1,018	12	1,332	4,461
Net carrying amount						
At 31 December 2022		1,325	980	3	272	2,580
At 31 December 2023		905	708	2	-	1,615

Included in property, plant and equipment are the cost of fully depreciated assets which are still in use amounting to RM1,309,266 (2022: RM4,576,028).

10. Intangible assets

Company

	Note	Software development costs RM'000	Computer software RM'000	Total RM'000
Cost				
At 1 January 2022		1,278	36,673	37,951
Additions		1,250	1,550	2,800
Reclassification		(1,494)	1,494	-
At 31 December 2022		1,034	39,717	40,751
Additions		5,795	1,424	7,219
Write off		-	(200)	(200)
Reclassification		(4,701)	4,701	-
At 31 December 2023		2,128	45,642	47,770
Accumulated amortisation				
At 1 January 2022		-	32,158	32,158
Charge for the financial year	5	-	4,161	4,161
At 31 December 2022		-	36,319	36,319
Charge for the financial year	5	-	4,526	4,526
Write off		-	(200)	(200)
At 31 December 2023		-	40,645	40,645
Carrying amount				
At 31 December 2022		1,034	3,398	4,432
At 31 December 2023		2,128	4,997	7,125

11. (a) Right-of-use assets

	Note	Right-of-Use: Buildings RM'000	Right-of-Use: Office equipment RM'000	Total RM'000
Company				
At 1 January 2022		3,657	172	3,829
Additions		4,111	-	4,111
Depreciation charge for the financial year	5	(2,292)	(77)	(2,369)
At 31 December 2022		5,476	95	5,571
Remeasurement		(53)	-	(53)
Depreciation charge for the financial year	5	(2,558)	(49)	(2,607)
At 31 December 2023		2,865	46	2,911

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

The following are the amounts recognised in profit or loss:

	2023 RM'000	2022 RM'000
Depreciation expense of right-of-use assets	2,607	2,369
Profit expense on lease liabilities	167	88
Low value leases	1	5
Total amount recognised in profit or loss	2,775	2,462

(b) Lease liabilities

	2023 RM'000	2022 RM'000
<u>Company</u>		
Lease liabilities		
At 1 January	5,681	3,849
(Decrease)/increase in lease liabilities	(53)	4,111
Payment of lease liabilities	(2,855)	(2,367)
Profit expense on lease liabilities	167	88
At 31 December	2,940	5,681

12. Other receivables

	Family Takaful Fund			Company		
	31 December		1 January	31 December		1 January
	2023	2022	2022	2023	2022	2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
		Restated	Restated		Restated	Restated
Prepayment – Channel Development Costs	-	-	-	18,939	14,321	1,505
Prepayments - Others	-	-	-	1,917	3,710	1,516
Deposits	-	-	-	949	945	952
Profits due and accrued	11,720	9,194	8,838	12,904	10,290	9,866
Amount due from related companies	-	-	46	217	78	53
Amounts due from agents and intermediaries*	-	-	-	1,073	1,750	768
Others	2,356	1,235	651	2,416	1,308	608
	14,076	10,429	9,535	38,415	32,402	15,268

* Net of impairment amounting to RM2,365,038 for 31 December 2023, RM1,800,099 for 31 December 2022, and RM2,294,443 for 1 January 2022.

13. 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.

	Family Takaful Fund RM'000	Company RM'000
At 1 January 2022 (Restated)	(7,765)	(21,755)
(Charged)/credited to income statement:		
Plant and equipment	291	172
Investments	6,906	6,582
Unabsorbed losses	-	11,349
Provisions	-	(1,554)
Takaful and retakaful certificates	358	(13,618)
	7,555	2,931
Charged to other comprehensive income:		
Investments	1,855	2,235
At 31 December 2022/1 January 2023 (Restated)	1,645	(16,589)
(Charged)/credited to income statement:		
Plant and equipment	(39)	(207)
Investments	(3,691)	(4,020)
Unabsorbed losses	-	10,964
Provisions	-	3,025
Takaful and retakaful certificates	1,082	(15,521)
Others	-	1,557
	(2,648)	(4,202)
Charged to other comprehensive income:		
Investments	(1,577)	(1,772)
At 31 December 2023	(2,580)	(22,563)

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

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

2023	**Family Takaful Fund RM'000**	**Company RM'000**
Deferred tax assets: (before offsetting)		
Plant and equipment	54	54
Provisions	-	12,170
Unabsorbed losses*	-	22,313
Others	-	1,557
Takaful and retakaful certificates	1,082	-
	1,136	36,094
Offsetting	(1,136)	(36,094)
Deferred tax assets after offsetting	-	-
Deferred tax liabilities: (before offsetting)		
Plant and equipment	-	(169)
Takaful and retakaful certificates	-	(54,129)
Investments	(3,716)	(4,359)
	(3,716)	(58,657)
Offsetting	1,136	36,094
Deferred tax liabilities after offsetting	(2,580)	(22,563)

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

	Family Takaful Fund RM'000	Company RM'000
2022		
Deferred tax assets: (before offsetting)		
Plant and equipment	93	93
Investments	1,552	1,552
Provisions	-	9,145
Unabsorbed losses*	-	11,349
	1,645	22,139
Offsetting	-	(22,139)
Deferred tax assets after offsetting	1,645	-
Deferred tax liabilities: (before offsetting)		
Plant and equipment	-	(1)
Takaful and retakaful certificates	-	(38,608)
Investments	-	(119)
	-	(38,728)
Offsetting	-	22,139
Deferred tax liabilities after offsetting	-	(16,589)

* 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 for the Takaful Operator fund, beginning YA2022 onwards.

14. Cash and cash equivalents

	Family Takaful Fund RM'000	Company RM'000
2023		
Cash and bank balances	41,227	50,975
Fixed deposits with licensed bank in Malaysia with original maturities of less than 3 months	168,391	329,938
	209,618	380,913
2022		
Cash and bank balances	19,021	21,572
Fixed deposits with licensed bank in Malaysia with original maturities of less than 3 months	164,899	255,463
	183,920	277,035

15. Capital and reserves

15.1 Share capital

	Company	
	Number of shares	Amount RM'000
Issued and fully paid:		
Ordinary shares		
At 1 January/31 December 2023	2,000,000	100,000
Non-reedemable non-cumulative preference shares		
At 1 January 2023	5,170	517,000
New shares issued on 30 June 2023	2,120	212,000
At 31 December 2023	7,290	729,000
Total shares issued and fully paid as at 31 December 2023		829,000
Issued and fully paid:		
Ordinary shares		
At 1 January/31 December 2022	2,000,000	100,000
Non-reedemable non-cumulative preference shares		
At 1 January 2022	3,010	301,000
New shares issued on 10 February 2022	1,115	111,500
New shares issued on 3 November 2022	1,045	104,500
At 31 December 2022	5,170	517,000
Total shares issued and fully paid as at 31 December 2022		617,000

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;

15. Capital and reserves (cont'd.)

15.1 Share capital (cont'd.)

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

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

15.2 Fair value reserve

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

15.3 Takaful finance reserve

The takaful finance reserve comprise the cumulative amount of takaful finance income or expenses recognised in OCI arising from the Company's accounting policy choice to disaggregate takaful finance income or expenses between profit or loss and OCI.

15.4 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:

Company	2023	2022
Net loss for the year (RM'000)	(50,061)	(83,376)
Weighted average number of ordinary shares in issue ('000)	2,000	2,000
Basic and diluted loss per share (sen)	(2,503.1)	(4,168.8)

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. The Company expects to continue to receive future capital injection, should it be required, in order to fund its operations and growth.

16. Other payables

	Family Takaful Fund RM'000	Company RM'000
31 December 2023		
Accrued expenses	-	19,432
Provision for bonus and related EPF (Note a)	-	11,176
Marketing allowance payable	-	12,827
Amount due to :		
Takaful Operator*	34,905	-
Related companies*	-	7,899
Others	4,684	7,153
	39,589	58,487
31 December 2022 (Restated)		
Accrued expenses	-	20,137
Provision for bonus and related EPF (Note a)	-	11,976
Marketing allowance payable	-	12,888
Amount due to :		
Takaful Operator*	29,584	-
Related companies*	-	8,783
Others	3,404	3,778
	32,988	57,562
1 January 2022 (Restated)		
Accrued expenses	-	14,861
Provision for bonus and related EPF (Note a)	-	20,635
Marketing allowance payable	-	9,135
Amount due to :		
Takaful Operator*	30,722	-
Related companies*	-	7,191
Others	3,632	5,594
	34,354	57,416

(a) Provision for bonus and related EPF

	2023 RM'000	2022 RM'000
Takaful Operator		
At 1 January	11,976	20,635
Utilised during the year	(10,169)	(18,673)
Overprovision in prior year	(244)	(54)
Provision for the year	9,613	10,068
At 31 December	11,176	11,976

* Amount due to related companies and Takaful Operator are non-trade in nature, unsecured, not subject to any profit elements and repayable upon demand.

17. Taxation

	Note	Family Takaful Fund RM'000	Company RM'000
2023			
Current tax expense:			
- Current		4,655	4,655
- Underprovision in prior year		544	542
		5,199	5,197
Deferred tax expense:			
- Origination and reversal of temporary difference	13	2,648	4,202
		2,648	4,202
		7,847	9,399
2022			
Current tax expense:			
- Current		2,630	2,633
- Overprovision in prior year		(1,764)	(1,698)
		866	935
Deferred tax income:			
- Origination and reversal of temporary difference	13	(7,555)	(2,931)
		(7,555)	(2,931)
		(6,689)	(1,996)

Reconciliation of effective tax expense for the Company:

	2023 RM'000	2022 RM'000
Loss before taxation	(40,662)	(85,372)
Taxation at applicable Malaysian statutory tax rate of 24%	(9,759)	(20,489)
Income not subject to tax	(110)	(116)
Expenses not deductible for tax purposes	10,879	26,996
Under/(over)provision of current tax in prior year	542	(1,698)
Tax expense attributable to participants	7,847	(6,689)
Total tax expense/(credit)	9,399	(1,996)

18. Related party transactions

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

Related Parties	Relationship
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:

	2023 RM'000	2022 RM'000
Transactions with companies within the FWD Group:		
- Royalty fees paid to Valdimir Pte. Ltd.	(250)	(250)
- Service fee paid to FWD Technology and Innovation Malaysia Sdn. Bhd.	(3,470)	(5,194)
- Passthrough cost paid to FWD Technology and Innovation Malaysia Sdn. Bhd.	(3,888)	(3,339)
- Takaful coverage for FWD Technology and Innovation Malaysia Sdn. Bhd.	154	118
- Disposal of computer equipments to FWD Technology and Innovation Malaysia Sdn. Bhd.	-*	-
Transactions with the Shareholders:		
- Director fees sharing paid to EPF	(59)	(57)

* Relating to disposal of computer equipments at net book value.

18. Related party transactions (cont'd.)

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

	2023 RM'000	2022 RM'000
Net amount due (to)/from other related companies within the FWD Group:		
- Valdimir Pte. Ltd.	(250)	(250)
- FWD Technology and Innovation Malaysia Sdn. Bhd.	(7,536)	(8,462)
- FWD Group Management Holdings Limited	104	7

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

19. Key management personnel remuneration

Key management personnel's remuneration is as follows:

Key management personnel	2023 RM'000	2022 RM'000
Chief executive officer		
Salary	1,190	1,150
Contributions to defined contribution plans	557	798
Other short-term employee benefits (including estimated monetary value of benefits in kind)	2,093	3,550
	3,840	5,498
Non-Executive Directors:		
Fees:		
Adil Ahmad	113	230
Varsha Abdullah	172	155
James Loh Sinn Yuk	-	59
Nor Azian binti Mohd Noor *	16	57
Muhammad Ali Jinnah bin Ahmad	192	205
Tam Chiew Lin	134	134
Yip Jian Lee	145	241
Datuk Ahmad Hizzad bin Baharuddin	161	45
Azizul bin Zainol *	102	-
Abdul Karim bin Md Lassim	80	-
	1,115	1,126

* 50% of the remuneration received by the nominee director of EPF is shared with EPF. During the reporting period, Nor Azian binti Mohd Noor received director's fee amounting to RM8,161 and Azizul bin Zainol received director's fee amounting to RM51,184. EPF received a total of RM59,345, representing the shared remuneration.

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

	2023 RM'000	2022 RM'000
Shariah committee members		
Fees:		
Dr. Yusri bin Mohamad (Chairman)	40	23
En. Lokmanulhakim bin Hussain	36	36
Dr. Mohammad Mahbubi bin Ali	36	27
Dr. Muhamad Azhari bin Wahid	9	27
En. Ahmad Fauwaz bin Ali @ Fadzil	36	27
Dr. Azrul Azlan bin Iskandar Mirza	-	7
En. Muhammad Ali Jinnah bin Ahmad	-	9
Dr. Ghazali bin Jaapar	-	15
Dr, Khairul Anuar bin Ahmad	-	15
En. Ismail bin Nik	33	-
Assoc. Prof. Dr. Asmak binti Ab Rahman	24	-
	214	186
Other emoluments:		
Dr. Yusri bin Mohamad (Chairman)	12	5
En. Lokmanulhakim bin Hussain	12	13
Dr. Mohammad Mahbubi bin Ali	11	8
Dr. Muhamad Azhari bin Wahid	2	8
En. Ahmad Fauwaz bin Ali @ Fadzil	12	8
Dr. Azrul Azlan bin Iskandar Mirza	-	2
En. Muhammad Ali Jinnah bin Ahmad	-	5
Dr. Ghazali bin Jaapar	-	8
Dr. Khairul Anuar bin Ahmad	-	8
En. Ismail bin Nik	11	-
Assoc. Prof. Dr. Asmak binti Ab Rahman	8	-
	68	65
	282	251

20. Takaful Risk

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

(a) Operational risk

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

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

(b) Underwriting risk

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

(c) Family Takaful certificate liabilities

All Family Takaful certificate liabilities arise from Malaysia.

Principle assumptions - estimation of Family Takaful certificate 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 table below sets out the concentration of the Company's takaful certificate liabilities by type of product.

	2023 RM'000	2022 RM'000
Products without participant investment fund	97,876	90,104
Products with participant investment fund		
Investment-Linked	471,146	438,845
Non Investment-Linked	977,470	876,333
Total	1,546,492	1,405,282

20. Takaful risk (cont'd.)

Sensitivities

The following sensitivity analysis shows the impact on profit before tax, CSM, and equity for reasonably possible movements in key assumptions with all other assumptions (as detailed in Note 3(i) held constant). The correlation of assumptions will have a significant effect in determining the ultimate impacts, but to demonstrate the impact due to changes in each assumption, 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. The method used for deriving sensitivity information and significant assumptions made did not change from the previous period.

2023		Profit before tax		CSM		Equity	
	Change in assumptions	Gross of retakaful	Net of retakaful	Gross of retakaful	Net of retakaful	Gross of retakaful	Net of retakaful
Mortality rates	+10%	(13,764)	(3,684)	(33,432)	(8,014)	(10,461)	(2,800)
Morbidity rates	+10%	(1,586)	(1,165)	(847)	387	(1,206)	(885)
Lapse and surrender rates	+10%	(11,062)	(9,013)	(4,754)	(4,131)	(8,407)	(6,850)
Expenses	+10%	(11,987)	(10,499)	(7,145)	(8,493)	(9,110)	(7,980)
Profit rate	+0.5%	420	187	9,915	9,438	319	142
Mortality rates	-10%	13,487	8,838	33,702	2,772	10,250	6,717
Morbidity rates	-10%	1,626	1,208	813	(432)	1,236	918
Lapse and surrender rates	-10%	12,277	9,962	5,342	4,655	9,331	7,571
Expenses	-10%	10,897	9,594	7,774	8,944	8,282	7,292
Profit rate	-0.5%	(1,186)	(24)	(8,470)	(8,117)	(901)	(18)

2022		Profit before tax		CSM		Equity	
	Change in assumptions	Gross of retakaful	Net of retakaful	Gross of retakaful	Net of retakaful	Gross of retakaful	Net of retakaful
Mortality rates	+10%	(7,335)	(3,297)	(31,222)	(5,295)	(5,574)	(2,505)
Morbidity rates	+10%	227	370	(2,325)	(1,396)	172	281
Lapse and surrender rates	+10%	(2,534)	(2,033)	(14,949)	(12,848)	(1,926)	(1,545)
Expenses	+10%	(918)	(852)	(6,254)	(6,214)	(698)	(648)
Profit rate	+0.5%	1,066	995	4,072	3,892	810	756
Mortality rates	-10%	7,357	3,753	30,893	4,430	5,592	2,852
Morbidity rates	-10%	798	561	1,041	(267)	607	427
Lapse and surrender rates	-10%	(4,161)	(3,193)	13,996	9,640	(3,162)	(2,427)
Expenses	-10%	(1,140)	(842)	6,049	5,670	(866)	(640)
Profit rate	-0.5%	(301)	(189)	(5,344)	(5,174)	(229)	(143)

21. 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.

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.

	2023	2022
	RM'000	RM'000
Cash and cash equivalents	380,913	277,035
Investments:		
Collective investment schemes at FVTPL	596,707	534,525
Government Investment Issues at FVOCI	276,790	256,984
Government guaranteed sukuk at FVOCI	253,574	219,505
Corporate debt securities at FVOCI	604,385	503,582
Retakaful certificate assets	52,800	63,073
Other receivables (excluding prepayments)	17,559	14,371
Total credit risk exposure	**2,182,728**	**1,869,075**

21. 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	Past due and impaired RM '000	Total RM '000
31 December 2023				
Cash and cash equivalents	380,913	-	-	380,913
Investments:				
Collective investment schemes at FVTPL	596,707	-	-	596,707
Government Investment Issues at FVOCI	276,790	-	-	276,790
Government guaranteed sukuk at FVOCI	253,574	-	-	253,574
Corporate debt securities at FVOCI	604,385	-	-	604,385
Retakaful certificate assets	52,800	-	-	52,800
Other receivables (excluding prepayments)	17,559	-	2,365	19,924
Less: Impairment loss	-	-	(2,365)	(2,365)
Total credit risk exposure	2,182,728	-	-	2,182,728
31 December 2022				
Cash and cash equivalents	277,035	-	-	277,035
Investments:				
Collective investment schemes at FVTPL	534,525	-	-	534,525
Government Investment Issues at FVOCI	256,984	-	-	256,984
Government guaranteed sukuk at FVOCI	219,505	-	-	219,505
Corporate debt securities at FVOCI	503,582	-	-	503,582
Retakaful certificate assets	63,073	-	-	63,073
Other receivables (excluding prepayments)	14,371	-	1,800	16,171
Less: Impairment loss	-	-	(1,800)	(1,800)
Total credit risk exposure	1,869,075	-	-	1,869,075

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 counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade.

	AAA RM '000	AA to A RM '000	BBB to B RM '000	Not-rated RM '000	Total RM '000
31 December 2023					
Cash and cash equivalents	380,913	-	-	-	380,913
Investments:					
Collective investment schemes at FVTPL	-	-	-	596,707	596,707
Government Investment Issues at FVOCI	-	-	-	276,790	276,790
Government guaranteed sukuk at FVOCI	-	-	-	253,574	253,574
Corporate debt securities at FVOCI	604,385	-	-	-	604,385
Retakaful certificate assets	-	52,800	-	-	52,800
Other receivables (excluding prepayments)	-	-	-	17,559	17,559
Total credit risk exposure	985,298	52,800	-	1,144,630	2,182,728
31 December 2022					
Cash and cash equivalents	277,035	-	-	-	277,035
Investments:					
Collective investment schemes at FVTPL	-	-	-	534,525	534,525
Government Investment Issues at FVOCI	-	-	-	256,984	256,984
Government guaranteed sukuk at FVOCI	-	-	-	219,505	219,505
Corporate debt securities at FVOCI	503,582	-	-	-	503,582
Retakaful certificate assets	-	63,073	-	-	63,073
Other receivables (excluding prepayments)	-	-	-	14,371	14,371
Total credit risk exposure	780,617	63,073	-	1,025,385	1,869,075

21. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

Impairment losses - debt instruments measured at FVOCI

The table below shows the fair value of the Company's debt instruments measured at FVOCI by credit risk, based on the Company's internal credit rating system.

	2023 12m ECL RM'000	2022 12m ECL RM'000
Internal rating grade		
AAA	604,730	503,917
AA to A	-	-
BBB to B	-	-
Past due but not impaired	-	-
Not-rated	531,019	476,788
Total gross amount	1,135,749	980,705
ECL	(1,000)	(634)
Total net amount	1,134,749	980,071

An analysis of changes in the fair value and the corresponding ECLs is, as follows:

	2023 12m ECL RM'000	2022 12m ECL RM'000
Fair value as at 1 January	980,071	921,223
New assets originated or purchased	187,553	171,180
Assets derecognised or matured	(55,000)	(85,000)
Net amortisation	(1,654)	(1,530)
Change in fair value	24,145	(25,395)
Movement between 12m ECL	(366)	(407)
At 31 December	1,134,749	980,071

	2023 12m ECL RM'000	2022 12m ECL RM'000
ECL as at 1 January	634	227
New assets originated or purchased	133	153
Assets derecognised or matured (excluding write-offs)	(18)	(25)
Movement between 12m ECL	251	279
At 31 December	1,000	634

21. 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 certificates 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 following table summarises the maturity profile of groups of takaful certificates issued and groups of retakaful certificates held that are liabilities of the Company based on the estimates of the present value of the future cash flows expected to be paid out in the periods presented:

2023	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Takaful certificate liabilities	289,245	143,245	126,377	107,398	88,243	791,984	1,546,492
Retakaful certificate liabilities held	39,506	48	44	41	39	451	40,129
TOTAL	328,751	143,293	126,421	107,439	88,282	792,435	1,586,621

2022	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Takaful certificate liabilities	262,835	130,166	114,838	97,591	80,185	719,667	1,405,282
Retakaful certificate liabilities held	43,056	52	48	45	43	490	43,734
TOTAL	305,891	130,218	114,886	97,636	80,228	720,157	1,449,016

Amounts payable on demand

For products with participant investment fund or any other surrender value, the amounts payable on demand and the carrying amount of the respective groups of contracts are presented below:

	Amounts payable on demand	Carrying amount
	RM'000	RM'000
2023	1,471,348	1,546,492
2022	1,357,600	1,405,282

21. Financial risk (cont'd.)

(b) Liquidity risk (cont'd.)

The following table summarises the financial assets and liabilities into their relevant maturity groupings based on the remaining period at the end of the reporting year to their contractual maturities or expected repayment dates:

2023	Up to 1 year*	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets							
Cash and cash equivalents	380,913	-	-	-	-	-	380,913
Equity at FVTPL	596,707	-	-	-	-	-	596,707
Debt instruments at FVOCI	85,366	115,867	75,929	91,643	121,141	644,803	1,134,749
Other receivables (excluding prepayments)	19,924	-	-	-	-	-	19,924
TOTAL	1,082,910	115,867	75,929	91,643	121,141	644,803	2,132,293
Financial liabilities							
Other payables	58,487	-	-	-	-	-	58,487
TOTAL	**58,487**	**-**	**-**	**-**	**-**	**-**	**58,487**

2022	Up to 1 year*	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets							
Cash and cash equivalents	277,035	-	-	-	-	-	277,035
Equity at FVTPL	546,853	-	-	-	-	-	546,853
Debt instruments at FVOCI	55,066	85,607	110,346	70,320	80,776	577,956	980,071
Other receivables (excluding prepayments)	16,171	-	-	-	-	-	16,171
TOTAL	895,125	85,607	110,346	70,320	80,776	577,956	1,820,130
Financial liabilities							
Other payables	57,562	-	-	-	-	-	57,562
TOTAL	**57,562**	**-**	**-**	**-**	**-**	**-**	**57,562**

* or repayable on demand or no maturity date

21. Financial risk (cont'd.)

(b) Liquidity risk (cont'd.)

The table below summarises the expected utilisation or settlement of assets and liabilities.

	2023			2022		
	No more than 12 months	More than 12 months	Total	No more than 12 months	More than 12 months	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets						
Cash and cash equivalents	380,913	-	380,913	277,035	-	277,035
Equity at FVTPL	596,707	-	596,707	546,853	-	546,853
Debt instruments at FVOCI	85,366	1,049,383	1,134,749	55,066	925,005	980,071
	1,062,986	1,049,383	2,112,369	878,954	925,005	1,803,959
Takaful certificate liabilities						
Takaful certificate liabilities	289,245	1,257,247	1,546,492	262,835	1,142,447	1,405,282
Retakaful certificate liabilities held	39,506	623	40,129	43,056	678	43,734
	328,751	1,257,870	1,586,621	305,891	1,143,125	1,449,016
Retakaful certificate assets held	24,069	28,731	52,800	28,751	34,322	63,073

21. 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

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument, takaful certificate or retakaful certificate will fluctuate because of changes in market profit rates.

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.

The Company's exposure to profit rate risk sensitive takaful and retakaful certificates and debt instruments are, as follows:

	2023 RM '000	2022 RM '000
Takaful and retakaful certificates		
Retakaful certificate assets	52,800	63,073
Takaful certificate liabilities	1,546,492	1,405,282
Retakaful certificate liabilities	40,129	43,734
Debt instruments at FVOCI	1,134,749	980,071
Cash and cash equivalents	380,913	277,035

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:

	2023		2022	
Change in variables	**Profit before tax RM '000**	**Equity RM '000**	**Profit before tax RM '000**	**Equity RM '000**
+ 100 bps	-	(59,255)	-	(51,575)
- 100 bps	-	65,838	-	57,405

(ii) Equity price risk

Equity price risk arises from the Company's investments in collective investment schemes and equity securities.

The collective investment schemes and equity investment portfolio of the Company is exposed to movements in equity markets. 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.

As at 31 December 2023, the Company's exposure to equity price risk was RM527.0 million (2022: RM479.5 million). The Company has determined that an increase/(decrease) of 10% on the relevant index could have an impact of approximately RM52.7 million (2022: RM47.9 million) (increase)/decrease on the loss before tax and approximately RM48.5 million (2022: RM44.1 million) increase/(decrease) on equity.

21. Financial risk (cont'd.)

(d) Fair value information

The carrying amounts of cash and cash equivalents, short-term receivables and payables reasonably approximate their 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.

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

	Fair value of financial instruments carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2023						
Financial assets						
FVTPL						
Collective investment schemes	596,707	-	-	596,707	596,707	596,707
FVOCI						
Government Investment Issues	-	276,790	-	276,790	276,790	276,790
Government guaranteed sukuk	-	253,574	-	253,574	253,574	253,574
Corporate debt securities	-	604,385	-	604,385	604,385	604,385
TOTAL	596,707	1,134,749	-	1,731,456	1,731,456	1,731,456
2022						
Financial assets						
FVTPL						
Collective investment schemes	534,525	-	-	534,525	534,525	534,525
Quoted equity securities	12,328	-	-	12,328	12,328	12,328
FVOCI						
Government Investment Issues	-	256,984	-	256,984	256,984	256,984
Government guaranteed sukuk	-	219,505	-	219,505	219,505	219,505
Corporate debt securities	-	503,582	-	503,582	503,582	503,582
TOTAL	546,853	980,071	-	1,526,924	1,526,924	1,526,924

22. Capital management

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

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

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

	31.12.2023 RM'000	31.12.2022 RM'000
Eligible Tier 1 Capital		
Share capital	829,000	617,000
Reserves, including retained earnings*	(455,195)	(354,949)
Valuation surplus maintained in the takaful funds*	180,786	143,877
Eligible Tier 2 Capital		
Fair value reserves*	6,799	61
Amount deducted from capital	(48,268)	(28,659)
Capital available	513,122	377,330
Total capital available	374,288	279,175

*The amounts shown are calculated based on the requirements of BNM/RH/PD 033-4 Risk-Based Capital Framework for Takaful Operators, which is on a different basis compared to the amounts shown in the financial statements.

23. Subsequent event

On 8 March 2024, there was a change in shareholding whereby the shares held by JAB Capital Berhad were transferred to FWD Life Insurance Company (Bermuda) Limited and EPF. Arising from the transfer of shareholding, JAB Capital Berhad is no longer a shareholder of the Company.