Zurich General Takaful Malaysia Berhad

ZURICH TAKAFUL

Reports And Statutory Financial Statements

31 DECEMBER 2019

About Zurich General Takaful in Malaysia

Zurich General Takaful Malaysia Berhad (ZGTMB) is one of Malaysia's leading general takaful operators. It is a member of Zurich Insurance Group and the sole provider of shariah-compliant general takaful products within Zurich. With more than a decade of Takaful market expertise, ZGTMB offers an extensive range of general takaful solutions spanning motor, travel, property, financial and personal lines, small to medium enterprises as well as large industrial risks. Together with its dedicated employees, agency force, distributors and partners, supported by its nationwide branch network, ZGTMB is committed to help its customers understand and protect their valuable assets and businesses from risks.

Company No.

201701045981 (1260157-U)

ZURICH GENERAL TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

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ZURICH GENERAL TAKAFUL MALAYSIA BERHAD

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CORPORATE GOVERNANCE STATEMENT

Introduction

Zurich General Takaful Malaysia Berhad (“ZGTMB” or “the Company”) is committed to effective corporate governance for the benefit of its shareholders, customers, employees and other stakeholders based on the principles of fairness, transparency and accountability.

The Board of Directors (“the Board”) is satisfied that the Company has complied with all prescriptive requirements of including the principles of Shariah, and adopts the Corporate Governance policy document (BNM/RH/PD 029-9) issued by Bank Negara Malaysia (“BNM”) since the commencement of the business of the Company on 1 June 2018. The Board has continued its commitment in ensuring that the highest principles and best practices in corporate governance are practised as a fundamental part of discharging its responsibilities to protect and enhance shareholders value and the financial performance of the Company.

The Board

The Board is responsible for the overall governance of the Company by ensuring strategic guidance, internal control, risk management and reporting procedure are in place. The Board exercises due diligence and care in discharging its duties and responsibilities to ensure compliance with relevant rules, regulations directives and guidelines in addition to adopting best practices and act in the best interest of its shareholders.

The Board Charter

The Board Charter set out the Board’s roles, responsibilities and procedures of the Board and the Board Committees of the Company in accordance with the principles of corporate governance prescribed in the Corporate Governance Policy Document issued by BNM. The Board regularly reviews the Charter and ensure it remains consistent and relevance to the Board’s objectives and responsibilities, and all regulations/laws in connection thereto.

Composition of the Board

The Directors of the Company in office during the period since the date of the last report are as follows:

Name of Directors	**Designations**
Nabil Nazih El-Hage	Chairman, Independent Non-Executive Director
Dr Md Khalil bin Ruslan	Independent Non-Executive Director
Onn Kien Hoe	Independent Non-Executive Director
Dr Mohd Nordin bin Mohd Zain	Independent Non-Executive Director
Hasnah binti Omar (Appointed on 5 August 2019)	Independent Non-Executive Director
Kevin John Wright (Appointed on 3 February 2020)	Executive Director
David Jerry Fike (Resigned on 25 May 2019)	Executive Director

Composition of the Board (continued)

The Board comprises five (5) Independent Non-Executive Directors and one (1) Executive Director, each from diverse backgrounds and qualifications and bring a wide range of professional skills and operational experience to the Board. Collectively, they provide the necessary business acumen, knowledge, capabilities and competencies to the Company. The roles and activities of the Chairman and Chief Executive Officer ("CEO") are distinct and separate.

The appointments to the Board were approved by BNM. All appointments and reappointments of Board members are subject to evaluation and review by the Nomination and Remuneration Committee, and approved by the Board before the applications are submitted to BNM for approval.

Roles and Responsibilities of the Board

The Board sets the strategic direction and vision of the Company. It has an overall responsibility for promoting the sustainable growth and financial soundness of the Company, and for ensuring reasonable standards of fair dealing, without undue influence from any party. This includes a consideration of long-term implications of the Board's decisions on the Company and its customers, officers and general public. In fulfilling this role, the Board shall:

(a) approve the risk appetite, business plans and other initiatives which would, singularly or cumulatively, have a material impact on the Company's risk profile;

(b) oversee the selection, performance, remuneration and succession plans of the CEO, control function heads and other members of senior management, such that the Board is satisfied with the collective competence of senior management to effectively lead the operations of the Company;

(c) oversee the implementation of the Company's governance framework and internal control framework, and periodically review whether these remain appropriate in light of material changes to the size, nature and complexity of the Company's operations;

(d) promote, together with senior management, a sound corporate culture within the Company which reinforces ethical, prudent and professional behavior;

(e) promote sustainability through appropriate environmental, social and governance considerations in the Company's business strategies;

(f) oversee and approve 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;

(g) promote timely and effective communication between the Company and BNM on matters affecting or that may affect the safety and soundness of the Company; and

(h) promote Shariah compliance in accordance with expectations set out in the policy document on Shariah Governance (BNM/RH/PD/028-100).

ZURICH GENERAL TAKAFUL MALAYSIA BERHAD
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CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Profile of Directors

Nabil Nazih El-Hage
American, Male
Independent Non-Executive Director / Chairman

Mr. Nabil Nazih El-Hage was appointed as Independent Non-Executive Director / Chairman of the Company upon obtaining approval from Bank Negara Malaysia on 1 June 2018.

Mr. Nabil graduated ‘cum laude’ in Electronic Engineering from Yale University in 1980. He then earned his Master of Business Administration (“MBA”) with the highest honours – as a Baker Scholar – from Harvard Business School in 1984, where he was awarded the Henry Ford Foundation Award for the Best First-Year academic record, the Loeb-Rhoades Fellowship for Excellence in Finance, the Copeland (Marketing) Award nomination, and a Dean’s Doctoral Fellowship.

Mr. Nabil is the founder and chairman of the AEE International, dba Academy of Executive Education (“AEE”), which provides high-quality executive education programmes to corporate clients. AEE (and its predecessor companies) have also developed a highly-acclaimed corporate governance programme for Malaysian financial institutions, as commissioned by Bank Negara Malaysia. He is also the Programme Director for Bank Negara Malaysia’s Financial Institutions Directors’ Education (“FIDE”) programme.

Mr. Nabil has served on several boards of directors of private and public listed companies. From 2003 to 2010, Mr. Nabil was on the faculty of Harvard Business School, where he was, at various times, Professor of Management Practice, Thomas Henry Carroll / Ford Foundation Adjunct Professor of Business Administration, and Senior Associate Dean for External Relations. At Harvard Business School, Mr. Nabil taught courses on Private Equity, Corporate Finance, and Corporate Governance.

Mr. Nabil also serves as the Contracts Committee Chairman of the MassMutual mutual fund group ($35 billion under management), member of its Audit Committee and designated "Financial Expert”. His previous appointments include chairman of the Audit Committee of an NYSE-listed Property and Casualty insurance company. He has served on the boards of directors of over 15 companies, including six public listed ones. He has also served on the Audit Committee of several companies and was a past president of The Yale Club of Boston.

Mr. Nabil is also the Independent Non-Executive Director / Chairman of Zurich General Insurance Malaysia Berhad.

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CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Profile of Directors (continued)

Dr. Md Khalil bin Ruslan
Malaysian, Male
Independent Non-Executive Director
Chairman of Nomination and Remuneration Committee
Member of Audit Committee
Member of Risk Management Committee
Member of Shariah Committee

Dr. Md Khalil bin Ruslan was appointed as Independent Non-Executive Director of the Company upon obtaining approval from Bank Negara Malaysia on 15 March 2018. He is the Chairman of the Nomination and Remuneration Committee of the Company. He is also a member of the Risk Management Committee, Audit Committee and Shariah Committtee of the Company.

Dr. Khalil obtained his Bachelor of Shariah from University of Malaya in 1985 and Masters of Comparative Law (MCL) in 1988 from International Islamic University. Subsequently in year 2000, he attained his PHD (Islamic Commercial Transaction) from University of Edinburgh, Scotland, United Kingdom. He is currently an Associate Professor at Law Faculty, University of Malaya, Kuala Lumpur.

Onn Kien Hoe
Malaysian, Male
Independent Non-Executive Director
Chairman of Audit Committee
Member of Risk Management Committee
Member of Nomination and Remuneration Committee

Mr Onn Kien Hoe was appointed as Independent Non-Executive Director of the Company upon obtaining approval from Bank Negara Malaysia on 1 June 2018. He is the Chairman of the Audit Committee of the Company. He is also a member of the Nomination and Remuneration Committee and Risk Management Committee of the Company.

Mr. Onn completed his professional qualification with the Association of Chartered Certified Accountants (U.K.) in 1988 and has been in the accounting profession since then. He is also a member of the Malaysian Institute of Accountants (“MIA”) and Malaysian Institute of Certified Public Accountants.

Mr. Onn is a partner with Crowe Malaysia, an internationally affiliated accounting firm which is the fifth largest in Malaysia. His role includes acting as the Co-Head of the Corporate Advisory Division of Crowe Malaysia. Mr Onn has served as an examiner for the Malaysian Institute of Certified Public Accountants and as a member of the Interpretation Committee of the Malaysian Accounting Standards Board.

Mr Onn currently serves as the Independent Non-Executive Director of Zurich Takaful Malaysia Berhad. He also sits on the Board of Avillion Berhad and several private limited companies.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Profile of Directors (continued)

Dr. Mohd Nordin bin Mohd Zain
Malaysian, Male
Independent Non-Executive Director
Chairman of Risk Management Committee
Member of Audit Committee
Member of Nomination and Remuneration Committee

Dr Nordin Mohd Zain was appointed as Independent Non-Executive Director of the Company upon obtaining approval from Bank Negara Malaysia on 1 June 2018. He is the Chairman of the Risk Management Committee. He is also a member of the Audit Committee and Nomination and Remuneration Committee of the Company.

Dr. Nordin obtained his doctorate degree in Strategic Management from Strathclyde University, United Kingdom in 1995 and Masters and Bachelor degrees in Accounting from the USA in 1983 and 1981 respectively.

Dr Nordin has 34 years of experience in various capacities in banking, education, regulatory agency and professional practice. He started his career in internal audit and corporate banking for 6 years, in academic for 10 years, as a Chief Executive Officer for the Malaysian Accounting Standards Board ("MASB") for 10 years and as a Partner in Deloitte for 8 years.

He is a Chartered Accountant member of MIA, a Fellow member of CPA Australia ("FCPA"), a Fellow of IPA Australia ("FIPA") and was serving as a council member of MIA, a council member of CPA Australia, as well as a founding board member of the Malaysian Accounting Standards Board. He also served as a member of Corporate Law Reforms Committee of the Registrar of Companies

Dr Nordin currently sits on the board of international bodies such as Accounting & Auditing Organization for Islamic Financial Institution ("AAOIFI") in Bahrain UAE, the Institute of Public Accountants Australia in Melbourne, and serves as an investment committee member of a subsidiary of AIA Berhad. He used to serve as a member of Public Accountants Oversight Committee in Brunei.

Dr Nordin also serves as an Independent Non-Executive Director of UDA Holdings Berhad and AmBank Islamic Berhad.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Profile of Directors (continued)

Hasnah binti Omar
Malaysian, Female
Independent Non-Executive Director
Member of Audit Committee
Member of Risk Management Committee
Member of Nomination and Remuneration Committee

Cik Hasnah binti Omar was appointed as an Independent Non-Executive Director of the Company upon obtaining approval from Bank Negara Malaysia on 5 August 2019. Cik Hasnah is a member of the Audit Committee, Risk Management Committee and Nomination and Remuneration Committee of the Company.

Cik Hasnah graduated and received her BA (Hons) from University of Malaya in 1981 and holds a Masters in Public Administration from Harvard University, USA in 1991. Cik Hasnah also holds a Masters in Banking Law (Islamic and Conventional) from International Islamic University of Malaysia in 2010.

Cik Hasnah has vast experience in finance, banking and capital market having worked in various capacities with Bank Negara Malaysia (“BNM”) or Bank, Securities Commission (“SC”), and the Asian Development Bank (“ADB”), Manila, Philippines.

In 1981, Cik Hasnah joined BNM, where she largely worked in the Bank Examination Department of BNM which was responsible for the examinations of commercial banks, merchant banks, discount houses and finance companies. She led the examinations of a number of financially distressed banks during 1980s. For about one and the half years she served as the Head of Public Affairs Unit of the Bank, among others, assisting Governor and Senior Management in managing the press and public perception of BNM’s policies.

Cik Hasnah worked with SC from 1991 until 2013, culminating her career in SC as the Director of Market Oversight Business Group. She was actively involved in the Brokers Monitoring System during the Asian Market Crisis 1997/1998. She was also responsible for the formulation and implementation of the Compliance Function Framework for the industry, as well as the formulation of Risk-based Capital for stockbroking companies. She was primarily responsible for the formulation and implementation of Brokers’ Consolidation Policy and together with BNM contributed to the formulation of regulatory framework for investment banks. Cik Hasnah represented SC as a member of Financial Stability Committee of Financial Services Authority of Labuan (“FSA”) and as a board member of Capital Market Compensation Fund.

Cik Hasnah spent two years, from January 2009 to December 2010 with ADB in Manila on a secondment basis. Among others, she advised ADB on Islamic finance matters, she was a Mission Leader for the Financial Sector and Capital Markets Sovereign Loan Program and Technical Assistance (“TA”) for Vietnam, and involved in sovereign loan programs and TA for Thailand, Indonesia, and Philippines. She was a Co-Mission Leader for the ASEAN Regional Capital Markets Integration TA. She returned to serve the SC in January 2011 until 2013.

Cik Hasnah is currently the Chairman and Independent Non-Executive Director of MIDF Amanah Assets Management Berhad and Zurich Takaful Malaysia Berhad. She also sits on the Boards of Malaysian Industrial Development Finance Berhad (“MIDF”) and Zurich Life Insurance Malaysia Berhad. She has been serving as a member of the Appeals Committee of the Securities Industry Dispute Resolution Centre since 2015.

Profile of Directors (continued)

Kevin John Wright
Australian, Male
Executive Director

Mr. Kevin John Wright was appointed as Executive Director of the Company upon obtaining approval from Bank Negara Malaysia on 3 February 2020.

Mr. Wright has vast experience in the financial services sector in New Zealand and Australia as well as South East Asia covering Malaysia, Indonesia, Singapore, Thailand, Philippines, Hong Kong and India. Mr. Wright possesses a high degree of familiarity with other Asia Pacific markets such as South Korea and Japan. Mr. Wright has over 34 years' experience in Life and Non-Life Insurance, 15 years of which were in international markets with a focus on South East Asia, Asia Pacific and India.

Mr. Wright has solid executive management with cross-functional experience in Development, Management of Operations, Strategic Planning and Execution, Business and Financial Management, Relationship Building, Organizational Leadership, Customer Relationship Management and Team Development & Leadership, capable of performing in a broad range of executive, financial and commercially oriented positions.

Mr. Wright has held a number of diverse roles in other financial institutions such as the Chief Executive Officer ("CEO") South East Asia and India of AXA Asia and responsible for operations in Hong Kong, India, Indonesia, Malaysia, Philippines, Singapore and Thailand between years 2011 to 2014. He also served as a Board Member for all the above mentioned countries and Member of Regional Executive Committee of AXA Asia. Prior to this, he held various other senior executive roles within Australia and Asia Pacific region. He is also a former wicket-keeper who represented Australia in 10 test matches.

Mr. Wright is also the Executive Director of Zurich General Insurance Malaysia Berhad.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Directors' Training

All Directors have attended a formal induction programme to familiarise themselves with the Company's strategy and operations, financial highlights, risk management strategy, internal control environment, legal and compliance requirements, and human resource initiatives. The induction programme is conducted by the Chief Executive Officer and various Head of Departments. The Directors are also informed of their duties under the Companies Act, Board Charter, Constitution and Board Committees' Terms of Reference.

As required by BNM, the Directors have also attended the Financial Institutions Directors' Education ("FIDE") Programme accredited by the ICLIF Leadership and Governance Centre.

The Directors are encouraged to attend programmes and seminars to keep abreast with the latest developments in the industry and marketplace and to enhance the discharge of their duties.

Board Meetings

The Board is scheduled to meet at least six (6) times a year with additional meetings being convened as necessary. For the financial year ended 31 December 2019, the Board met thirteen (13) times. All the Directors satisfied the minimum attendance of at least 75% of the Board meetings.

The number of meetings attended by each member of the Board is as follows:

Name of Directors	**No. of Board Meetings Attended**
Nabil Nazih El-Hage, Chairman	12/13
Dr Md Khalil bin Ruslan	11/13
Onn Kien Hoe	12/13
Dr Mohd Nordin bin Mohd Zain	13/13
Hasnah binti Omar (Appointed on 5 August 2019)	6/6
Kevin John Wright (Appointed on 3 February 2020)	-
David Jerry Fike (Resigned on 25 May 2019)	5/5

Board Committees

The Board delegates specific responsibilities to a number of Board Committees. The Board Committees are the Audit Committee, the Nomination and Remuneration Committee, the Risk Management Committee and the Shariah Committee. The Board Committees are chaired by an Independent Non-Executive Director.

Each Board Committee operates within defined terms of reference. The Board Committees have the authority to examine particular issues, but they report to the Board with their decisions and/or recommendations and the ultimate responsibility on all matter's rests with the Board.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Board Committees (continued)

Audit Committee ("AC")

The principal objectives of the AC are to assist the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the Company. The AC meets regularly with senior management, the internal auditors and the external auditors to review the Company's financial reporting, the nature and scope of audit reviews and the effectiveness of the systems of internal control and compliance.

The AC functions on the Terms of Reference approved by the Board. The principal duties and responsibilities of AC are:

(i) To approve internal auditors' audit plan, review the adequacy of the scope, functions, resources and competency and that it has the necessary authority to carry out its work;

(ii) To review the results of internal audit process and ensure that appropriate actions are taken on the recommendations given by the internal auditors;

(iii) To consider the appointment of the external auditors, the audit fee and any question of resignation or dismissal;

(iv) To discuss with the external auditors before the audit commences, the nature and scope of audit;

(v) To provide assurance that the financial information presented by management is relevant, reliable and timely;

(vi) To oversee compliance with relevant laws and regulations and observance of a proper code of conduct; and

(vii) To determine the quality, adequacy and effectiveness of the Company's internal control environment.

The AC meets at least once every quarter, or more frequently as circumstances dictate. During the financial year ended 31 December 2019, the AC held seven (7) meetings to review the Company's financial reporting, the nature and scope of audit reviews and the effectiveness of the systems of internal control and compliance.

The members and number of meetings attended by each member of the AC is as follows:

Members	**No. of AC Meetings Attended**
Onn Kien Hoe, Chairman	6/7
Dr Md Khalil bin Ruslan	7/7
Dr Mohd Nordin bin Mohd Zain	7/7
Hasnah binti Omar (Appointed on 5 August 2019)	3/3

Board Committees (continued)

Nomination and Remuneration Committee ("NRC")

The NRC assist the Board in fulfilling its fiduciary responsibilities relating to assessment of the nomination and selection process of Board members and Senior Management, review of the remuneration framework of Board members and Senior Management, annual review of the effectiveness of the Board, Board Committees, individual Directors and Chief Executive Officer. In considering the right candidate for appointment to the Board, the NRC takes into account the required mix of skills, experience and other core competencies that are necessary to enable the Company to achieve its corporate objectives and fulfill its fiduciary responsibilities.

The NRC functions on the Terms of Reference approved by the Board. The principal duties and responsibilities of NRC are:

(i) To develop and recommend a formal, clear and transparent remuneration policy and framework for fixing the remuneration for Directors, Chief Executive Officer, key senior officers (including the expatriates, if any) and members of Shariah Committee of the Company;

(ii) To recommend specific remuneration packages for Directors, Chief Executive Officer, key senior officers (including the expatriates, if any) and members of Shariah Committee of the Company;

(iii) To ensure that the remuneration for individuals within the Company be aligned with prudent risk-taking and appropriately adjusted for risks. The remuneration outcomes must be symmetric with risk outcomes; and

(iv) To review and assess the nomination and selection of the Board, Senior Management (including Chief Executive Officer and expatriates), members of Shariah Committee and Company Secretary, the performance of the Board, Chief Executive Officer and Shariah Committee, fit and proper assessments, succession planning and training and development needs.

The members and number of meetings attended by each member of the NRC during the financial year ended 31 December 2019 is as follows:

Members	**No. of NRC Meetings Attended**
Dr Md Khalil bin Ruslan, Chairman	8/8
Onn Kien Hoe	7/8
Dr Mohd Nordin bin Mohd Zain	8/8
Hasnah binti Omar (Appointed on 5 August 2019)	4/4

Board Committees (continued)

Risk Management Committee ("RMC")

The RMC reviews the risk management framework of the Company to ensure risks at all levels are managed effectively. It also reviews risk management policies; action plans and evaluates the adequacy of overall risk management policies and procedures.

The RMC functions on the Terms of Reference approved by the Board. The principal duties and responsibilities of RMC are as follows:

(i) To review and recommend risk management strategies, policies and risk tolerance to the Board for approval;

(ii) To review and assess the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks;

(iii) To ensure that there are adequate infrastructure, resources and systems in place for an effective risk management;

(iv) To review the management's periodic reports on risk exposure, risk portfolio composition and risk management activities; and

(v) To provide oversight over technology-related matters which include review of technogy frameworks, review and recommendation of technology risk appetite, risk tolerance for technology related events, ensure key performance indicators and forward looking risk indicatiors are in place, adequacy of IT and cybersecurity strategic plans and effective implementation of sound and robust technology risk management framework ("TRMF") and cyber resilience framework ("CRF") and ensure that risk assessments undertaken in relation to material technology application submitted to BNM are robust and comprehensive.

The members and number of meetings attended by each member of the RMC during the financial year ended 31 December 2019 is as follows:

Members	**No. of RMC Meetings Attended**
Dr Mohd Nordin bin Mohd Zain. Chairman	4/4
Dr Md Khalil bin Ruslan	4/4
Onn Kien Hoe	4/4
Hasnah binti Omar (Appointed on 5 August 2019)	2/2

Board Committees (continued)

Shariah Committee ("SC")

The SC is entrusted by the Board to ensure that the Company's operations and products offered are in accordance with the Shariah. All matters which require Shariah Committee's opinion and decisions are deliberated at the Shariah Committee's meetings with the attendance of the Management and the representatives from the Shariah Division. Thereon, the said matters are brought to the attention of the Board for an informed decision making.

The SC functions on the Terms of Reference approved by the Board. The principal duties and responsibilities of SC are as follows:

1. Responsibility and accountability
   The SC is expected to understand that in the course of discharging the duties and responsibilities as a SC member, they are responsible and accountable for all Shariah decisions, opinions and views provided by them. The SC is also expected to perform an oversight role on Shariah matters related to the Company's business operations and activities.

2. Advise the Board and the Company
   The SC shall advise the Board and provide input to the Company on any matters related to Shariah in order for the Company to comply with Shariah principles at all times.

3. Endorse Shariah policies and procedures
   The SC is expected to endorse Shariah policies and procedures prepared by the Company and to ensure the contents do not contain any elements which are not in line with Shariah.

4. Endorse and validate relevant documentations
   To ensure that the products of the Company comply with Shariah principles, the SC must approve:
   (i) The terms and conditions contained in the forms, contracts, agreements or other legal documentations used in executing the transactions; and

   (ii) The product manual, marketing advertisements, sales illustrations and brochures used to describe the product.

5. Assess work carried out by Shariah review and Shariah audit
   To assess the work carried out by Shariah review and Shariah audit in order to ensure compliance with Shariah principles which forms part of their duties in providing their assessment of Shariah compliance and accurate information in the annual report.

6. Assist related parties on Shariah matters
   The related parties of the Company such as its legal counsel, auditor or consultant may seek advice on Shariah matters from the SC and the SC is expected to provide the necessary assistance to the requesting party.

7. Advise on matters to be referred to the Shariah Advisory Council ("SAC")
   The SC may advise the Company to consult the SAC of Bank Negara Malaysia on Shariah matters that could not be resolved.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Board Committees (continued)

Shariah Committee ("SC") (continued)

8. Provide written Shariah opinions
The SC is required to record any opinion given. In particular, the SC shall prepare written Shariah opinions in the following circumstances:
(i) Where the Company make reference to the SAC for advice, or
(ii) Where the Company submit applications to BNM for new product approval.

The members and number of meetings attended by each member of the SC during the financial year ended 31 December 2019 is as follows:

Members	**No. of SC Meetings Attended**
Dr Yusri bin Mohamad, Chairman	8/8
Dr Md Khalil bin Ruslan	7/8
Dr Luqman bin Haji Abdullah	8/8
Dr Mohamad Abdul Hamid	7/8
Dr Zulkifli bin Hasan	6/8

Other Key Elements of Risk Management and Internal Control

Organisational structure and management accountability

The Company has an organisation structure showing all reporting lines as well as clearly documented job description for all management and executive employees. The officers of the Company have knowledge of their respective authority and operating limits, which are documented in the Company's Internal Control Procedures.

The human resource procedures of the Company provide for the setting of goals and training of each staff. The Company conducts formal appraisals for each staff on an annual basis.

The Company has established procedures to avoid and to deal with any conflict of interest situation. None of the Directors and senior management of the Company has, in any circumstances, conflict of interest referred to in Part B, paragraph 14 of BNM Guidelines on Corporate Governance, and paragraph 67 of the Islamic Financial Services Act, 2013 ("IFSA").

Corporate independence

The Company has complied with the requirements of BNM's Guidelines on Related Party Transactions (BNM/RH/GL018-6) in respect of all its related party undertakings. Necessary disclosures were made to the Board and where required, the Board's prior approval for the transaction has also been obtained. All material related party transactions have been disclosed in the financial statements.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Other Key Elements of Risk Management and Internal Control (continued)

Internal controls

The responsibility of maintaining a system of internal controls rests with the Board. The Company has established internal controls which cover all levels of personnel and business processes that ensure the Company's operations are run in an effective and efficient manner as well as safeguarding the assets of the Company and stakeholders' interest.

Continuous assessment of the effectiveness and adequacy of internal controls, which includes an independent examination of controls by the internal audit function, ensures corrective action where necessary, is taken in a timely manner. The internal audit function reports directly to the Board through the Audit Committee, and its findings and recommendations are communicated to the senior management and all levels of staff concerned. The Chief Internal Auditor has unrestricted access to the Chairman and members of the Audit Committee, and the internal audit function performs their duties within the ambit of the Audit Charter approved by the Audit Committee and the Board.

The IT Steering Committee is responsible for establishing effective information technology and information systems plans, authorising information technology (“IT”) related expenditure based on authority limits, and monitoring the progress of approved projects. The Company has increased the security controls for the IT systems, and have put in place business resumption and contingency plans to ensure continued operations of mission critical functions. The requirements of BNM’s Guidelines on Management of IT Environment (GPIS-1) and Guidelines on Business Continuity Management (BNM/RH/GL/013-3) have been complied.

Risk management

The RMC meets regularly, at least four (4) times a year, to review risk management reports of the Company. The RMC has categorised risks into six (6) risk types affecting the Company namely Property and Casualty Risk, Market Risk, Credit Risk, Operational Risk, Strategic Risk and Reputation Risk and Capital Management / Liquidity Risk.

The Company has established, within its risk management framework, a structured approach to enterprise-wide risk management. The process involves risk identification and assessment process whereby all department heads of the Company are required to assess their operations and identify risks affecting their operations, identify existing controls in place to mitigate those risks and the probability of the risks occurring and its impact severity.

Public accountability

As a custodian of public funds, the Company's dealings with the public are always conducted fairly, honestly and professionally. All staff and agents of the Company are required to comply with the Code of Ethics and Conduct.

Other Key Elements of Risk Management and Internal Control (continued)

Financial reporting

The Board is responsible for ensuring the proper maintenance of accounting records of the Company. Reports on the financial condition and performance of the Company are reviewed at the Board, Executive Committee and Management Committee meetings. Financial statements and reports are lodged with the regulatory and supervisory authorities, and annual financial statements prepared in accordance with applicable regulations and approved accounting standards are audited.

Remuneration policy

The Company's remuneration policy is based on Zurich Insurance Group Limited ("ZIGL")'s remuneration philosophy. The Company operates a balanced and effectively managed remuneration system, which is aligned with risk considerations and provides for competitive total remuneration opportunities to attract, retain, motivate and reward employees to deliver outstanding performance.

The remuneration system is also an important element of the risk management framework and is designed to not encourage inappropriate risk taking through effective governance and a clearly defined performance management process which supports the overall business strategy and plans. Aligned with the Company's corporate governance standards, there are separate responsibilities for the business planning and performance management process and for the implementation of the remuneration system.

The Board of Directors reviews and approves the remuneration rules regularly, at least once a year, and amends them, as necessary, from time to time. The Board of Directors may approve amendments to the remuneration architecture in general or to the applicable plans including exceptions to the short-term incentive plan and/or long-term incentive plan target amounts, to the performance criteria, vesting and/or performance periods and related retention periods.

With respect to the regular review and the oversight of the implementation of the Remuneration Rules, the Board of Directors is supported by the Nomination and Remuneration Committee and respective monitoring process.

The guiding principles of the remuneration philosophy as set out in the Company's Remuneration Rules are as follows:

- The remuneration architecture is simple, transparent and can be put into practice.
- Remuneration is tied to long-term results for individuals who have a material impact on the Company's risk profile.
- The structure and level of total remuneration are aligned with the Company's risk policies and risk-taking capacity.
- A high-performance culture is promoted by differentiating total remuneration based on the relative performance of business and individuals.
- Expected performance is clearly defined through a structured system of performance management and this is used as the basis for remuneration decision.
- Variable remuneration awards are linked to key performance factors which include the performance of the Company, business units, functions, as well as individual achievements.

Remuneration policy (continued)

The guiding principles of the remuneration philosophy as set out in the Company's Remuneration Rules are as follows: (continued)

- The Company's Short Term Incentive Plan ("STIP"), General Insurance Performance Plan ("GIPP") and Long Term Incentive Plan ("LTIP"), used for variable remuneration, are linked to appropriate performance criteria and the overall expenditure on variable pay is considered in connection with its long term economic performance.
- The structure of the LTIP links remuneration with the future development of performance and risk by including features for deferred remuneration.
- Employees are provided with a range of benefits based on local market practices, taking into account the ZIGL's risk capacity on pension funding and investments.

Total remuneration and its composition may be influenced by factors such as scope and complexity of the role, level of responsibility, risk exposure, business performance and affordability, individual performance, internal equity, and legal requirements.

Total remuneration can include elements of base salary and variable remuneration.

- Base salary is the fixed pay for the role performed determined by the scope and complexity of the role and is reviewed regularly. Overall base salary structures are positioned to manage salaries around the relevant market medians. Key factors to be taken into account are the individual's overall experience and performance.

- The variable remuneration architecture is aligned with the achievement of the key financial objectives and the execution of the business strategy, risk management framework and operational plans, via short-term and long-term incentive plans. The plan designs are reviewed regularly by the Nomination and Remuneration Committee and the Board of Directors. The incentive plans are discretionary and can be terminated, modified, changed or revised, at any time, except for previously awarded grants.

- Variable remuneration is structured such that on average there is a higher weighting towards the longer-term sustainable performance for the most senior employees of the Company, including the individuals with the most impact on the Company's risk profile for key risk takers. This ensures that a significant portion of the variable pay for the senior group is deferred to promote the risk awareness of the participants and to encourage the participants to operate the business in a sustainable manner.

ZURICH GENERAL TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company is a public company limited by shares incorporated under the Companies Act, 2016 on 15 December 2017 and domiciled in Malaysia. It commenced its principal activity of underwriting of all classes of general takaful business on 1 June 2018 following the transfer of the general takaful business from Zurich Takaful Malaysia Berhad to the Company pursuant to a Business Transfer Scheme ("Business Transfer") approved and confirmed by the High Court of Malaya in accordance with Islamic Financial Services Act 2013 ("IFSA") on 27 April 2018. Details of the business transfer are as disclosed in Note 3 to the financial statements.

There has been no significant change in the nature of this principal activity during the financial year.

FINANCIAL RESULTS

	RM'000
Net profit for the financial year	26,157

RESERVES AND PROVISIONS

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

In the opinion of the Directors, the results of the operations of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

No dividend was declared or paid by the Company during the financial year. The Directors do not recommend the payment of any dividend for the current financial year.

DIRECTORS' REPORT (CONTINUED)

SHARE CAPITAL

There was a change in the share capital of the Company during the financial year. The share capital movement is shown below:

The ordinary shares were issued and fully paid by cash as follows:

Date	Number of shares	Share capital RM
28 January 2019	7,563,025	18,000,000
8 March 2019	16,806,723	40,000,000

The total number of shares issued by the Company stands at 283,369,750 ordinary shares as at 31 December 2019.

DIRECTORS OF THE COMPANY

Directors who served since the date of last report and appointed during the year to date of this report:

Name of Directors	Designation
Nabil Nazih El-Hage	Chairman, Independent Non-Executive Director
Dr Md Khalil bin Ruslan	Independent Non-Executive Director
Onn Kien Hoe	Independent Non-Executive Director
Dr Mohd Nordin bin Mohd Zain	Independent Non-Executive Director
Hasnah binti Omar (Appointed on 5 August 2019)	Independent Non-Executive Director
Kevin John Wright (Appointed on 3 February 2020)	Executive Director
David Jerry Fike (Resigned on 25 May 2019)	Executive Director

Nabil Nazih El-Hage who retired pursuant to Clause 106 of the Company’s Constitution is re-elected as Director of the Company.

Hasnah binti Omar who is retired pursuant to Clause 112 of the Company’s Constitution is re-elected as Director of the Company.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' BENEFITS

Since the end of previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company as disclosed in Note 26 (a) to the financial statements) by reason of a contract made by the Company or a related corporation with a 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.

During and at the end of the financial year, no arrangement subsisted to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

INDEMNITY AND INSURANCE COST

The Company through its ultimate holding corporation, Zurich Insurance Group Ltd.(“ZIGL”), has maintained a Directors’ and Officers’ Liability Insurance (“Group’s D&O Insurance”) on a group basis up to an aggregate limit of USD350 million against any legal liability incurred by the Directors and Officers in the discharge of their duties while holding office in the Company. The Company has also placed a Directors’ and Officers’ Liability Insurance with a local insurer up to the deductible amount under the Group’s D&O Insurance. The Directors and Officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

The total amount paid and payable for indemnity insurance effected for the Directors of the Company for the financial year amounts to RM3,399.

There was no indemnity given to, or insurance effected for auditors of the Company during the financial year.

DIRECTORS’ INTERESTS

ZIGL, the ultimate holding corporation of the Company, has designed a Group Long Term Incentive Plan (“the Plan”) for the Group’s most senior executives for the accomplishment of key Group performance measures. Participants are granted performance-based target shares under the Plan with the vesting of these target grants subject to specific performance achievements over a three-year period.

No director in office at the end of the financial year held any interests in shares in the Company or its related corporations during the financial year.

DIRECTORS’ REMUNERATION

Details of Directors’ remuneration are set out in Note 26(a) to the financial statements.

DIRECTORS' REPORT (CONTINUED)

OTHER STATUTORY INFORMATION

(a) Before the financial statements of the Company were made out, 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 allowance for doubtful debts, and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

(i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent; and

(ii) the values attributed to the current assets in the financial statements of the Company misleading.

(c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

(d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

(i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Company which has arisen since the end of the financial year.

(f) In the opinion of the Directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Company to meets its obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made, except for the subsequent event disclosed in Note 41 to the financial statements.

ZURICH GENERAL TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

OTHER STATUTORY INFORMATION (CONTINUED)

For the purpose of paragraphs (e) and (f), contingent and other liabilities do not include liabilities arising from contracts of takaful underwritten in the ordinary course of business of the Company.

(g) Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that there were adequate provisions for its takaful liabilities in accordance with the valuation methods specified Part D of the Risk-Based Capital (“RBC”) Framework for Takaful Operators issued by BNM.

AUDITORS’ REMUNERATION

Details of auditors’ remuneration are set out in Note 26 to the financial statements.

IMMEDIATE, PENULTIMATE AND ULTIMATE HOLDING COMPANIES

The Directors regard Zurich Holdings Malaysia Berhad, a company incorporated in Malaysia, as the immediate holding company of the Company. The penultimate holding and ultimate holding corporations are Zurich Insurance Company Ltd. and Zurich Insurance Group Ltd., respectively. Both companies are incorporated in Switzerland.

SUBSEQUENT EVENT

Details of the subsequent event are disclosed in Note 41 to the financial statements.

Company No.

201701045981 (1260157-U)

ZURICH GENERAL TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

Signed on behalf of the Board of the Directors in accordance with their resolution dated 30 April 2020.

ONN KIEN HOE
DIRECTOR

HASNAH BINTI OMAR
DIRECTOR

Kuala Lumpur
30 April 2020

Company No.

201701045981 (1260157-U)

ZURICH GENERAL TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016

We, Onn Kien Hoe and Hasnah Binti Omar, two of the Directors of Zurich General Takaful Malaysia Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 31 to 131 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2019 and of its financial performance and the cash flows for the financial year ended 31 December 2019 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated 30 April 2020.

ONN KIEN HOE
DIRECTOR

HASNAH BINTI OMAR
DIRECTOR

Kuala Lumpur
30 April 2020

STATUTORY DECLARATION
PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT, 2016

I, Nazrul Hisham bin Abdul Hamid, being the officer primarily responsible for the financial management of Zurich General Takaful Malaysia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 31 to 131 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.

NAZRUL HISHAM BIN ABDUL HAMID

Subscribed and solemnly declared by the above named Nazrul Hisham bin Abdul Hamid at Kuala Lumpur in Malaysia on 30 April 2020, before me,

PESURUHJAYA SUMPAH
No: W 701
NG KA BIANG
1 JAN 2019-19 MEI 2021
MALAYSIA

COMMISSIONER FOR OATHS

Suite, DG 6, Ground Floor,
Plaza Pekeliling, Jalan Tun Razak,
50400 Kuala Lumpur

ZURICH GENERAL TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

SHARIAH COMMITTEE REPORT

In the name of Allah, the Beneficent, the Merciful

In carrying out the roles and the responsibilities of the Zurich General Takaful Malaysia Berhad's Shariah Committee ("SC") as prescribed in the Shariah Governance Framework for Islamic Financial Institutions issued by Bank Negara Malaysia ("BNM") and in compliance with our letter of appointment, we hereby submit our report for the financial year ended 31 December 2019.

The Management of the Company is responsible to ensure that its conduct of businesses, dealing and activities are in accordance with the Shariah rules, principles and resolution made by the relevant Shariah authorities. Therefore, it is our responsibility to institute an independent opinion based on our review on the conduct and businesses entered by the Company to produce this report.

We had seven (7) seating of scheduled meetings and two (2) special meeting during the financial year in which we reviewed inter alia products, transactions, services, processes and documents of the Company.

In carrying out our roles and responsibilities, we have obtained all the relevant information and explanations which we consider necessary in order to provide us with fair evidences to give reasonable assurance that the Company has complied with the Shariah rules and principles.

At the management level, the Head of Shariah who reports to us oversees the conduct and effectiveness of the internal Shariah compliance functions i.e. Shariah Advisory, Research & Training and Shariah Review which is further substantiated by Shariah Risk which resides in the Risk Management Department and Shariah Audit that resides in the Internal Audit Department. The roles of these functions are facilitating new research & product development activities, refining existing products & procedures, providing Shariah training, managing Shariah non-compliance risks, conducting Shariah audit & review on departments and/or branches and coordinating with us on any matter that requires our decision.

The following are the major developments that took place during the financial year which comes under our purview:

Shariah Governance

We have approved in our meetings, initiatives in strengthening the Shariah governance of the Company which include the review and update of the Shariah Non-Compliance Event Reporting Guideline, Shariah Framework, Takaful Operational Model, Shariah Charter and Purification Policy that aim, among others, to improve and strengthen the Shariah governance and compliance culture in Zurich Malaysia.

Shariah Non-Compliance Reporting (SNCR)

In 2019, the Company recorded two Shariah non-compliance incidents relating to inappropriate income and expense recognition, and monthly billing. All these incidences had been reported into Operational Risk Integrated Online Network ("ORION"). Rectification plan for these incidents had been approved by Shariah Committee and monitored accordingly.

SHARIAH COMMITTEE REPORT (CONTINUED)

Shariah Review

The Shariah Review function plays a vital role in achieving the objective of ensuring Shariah compliance of the Company by regularly conducting review on the reviewable areas as instructed by us. The exercise as such is to examine and evaluate of the Company's level of compliance to Shariah, a remedial rectification measures to resolve non-compliances and control mechanism to avoid recurrences. The review exercise is aimed to be carried out on the product process as well as on overall business operations of the Company.

There were two (2) review exercises that were approved by the Shariah Committee on the Shariah Review Plan for 2019 and they were exercised on a quarterly basis. The reports were deliberated in our meetings to confirm that the Company had complied with the rulings issued by the Shariah Advisory Council of Bank Negara Malaysia, Shariah Advisory Council of Securities Commission (for investment related matters) including arising from our decisions.

The reports were presented to us covering the following products:
- i) General Accident Product
- ii) Outsourcing Implementation (Ad-hoc Review)

Shariah Audit

The Internal Audit function performs independent assessments on the Company's activities and internal control environment, governance processes as well as compliance with Shariah requirements. The Internal Audit Plan encompasses with Shariah audit was presented to Shariah Committee on 13 May 2019. For 2019, the Shariah Audit function has performed the Shariah Audit for the Company as per the Internal Audit Plan.

Business Zakat and Purification

During the financial year, the Company has performed their responsibility to perform zakat as guided by the Zakat Policy that was approved by us

We have also reviewed the financial statement of the Company and confirmed that the financial statements are in compliance with the Shariah rules and principles.

Based on the above, in our opinion:

1. The contracts, transactions and dealings entered into by the Company during the financial year ended 31 December 2019 that were reviewed are in compliance with the Shariah rules and principles;

2. The allocation of profit and charging of losses relating to investment account conformed to the basis that has been approved by us in accordance with Shariah principles;

3. The computation, payment and distribution of business zakat are in compliance with the Shariah rules and principles;

ZURICH GENERAL TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

SHARIAH COMMITTEE REPORT (CONTINUED)

Business Zakat and Purification (continued)

4. All earnings that have been realised from sources or by means prohibited by the Shariah rules and principles have been considered for disposal to charitable causes.

5. The integration process with the aims to meet the Zurich International Group standard of practice which has been carried out by the management is complied with the Shariah requirements accordingly.

On that note, we being the members of Shariah Committee of Zurich General Takaful Malaysia Berhad, do hereby satisfied that, in our level best, the businesses and activities of the Company for the financial year ended 31 December 2019 have been conducted in conformity with the Shariah rules and principles.

Allah knows best.

On behalf of the Committee:

Chairman of the Shariah Committee :

DR. YUSRI MOHAMAD

Shariah Committee :

ASSOC. PROF. DR. MD KHALIL BIN RUSLAN

Kuala Lumpur
30 April 2020

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF ZURICH GENERAL TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)
(Company No. 201701045981 (1260157-U))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

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

What we have audited

We have audited the financial statements of the Company, which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 31 to 131.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

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

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF ZURICH GENERAL TAKAFUL MALAYSIA BERHAD
(CONTINUED)
(Incorporated in Malaysia)
(Company No. 201701045981 (1260157-U))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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 Directors' Report and Corporate Governance Statement, 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 the 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.

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF ZURICH GENERAL TAKAFUL MALAYSIA BERHAD
(CONTINUED)
(Incorporated in Malaysia)
(Company No. 201701045981 (1260157-U))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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:

(a) 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.

(b) 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.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) 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.

(e) 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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF ZURICH GENERAL TAKAFUL MALAYSIA BERHAD
(CONTINUED)
(Incorporated in Malaysia)
(Company No. 201701045981 (1260157-U))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

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.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

WONG HUI CHERN
03252/05/2020 J
Chartered Accountant

Kuala Lumpur
30 April 2020

Company No.

201701045981 (1260157-U)

ZURICH GENERAL TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

		2019			2018		
		Takaful Operator	General Takaful Fund	Company	Takaful Operator	General Takaful Fund	Company
ASSETS	**Note**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Property, plant and equipment	5	532	-	532	1,035	-	1,035
Right-of-use assets	6	4,429	-	4,429	-	-	-
Intangible assets	7	28,191	-	28,191	20,475	-	20,475
Investments	8	136,634	393,559	530,193	78,297	248,229	326,526
Takaful receivables	9	-	52,868	52,868	-	43,926	43,926
Retakaful assets	10	-	127,310	127,310	-	139,413	139,413
Other receivables	11	19,153	828	971	37,710	1,720	2,032
Current tax assets		-	-	-	-	752	752
Deferred tax assets	18	10,019	2,805	12,824	1,439	3,289	4,728
Cash and cash equivalents	12	228,760	175,433	404,193	180,576	184,723	365,299
TOTAL ASSETS		427,718	752,803	1,161,511	319,532	622,052	904,186

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

Company No.

201701045981 (1260157-U)

ZURICH GENERAL TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019 (CONTINUED)

		2019			2018		
			General			General	
		Takaful	Takaful		Takaful	Takaful	
		Operator	Fund	Company	Operator	Fund	Company
LIABILITIES	**Note**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Takaful contract liabilities	13	-	659,576	659,576	-	510,640	510,640
Lease liabilities	14	4,747	-	4,747	-	-	-
Takaful payables	15	-	35,645	35,645	-	45,316	45,316
Other payables	16	26,842	53,736	61,568	31,035	66,096	59,732
Expense liabilities	17	32,152	-	32,152	14,609	-	14,609
Current tax liabilities		6,662	3,846	10,508	1,681	-	1,681
TOTAL LIABILITIES		70,403	752,803	804,196	47,325	622,052	631,978
SHAREHOLDERS' EQUITY							
Share capital	19	317,000	-	317,000	259,000	-	259,000
Retained earnings	20(a)	39,251	-	39,251	13,125	-	13,125
Available-for-sale reserve	20(b)	1,064	-	1,064	83	-	83
		357,315	-	357,315	272,208	-	272,208
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		427,718	752,803	1,161,511	319,532	622,052	904,186

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

Company No.

201701045981 (1260157-U)

ZURICH GENERAL TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENT OF PROFIT OR LOSS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		2019			15 DECEMBER 2017 TO 31 DECEMBER 2018		
	Note	Takaful Operator RM'000	General Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	General Takaful Fund RM'000	Company RM'000
Gross earned contributions	21	-	621,362	621,362	-	401,749	401,749
Contribution ceded to retakaful operators	21	-	(48,660)	(48,660)	-	(62,717)	(62,717)
Net earned contributions	**21**	**-**	**572,702**	**572,702**	**-**	**339,032**	**339,032**
Wakalah fee income		205,806	-	-	136,361	-	-
Surplus sharing from general takaful fund		4,750	-	-	4,240	-	-
Investment income	22	10,133	20,037	30,170	7,514	9,131	16,645
Realised gain	23	76	286	362	-	112	112
Fee and commission income	24	-	9,623	9,623	-	8,598	8,598
Other operating income – net		-	2,386	2,386	-	1,301	1,301
Other income		**220,765**	**32,332**	**42,541**	**148,115**	**19,142**	**26,656**
Total revenue		**220,765**	**605,034**	**615,243**	**148,115**	**358,174**	**365,688**
Gross benefits and claims paid	25	-	(288,854)	(288,854)	-	(204,070)	(204,070)
Claims ceded to retakaful operators	25	-	28,219	28,219	-	59,328	59,328
Gross change to contract liabilities	25	-	(112,444)	(112,444)	-	(26,583)	(26,583)
Change in contract liabilities ceded to retakaful operators	25	-	(13,260)	(13,260)	-	(44,597)	(44,597)
Net benefits and claims		**-**	**(386,339)**	**(386,339)**	**-**	**(215,922)**	**(215,922)**

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

Company No.

201701045981 (1260157-U)

ZURICH GENERAL TAKAFUL MALAYSIA BERHAD

(Incorporated in Malaysia)

STATEMENT OF PROFIT OR LOSS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

			2019			**15 DECEMBER 2017 TO 31 DECEMBER 2018**	
	Note	**Takaful Operator RM'000**	**General Takaful Fund RM'000**	**Company RM'000**	**Takaful Operator RM'000**	**General Takaful Fund RM'000**	**Company RM'000**
Wakalah fee expenses		-	(205,806)	-	-	(136,361)	-
Fee and commission expenses	24	(73,638)	-	(73,638)	(51,694)	-	(51,694)
Management expenses	26	(85,782)	-	(85,782)	(73,908)	-	(73,908)
Expense liabilities		(17,543)	-	(17,543)	(3,156)	-	(3,156)
Other operating expenses		(231)	-	(231)	(645)	-	(645)
Other expenses		**(177,194)**	**(205,806)**	**(177,194)**	**(129,403)**	**(136,361)**	**(129,403)**
Total underwriting surplus from operations		**43,571**	**12,889**	**51,710**	**18,712**	**5,891**	**20,363**
Surplus attributable to participants		-	(4,750)	(4,750)		(4,240)	(4,240)
Surplus attributable to Takaful Operator		-	(4,750)	**-**	-	(4,240)	-
Profit before taxation		**43,571**	**3,389**	**46,960**	**18,712**	**(2,589)**	**16,123**
Zakat		(1,089)	-	(1,089)	-	-	-
Taxation	27	(16,325)	(3,389)	(19,714)	(3,151)	2,589	(562)
Net profit for the financial year/period		**26,157**	**-**	**26,157**	**15,561**	**-**	**15,561**
Basic earning per share (SEN)	29	**0.09**	**-**	**-**	**0.11**	**-**	**-**

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

Company No.

201701045981 (1260157-U)

ZURICH GENERAL TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		2019			15 DECEMBER 2017 TO 31 DECEMBER 2018		
	Note	Takaful Operator RM'000	General Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	General Takaful Fund RM'000	Company RM'000
Net profit for the financial year/period		26,157	-	26,157	15,561	-	15,561
Other comprehensive income:							
Items that may be subsequently reclassified to profit or loss:							
Fair value change on available-for-sale financial assets, net of deferred tax:							
- Gross fair value change arising during the financial year/period		1,367	-	1,367	109	-	109
- Gross fair value transferred to statement of profit or loss		(76)	-	(76)	-	-	-
- Deferred tax	18	(310)	-	(310)	(26)	-	(26)
Other comprehensive income for the financial year/period, net of tax		981	-	981	83	-	83
Total comprehensive income for the financial year/period		**27,138**	**-**	**27,138**	**15,644**	**-**	**15,644**

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

Company No.

201701045981 (1260157-U)

ZURICH GENERAL TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Issued and fully paid ordinary shares	Non-distributable	Distributable	
	Share capital	Available-for-sale reserve	Retained earnings	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2019 – as previously reported	259,000	83	13,125	272,208
Effects of adoption of MFRS16 "Leases" (Note 2.2 (c))	-	-	(31)	(31)
At 1 January 2019 – as restated	259,000	83	13,094	272,177
Issuance of shares during the financial year (Note 19)	58,000	-	-	58,000
Net profit for the financial year	-	-	26,157	26,157
Other comprehensive income for the financial year	-	981	-	981
At 31 December 2019	317,000	1,064	39,251	357,315
At date of incorporation	*	-	-	*
Issuance of shares during the financial period (Note 19)	259,000	-	-	259,000
Net profit for the financial period	-	-	15,561	15,561
Reorganisation reserve #	-	-	(2,436)	(2,436)
Other comprehensive income for the financial period	-	83	-	83
At 31 December 2018	259,000	83	13,125	272,208

* Represents 2 ordinary shares.
# Reorganisation reserve represents the difference in net assets and liabilities acquired at the beginning of the financial period and the consideration paid.

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

Company No.
201701045981 (1260157-U)

ZURICH GENERAL TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019	15 DECEMBER 2017 to 31 DECEMBER 2018
		RM'000	RM'000
OPERATING ACTIVITIES			
Cash (utilised in)/generated from operating activities	30	(17,090)	99,246
Investment income received		28,602	16,121
Income tax paid		(19,913)	(3,545)
Net cash (outflows)/inflows from operating activities		(8,401)	111,822
INVESTING ACTIVITIES			
Insurance proceeds in relation to property, plant and equipment	5	301	-
Purchase of property, plant and equipment	5	(3)	(567)
Purchase of intangible assets	7	(10,000)	(20,000)
Net cash outflows from investing activities		(9,702)	(20,567)
FINANCING ACTIVITIES			
Proceeds from issuance of shares	19	58,000	259,000
Repayment of subordinated obligation	3	-	(73,000)
Reorganisation reserve		-	(2,436)
Payment of lease liabilities	14	(1,003)	-
Net cash inflows from financing activities		56,997	183,564
Net increase in cash and cash equivalents		**38,894**	**274,819**
Cash and cash equivalents at the beginning of the financial year/date of incorporation		365,299	*
Cash and cash equivalents arising from Business Transfer	3	-	40,647
Cash and cash equivalents arising from General Takaful Portfolio Acquisition	39	-	49,833
Cash and cash equivalents at the end of the financial year/period		**404,193**	**365,299**
Cash and cash equivalents comprise:			
Cash and bank balances	12	61,721	212,387
Fixed deposits with licensed financial institution with maturities less than 3 months	12	342,472	152,912
		404,193	**365,299**

* Represents RM2

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

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The Company is a public limited liability company incorporated under the Companies Act, 2016 on 15 December 2017 and domiciled in Malaysia. It commenced its principal activity of underwriting of all classes of general takaful business on 1 June 2018 following the transfer of the general takaful business from Zurich Takaful Malaysia Berhad to the Company pursuant to a Business Transfer Scheme ("Business Transfer") approved and confirmed by the High Court of Malaya in accordance with Islamic Financial Services Act 2013 ("IFSA") on 27 April 2018.

There has been no significant change in the nature of this principal activity during the financial year.

The registered office and principal place of business of the Company are as follows:

Registered office

Level 25, Mercu 3,
No. 3, Jalan Bangsar, KL Eco City,
59200 Kuala Lumpur.

Principal place of business

Level 26 - 28, Mercu 3,
No. 3, Jalan Bangsar, KL Eco City,
59200 Kuala Lumpur.

The Directors regard Zurich Holdings Malaysia Berhad as the immediate holding company, a company incorporated and domiciled in Malaysia. The penultimate holding and ultimate holding companies are Zurich Insurance Company Ltd. and Zurich Insurance Group Ltd., respectively. Both companies are incorporated in Switzerland.

Zurich Insurance Group Ltd. is listed on the SIX Swiss Exchange and produces financial statements available for public use.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 30 April 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

2.1 Basis of preparation

The financial statements of the Company has been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies, and in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), and comply with the requirements of the Companies Act, 2016 in Malaysia.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

The inclusion of separate financial information of the Takaful funds and the Takaful Operator together with the Company-level financial statements in the statement of financial position, the statements of comprehensive income, changes in equity and cash flows as well as certain relevant notes to the financial statements represents additional supplementary information presented in accordance with the requirements of BNM pursuant to the Islamic Financial Services Act, 2013 in Malaysia to separate assets, liabilities, income and expenses of the Takaful funds from its own. The accounting policies adopted for the Takaful Operator and Takaful funds from its own. The accounting policies adopted for the Takaful Operator and Takaful funds are uniform for like transactions and events in similar circumstances.

The Company has met the minimum capital requirements as prescribed by the Risk-Based Capital Framework for Takaful Operators ("the RBCT Framework") as at the date of the statement of financial position.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires the Directors to exercise their judgement in the process of applying the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ from estimates.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4 to the financial statements.

The preparation of financial statements in comfornity of MFRS requires the use of terminology under relevant standards. The use of key terms such as "insurance", "reinsurance" in the financial statements refers to Shariah compliant Takaful or Islamic insurance transactions, assets or liabilities.

Financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All the values in these financial statements have been rounded to the nearest thousand (RM'000), except when indicated otherwise.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(a) Standards, amendments to published standards and interpretations

(i) Standards, amendments to published standards and interpretations to existing standards that are applicable and effective to the Company

The new accounting standards, amendments to published standards and interpretations that are applicable and effective for the Company's financial year beginning on 1 January 2018 are as follows:

- MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and profit.

  For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main changes are:

  (a) for financial liabilities classified as fair value through profit or loss ("FVTPL"), the fair value changes due to own credit risk should be recognised directly to OCI. There is no subsequent recycling to profit or loss; and

  (b) when a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss, being the difference between the original contractual cash flows and the modified cash flows discounted at the original effective profit rate, should be recognised immediately in profit or loss.

  MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(a) Standards, amendments to published standards and interpretations (continued)

(i) Standards, amendments to published standards and interpretations to existing standards that are applicable and effective to the Company (continued)

The new accounting standards, amendments to published standards and interpretations that are applicable and effective for the Company's financial year beginning on 1 January 2018 are as follows: (continued)

- Amendments to MFRS 4 - Applying MFRS 9 "Financial Instruments" with MFRS 4 "Insurance Contracts".

  The amendments allow entities to avoid temporary volatility in profit or loss that might result from adopting MFRS 9 before the forthcoming new insurance contracts standard. This is because certain financial assets have to be measured at fair value through profit or loss under MFRS 9; whereas, under MFRS 4, the related liabilities from insurance contracts are often measured on amortised cost basis.

  The amendments provide 2 different approaches for entities:
  - a temporary exemption from MFRS 9 for entities that meet specific requirements; and
  - the overlay approach.

  Both approaches are optional.

  The temporary exemption enables eligible entities to defer the implementation date of MFRS 9 for annual periods beginning before 1 January 2021 at the latest. An entity may apply the temporary exemption from MFRS 9 if its activities are predominantly connected with insurance whilst the overlay approach allows an entity to adjust profit or loss for eligible financial assets by removing any accounting volatility to other comprehensive income that may arise from applying MFRS 9.

  Based on the analysis performed, the Company was eligible to apply the temporary exemption as the predominance ratio reflecting the share of liabilities connected to insurance to total liabilities exceeded 90 percent. No reassessment of eligibility was required during subsequent annual periods up to and including 2019 as there is no significant change in the activities performed by the Company. Due to the strong interaction between underlying assets held and the measurement of insurance contracts, the Company decided to use the option to defer the full implementation of MFRS 9 until MFRS 17 "Insurance Contracts" becomes effective on 1 January 2021.

  For further information on the effects from MFRS 9, Note 40 shows the fair value and carrying value of financial assets separately between financial assets with contractual cash flows that are solely payments of principal and profit ("SPPI") and other financial assets. Other financial assets consist of assets with contractual cash flows that are not SPPI and assets measured at fair value through profit or loss under MFRS 139.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(a) Standards, amendments to published standards and interpretations (continued)

(i) Standards, amendments to published standards and interpretations to existing standards that are applicable and effective to the Company (continued)

The new accounting standards, amendments to published standards and interpretations that are applicable and effective for the Company's financial year beginning on 1 January 2019 are as follows:

- IC Interpretation 23 "Uncertainty over Income Tax Treatments" provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

  If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty.

  IC Interpretation 23 will be applied retrospectively.

- Amendments to MFRS 119 "Employee Benefits – Plan Amendment, Curtailment or Settlement" makes it mandatory that when a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.

  The amendment also clarifies the effect that plan amendment, curtailment or settlement has on the requirements regarding the asset ceiling.

- MFRS 16 "Leases" supersedes MFRS 117 "Leases", IC Interpretation 4 "Determining whether an Arrangement contains a Lease", IC Interpretation 115 "Operating Leases Incentives" and IC Interpretation 127 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

  Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

  MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

  The right-of-use asset is depreciated in accordance with the principle in MFRS 116 "Property, Plant and Equipment" and the lease liability is accreted over time with profit expense recognised in profit or loss.

  For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(a) Standards, amendments to published standards and interpretations (continued)

(i) Standards, amendments to published standards and interpretations to existing standards that are applicable and effective to the Company (continued)

The new accounting standards, amendments to published standards and interpretations that are applicable and effective for the Company's financial year beginning on 1 January 2019 are as follows: (continued)

- MFRS 16 "Leases" supersedes MFRS 117 "Leases" IC Interpretation 4 "Determining whether an Arrangement contains a Lease", IC Interpretation 115 "Operating Leases Incentives" and IC Interpretation 127 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". (continued)

  The Company has adopted MFRS 16 for the first time in the 2019 financial statements which resulted in changes in accounting policies. The Company has applied MFRS 16 with the date of initial application of 1 January 2019 by applying the simplified retrospective transition method.

  The practical expedients elected and the detailed of the changes in accounting policies on leases are disclosed in Note 2.2. The details in accounting policies on leases are disclosed separately in Note 2.3(d)

- Annual Improvements to MFRSs 2015 – 2017 Cycle:

  Amendments to MFRS 112 "Income Taxes" clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in profit or loss, other comprehensive income or equity) depends on where the past transactions that generated distributable profits were recognised. Accordingly, the tax consequences are recognised in profit or loss when an entity determines payments on such instruments are distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity merely on the basis that it is related to a distribution to owners.

(ii) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective

(a) Effective from financial year beginning on or after 1 January 2020

- The Conceptual Framework for Financial Reporting (Revised 2018)

  The MASB also issued Amendments to References to the Conceptual Framework in MFRS Standards ('Amendments'), to update references and quotations to fourteen (14) Standards so as to clarify the version of Conceptual Framework these Standards refer to, for which the effective date above applies. The amendments should be applied retrospectively in accordance with MFRS 108 unless retrospective application would be impracticable or involve undue cost or effort.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(a) Standards, amendments to published standards and interpretations (continued)

(ii) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective (continued)

(a) Effective from financial year beginning on or after 1 January 2020 (continued)

- Amendments to MFRS 101 "Presentation of Financial Statements"- Definition of Material and Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material.

  Amendments to the definition of material (Amendments to MFRS 101 and MFRS 108). The amendments clarify the definition of materiality and use a consistent definition throughout MFRSs and the Conceptual Framework for Financial Reporting.

  The definition of 'material' has been revised as "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

  The amendments also:

  - clarify that an entity assesses materiality in the context of the financial statements as a whole.
  - explain the concept of obscuring information in the new definition. Information is obscured if it has the effect similar as omitting or misstating of that information. For example, material transaction is scattered throughout the financial statements, dissimilar items are inappropriately aggregated, or material information is hidden by immaterial information.
  - Clarify the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

  The amendments shall be applied prospectively.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(a) Standards, amendments to published standards and interpretations (continued)

(ii) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective (continued)

(a) Effective from financial year beginning on or after 1 January 2020 (continued)

- Amendments to MFRS 3 “Business Combination” – Definition of a Business

  The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of term ‘outputs’ is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

  The amendments will likely result in more acquisitions being accounted for as asset acquisitions.

(b) Effective from financial year beginning on or after 1 January 2021

- MFRS 17 “Insurance Contracts” replaces MFRS 4 “Insurance Contracts”.

  MFRS 17 applies to insurance/ takaful contracts issued, to all reinsurance/ retakaful contracts and to investment contracts with discretionary participating features if an entity also issues insurance/ takaful contracts. For fixed-fee service contracts whose primary purpose is the provision of services, an entity has an accounting policy choice to account for them in accordance with either MFRS 17 or MFRS 15 “Revenue from Contracts with Customers”. An entity is allowed to account financial guarantee contracts in accordance with MFRS 17 if the entity has asserted explicitly that it regarded them as insurance/ takaful contracts. Insurance/ takaful contracts, (other than reinsurance/ retakaful) where the entity is the policyholder/ participant are not within the scope of MFRS 17. Embedded derivatives and distinct investment and service components should be “unbundled” and accounted for separately in accordance with the related MFRSs. Voluntary unbundling of other components are prohibited.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(a) Standards, amendments to published standards and interpretations (continued)

(ii) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective (continued)

(b) Effective from financial year beginning on or after 1 January 2021 (continued)

Alternative measurement models are provided for the different insurance coverages:

- Simplified Premium/Contribution Allocation Approach if the insurance/ takaful coverage period is a year or less; and

- Variable Fee Approach should be applied for insurance/ takaful contracts that specify a link between payments to the policyholders/participants and the returns on the underlying items.

The requirements of MFRS 17 align the presentation of revenue with other industries. Revenue is allocated to the periods in proportion to the value of the expected coverage and other services that the insurer provides in the period, and claims are presented when incurred. Investment components are excluded from revenue and claims. Takaful operators are required to disclose information about amounts, judgements and risks arising from insurance/ takaful contracts.

On 17 March 2020, The International Accounting Standards Board ("IASB") tentatively decided to defer the effective date of IFRS 17 "Insurance Contracts" and the temporary exemption of the adoption of IFRS 9 for insurers to annual reporting periods beginning on or after 1 January 2023. The IASB expects to issue the amendments to IFRS 17 in second quarter of 2020.

The Company plans to adopt the new standard on the required effective date. The Company started a gap analysis project for the evaluation of the key gaps arising from MFRS 17. The Company expects that the new standard will result in changes to the accounting policies for takaful contract liabilities of the Company and is likely to have a significant impact on its financial position, results and equity, together with significant changes to presentation and disclosure. From year 2020 onward, the focus would primarily be on finalising the implementation efforts and analysing the effects of MFRS 17 on the financial statements.

Other than MFRS 9, MFRS 16 and MFRS 17, the above standards, amendments to published standards and interpretations to existing standards are not anticipated to have any significant impact on the financial statements of the Company in the year of initial application.

All other new amendments to published standards and interpretations to existing standards issued by MASB effective for financial periods subsequent to 1 January 2020 are not relevant to the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies upon adoption of MFRS 16

During the financial year, the Company changed its accounting policies on leases upon adoption of MFRS 16. The Company has elected to use the simplified retrospective transition method and to apply a number of practical expedients as provided in MFRS 16.

Under the simplified retrospective transition method, the 2018 comparative information was not restated and the cumulative effects of initial application of MFRS 16 where the Company is a lessee were recognised as an adjustment to the opening balance of retained earnings as at 1 January 2019. The comparative information continued to be reported under the previous accounting policies governed under MFRS 117 “Leases” and IC Int. 4 “Determining whether an Arrangement Contains a Lease”.

In addition, the Company has elected not to reassess whether a contract is, or contains a lease as at 1 January 2019. Instead, for contracts entered into before the transition date the Company relied on its assessment made applying MFRS 117 and IC Int. 4.

<u>The Company as a lessee</u>

(a) Leases classified as operating leases under MFRS 117

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

The associated right-of-use (“ROU”) assets for property leases were measured on a retrospective basis as if the new requirements has always been applied. Other ROU assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018.

In applying MFRS 16 for the first time, the Company has applied the following practical expedients permitted by the standard to leases previously classified as operating leases under MFRS 117:

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies upon adoption of MFRS 16 (continued)

The Company as a lessee (continued)

(a) Leases classified as operating leases under MFRS 117 (continued)

The Company has elected not to recognise ROU assets and lease liabilities for short term leases that have a lease term of 12 months or less and some leases of low-value assets (e.g. printing and photocopy machines).

The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Company had also derecognised the asset or liability related to favourable or unfavourable terms of an operating lease acquired as part of a business combination and adjusted the carrying amount of the ROU asset with the same amount as at 1 January 2019.

(b) Impact of on transition

On transition to MFRS 16, the Company recognised additional ROU assets and additional lease liabilities. The impact on transition is summarised below:

	01.01.2019 **RM'000**
Right-of-use assets	5,637
Deferred tax assets	10
Lease liabilities	(5,538)
Other liabilities	(140)
Retained earnings	31

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.20% per annum.

The reconciliation between the operating lease commitments disclosed applying MFRS 117 at 31 December 2018 to the lease liabilities recognised as at 1 January 2019 is as follows:

	01.01.2019 **RM'000**
Operating lease commitment as at 31 December 2018	3,627
Discounted using the lessee incremental borrowing rate as at 1 January 2019	3,426
Add: Extension options reasonably certain to be exercised	2,112
Lease liabilities recognised as at 1 January 2019	5,538

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies upon adoption of MFRS 16 (continued)

The Company as a lessee (continued)

(b) Impact of on transition (continued)

	01.01.2019 RM'000
Of which are:	
Current lease liabilities	1,087
Non-current lease liabilities	4,451
	5,538

(c) Impact on for the financial year

As a result of applying MFRS 16, in relation to the leases that were previously classified as operating leases, the Company has recognised RM4,429,000 of ROU assets and RM4,747,000 of lease liabilities as at 31 December 2019.

In relation to those leases under MFRS 16, the Company has recognised depreciation charge and finance expenses, instead of operating lease expense. During the financial year ended 31 December 2019, the Company has recognised depreciation charge of RM1,208,000 and finance expenses of RM212,000 from these leases.

2.3 Summary of significant accounting policies

(a) Capital reorganisation

Where a newly incorporated entity which does not meet the definition of a business is set up to effect a transfer of business from another entity under common control, such acquisition does not meet the definition of a business combination in accordance with MFRS 3 "Business Combinations".

The transfer of the general takaful business from Zurich Takaful Malaysia Berhad to the Company that is ultimately controlled by the same party has no economic substance. Therefore, this transfer is accounted for as a capital reorganisation in the financial statements of the Company. Accordingly, the business transfer has been accounted for as if it has existed in the Company since the beginning of the financial period. The assets and liabilities of the general takaful business are incorporated at their pre-combination carrying amounts without any fair value changes.

The difference between net assets and liabilities acquired at the beginning of the financial period and the consideration paid is accounted for as a reorganisation reserve.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(b) Property, plant and equipment and depreciation

Property, plant and equipment are initially stated at cost. These include expenditures that are directly attributed to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment are depreciated on a straight-line basis to write off the cost of the assets, to their residual values over their estimated useful lives. The expected useful lives of the assets are as follows:

Computer hardware	5 years
Motor vehicles	5 to 10 years

Residual values and useful lives of assets are reviewed and adjusted, if appropriate, at each date of the statement of financial position.

At each date of the statement of financial position, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2.3(j) to the financial statements on impairment of non-financial assets.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are credited or charged to profit or loss.

(c) Intangible assets

Computer software

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

Costs associated with maintaining computer software programmes are recognised as an expense when incurred. Costs that are directly associated with the production of identifiable and unique software systems controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and appropriate portion of relevant overheads to prepare the asset for its intended use.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(c) Intangible assets (continued)

Computer software (continued)

Computer software costs recognised as assets are amortised using the straight-line method over their estimated useful lives for three to five years, with the useful lives being reviewed annually.

Computer software under development is not amortised until the asset is ready for its intended use.

Other intangible assets

Other intangible assets are the exclusive bancatakaful agreement with Alliance Islamic Bank Berhad for the distribution of the Company's Takaful products, and direct customer relationship acquired through the acquisition of general takaful portfolio from a third party. These assets are measured at cost less any accumulated amortisation and any impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of 15 years.

At each reporting date, the Company assesses whether there is any indication of impairment of its intangible assets. Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount as set out in note 2(j) on impairment.

(d) Leases

Accounting policies applied from 1 January 2019

The Company as a lessee

From 1 January 2019, leases are recognised as right-of-use ("ROU") asset and a corresponding liability at the date on which the leased asset is available for use by the Company (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Company is a lessee, it has elected the practical expedient provided in MFRS 16 not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(d) Leases (continued)

Accounting policies applied from 1 January 2019 (continued)

The Company as a lessee (continued)

(i) Lease term

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

The Company 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.

(ii) ROU asset

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

The ROU asset is subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets is depreciated over the shorter of the of asset's useful life and the lease term using the straight-line method. The ROU asset isadjusted for certain remeasurement of lease liability.

The amortisation period are as follows:

• Leasehold premises 2 – 6 years

(iii) Lease liability

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 lessee's incremental borrowing rate.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(d) Leases (continued)

Accounting policies applied from 1 January 2019 (continued)

The Company as a lessee (continued)

(iii) Lease liability (continued)

The lease liability is measured at amortised cost using the effective profit rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(iv) Short-term leases and leases of low-value assets

The Company has elected not to recognise ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line bases as an expense in profit or loss.

Accounting policies applied until 31 December 2018

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

(i) Accounting by lessee

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on the straight line basis over the lease period.

(e) Investments and other financial assets

The Company classifies its financial assets into the following categories: financial assets measured at fair value through profit or loss ("FVTPL"), financing receivables and available-for-sale ("AFS") financial assets.

The classification depends on the purpose for which the investments were acquired or originated. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(e) Investments and other financial assets (continued)

(i) Financial assets measured at FVTPL

The Company classifies investments acquired for the purpose of selling in the short-term as held-for-trading, as FVTPL. Derivatives are also classified as held-for-trading unless they are designated as hedges.

These investments are initially recorded at fair value and transaction costs are expensed in profit or loss. Subsequent to initial recognition, these assets are remeasured at fair value. Fair value adjustments and realised gains and losses are recognised in profit or loss.

(ii) Financing receivables

Financing receivables category comprises debt instruments that are not quoted in an active market (including fixed deposits with licensed Islamic financial institutions with maturities more than 3 months).

Financial assets categorised as financing receivables are subsequently measured at amortised cost using the effective profit method.

(iii) AFS financial assets

AFS financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other assets' categories. These investments are initially recognised at fair value. After initial measurement, AFS financial assets are remeasured at fair value.

Fair value gains and losses of monetary and non-monetary financial assets are reported in the statement of comprehensive income and reported as a separate component of equity until the investment is derecognised or investment is determined to be impaired.

Fair value gains and losses of monetary instruments denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost of the instrument and other changes in the carrying amount of the instrument.

The translation differences on monetary instruments are recognised in profit or loss; translation differences on non-monetary instruments are reported in the statement of comprehensive income and shown as a separate component of equity until the investment is derecognised.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(f) Fair value of financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted or published (closing) price at the date of the statement of financial position.

For investments in unit and real estate investment trusts, fair value is determined by reference to published (closing) price at the date of the statement of financial position.

For financial instruments where there is no active market, the fair value is determined by using valuation techniques. The Company uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flows analysis and/or option pricing models. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument. Certain financial instruments are valued using pricing models that consider, among other factors, contractual and market prices, co-relation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The fair value of floating rate, over-night and time deposits with financial institutions is their carrying value. The carrying value is the cost of the deposit/placement and accrued profit. The fair value of fixed profit/yield-bearing deposits is measured using estimated discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the date of the statement of financial position.

If the fair value cannot be measured reliably, these financial instruments are measured 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) Recognition of financial assets

All regular way of purchases and sales of financial assets are recognised on trade date which is the date that the Company commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the period generally established by regulation or convention of market price.

(h) Financial instrument - Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred, and the Company has also transferred substantially all risks and rewards of ownership. On decognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that was recognised in other comprehensive income is reclassified to profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(i) Impairment of financial assets

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

(i) Financial assets carried at amortised cost

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

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

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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

(ii) AFS financial assets

In the case of equity investments classified as AFS, a significant or prolonged decline in the fair value of the financial asset below its cost is an objective evidence of impairment, resulting in the recognition of an impairment loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(i) Impairment of financial assets (continued)

(ii) AFS financial assets (continued)

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in the profit or loss, is transferred from equity through the statement of comprehensive income to profit or loss. Reversals of impairment losses on debt instruments classified as AFS are reversed through profit or loss if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in profit or loss.

(j) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and the value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

An impairment loss is charged to profit or loss immediately. A subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

(k) Takaful receivables

Takaful receivables are recognised when due and measured at initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, takaful receivables are measured at amortised cost, using the effective yield method.

If there is objective evidence that the takaful receivable is impaired, the Company reduces the carrying amount of the takaful receivable accordingly and recognise that impairment loss in profit or loss. The Company gathers objective evidence that a takaful receivable is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2.3(i) to the financial statements.

Takaful receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.3(h) to the financial statements, have been met.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with financial institutions with original maturity of three months or less that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value.

(m) Contingent liabilities and contingent assets

The Company does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one of more uncertain future events beyond the control of the Company. The Company does not recognise contingent assets but discloses their existence where inflows of economic benefits are probable, but not virtually certain.

(n) Provisions

Provisions are recognised when the Company has a present obligation, either legal or constructive, as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Provisions are reviewed at each date of the statement of financial position 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. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(o) Other financial liabilities and takaful payable

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(o) Other financial liabilities and takaful payable (continued)

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

(p) Equity instruments

Ordinary share capital

The Company has issued ordinary shares that are classified as equity. Ordinary shares are recorded at nominal value.

Dividends on ordinary share capital

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are paid. No provision is made for a proposed dividend.

(q) Takaful product classification

A takaful contract is an arrangement based on mutual assistance under which takaful participants agree to contribute to a common fund (General Risk Fund) providing for mutual financial benefits payable to the takaful participants or their beneficiaries on the occurrence of pre-agreed events.

Contracts where insignificant takaful risks are accepted by the Funds are classified as service contracts. The Company defines Takaful risk to be significant by comparing benefits paid with benefits payable if the takaful event did not occur. Based on this definition, all Takaful contracts issued by the Company met the definition of Takaful contracts as at the date of this statement of financial position.

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

(r) General Takaful Fund

Contribution income

Contribution for direct and co-takaful business is recognised in respect of risks assumed during the particular financial year as soon as the amount can be reliably measured, based on issuance of certificates, and in accordance with the principles of Shariah as advised by the Company's Shariah Committee.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(r) General Takaful Fund (continued)

Contribution income (continued)

Contributions in respect of risks incepted before the reporting date for which certificates are issued subsequent to the end of reporting date are accrued for at the reporting date.

Inward retakaful contributions are accounted for upon notification by the ceding companies or upon receipt of the statement of accounts.

Outward retakaful contributions are recognised in the same financial year as the original certificate to which the retakaful relates.

Takaful contract liabilities recognition

Takaful Fund's contract liabilities consist of claim liabilities and contribution liabilities are recognised when contracts are entered into and contributions are charged.

(a) Claim liabilities

Liability for outstanding claims is recognised in respect of direct takaful business and co-takaful business. The claim liabilities are the best estimate together with related provision of risk margin for adverse deviation less retakaful recoveries, if any, to settle the present contractual obligations at the reporting date.

Provision for outstanding claims is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims; therefore, the ultimate claim costs cannot be known with certainty at the reporting date.

The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques based on empirical data and actuarial assumptions. The liability is not discounted for the time value of money and is derecognised when the contract expired, discharged or cancelled.

As with all projections, there are elements of uncertainty and thus the projected future claims experience may be different from actual claims experience due to the level of uncertainty involved in projecting future claims experience based on past claims experience. These uncertainties arise from changes in underlying risks, changes in spread of risks, timing and amounts of claims settlement as well as uncertainties in the projection model and underlying assumptions. However, these uncertainties are partly addressed by holding the claim liabilities at 75% confidence level as per required by Bank Negara Malaysia ("BNM") Guidelines on Valuation Basis for Liabilities of General Takaful Business.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(r) General Takaful Fund (continued)

Takaful contract liabilities recognition (continued)

(b) Contribution liabilities

The unearned contribution reserves ("UCR") represent contributions received after wakalah fee deduction for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognised in statement of profit or loss of the General Takaful Fund.

Contribution liabilities refer to the higher of: -

I. the aggregate of the Unearned Contribution Reserves ("UCR"); or
II. the best estimate value of the Unexpired Risk Reserves ("URR") at the valuation date and the Provision of Risk Margin Deviation ("PRAD") and calculated at the overall fund level.

UCR represents the portion of the contributions of takaful certificates written that relate to the unexpired periods of the certificates at the end of the financial period.

In determining the UCR at the date of the statement of financial position, the method that most accurately reflects the actual unearned contribution is used, as follows:

- 25% method for marine cargo, aviation cargo, and transit business; and
- 1/365th method for all other classes of direct and facultative inwards business with a further reduction for wakalah fee expenses to reflect the Wakalah business principle

At each reporting date, the Company assesses whether the UCR is sufficient to cover all expected future cash flows relating to future claims plus the additional risk margin against current takaful contracts. The Company applies a risk margin to achieve the same probability of sufficiency of future claims as is achieved by the estimate of the outstanding claims liabilities, see note 4(c).

(s) Retakaful

The Company cedes Takaful risk in the normal course of business for all of their businesses. Retakaful assets represent balances due from retakaful companies. Amounts recoverable from retakaful are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the retakaful operator's policies and are in accordance with the related retakaful contracts.

Ceded retakaful arrangements do not relieve the Company from their obligations to participants. Contributions and claims are presented on a gross basis for both ceded and assumed retakaful.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(s) Retakaful (continued)

Retakaful assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the retakaful asset that the Company may not receive all outstanding amounts due under the terms of the contract, and the event has a reliably measurable impact on the amounts that the Company will receive from the retakaful operators. The impairment loss is recorded in the profit or loss.

The Company also assume retakaful risk in the normal course of business for general takaful contracts when applicable.

Contributions and claims on assumed retakaful are recognised as revenue or expenses in the same manner as they would be if the retakaful were considered direct business, taking into account the product classification of the retakaful business. Retakaful liabilities represent balances due to retakaful operator. Amounts payable are estimated in a manner consistent with the related retakaful contract.

Retakaful assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Retakaful contracts that do not transfer significant takaful risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified contributions or fees to be retained by the takaful fund. Investment income on these contracts is accounted for using the effective yield method when accrued.

(t) Expense Liabilities

The expense liabilities of the Takaful Operator's fund consist of expenses cost to service all in-force certificates as well as to process all future claims. The expense liabilities are released over the term of the Takaful certificate and recognised in the profit or loss of the Takaful Operator Fund.

The expense liabilities are reported at the higher of the aggregate of Unearned Wakalah Fee ("UWF") and Unexpired Expense Risk ("UER") together with related provision of risk margin for adverse deviation as at the end of the financial year.

Unearned Wakalah Fee ("UWF")

The UWF represent the portion of wakalah fee income allocated for management expenses of General Takaful certificates that relate to the unexpired periods of certificates at the end of the financial year. The method used in computing UWF is consistent with the calculation of UCR.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(t) Expense Liabilities (continued)

Unexpired Expense Risk ("UER")

The UER is the estimated expenses costs to service all in-force certificates as well as to process all outstanding claims and future incurred losses as at valuation date. In estimating the UER, the following costs are considered:

- Unallocated adjustment expenses with respect to the claims liabilities;
- Unallocated adjustment expenses with respect to the unexpired risk future loss; and
- On-going certificate servicing cost arising from the unearned portion of the contribution collected.

The Company applies a risk margin to achieve the same probability of sufficiency of future expenses as is achieved by the estimate of the outstanding claims liabilities.

(u) Wakalah Fee

The wakalah fee is defined as a fee arranged under wakalah contract where the Takaful Operator is entitled to receive fees for carrying out the authorised task that have been delegated to the Takaful Operator. The wakalah fee is an income to the Takaful Operator and is charged to the participant and correspondingly recognised as an expense in the respective funds' profit or loss. The fee can be a fixed amount or as a percentage ratio of the contribution or fund value. The manner of payment can be in one lump sum or in several payments. This is in accordance with the principal of wakalah as approved by the Shariah Committee and the fee is determined and agreed between the participant and the Takaful Operator at the time of entering into the contract.

Commission, acquisition costs and management expenses of the General Takaful Funds are borne by the Takaful Operator and included as a component of wakalah fee income.

(v) Commission and acquisition costs

Commission and acquisition costs are borne by the Takaful Operator in the Takaful Operator Fund's profit or loss at an agreed percentage for each certificate underwritten. This is in accordance with the principles of wakalah as approved by the Shariah Committee and is as agreed between the participants and the Company.

Gross commission and agency expenses, which are costs directly incurred in securing contributions on takaful certificates, and income derived from retakaful companies in the course of ceding contributions to retakaful, are charged to profit or loss in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(w) Other revenue recognition

Investment 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 contribution 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 is recognised in the profit or loss when the right to receive payment is established.

Realised gain or loss arising on disposals of investments are credited or charged to the profit or loss.

(x) Zakat

Zakat represents alms payable by the Company to comply with the principles of Shariah and as approved by the Shariah Committee of the Company. Zakat is only provided for when obligation exists at the reporting date.

(y) Income taxes

Tax expense for the financial year comprises current and deferred income tax. The income tax expense or credit for the year is the tax payable on the current year's taxable income based on applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is determined according to the tax laws enacted of the jurisdiction in which the Company operates and includes all taxes based upon taxable profit.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

Deferred tax is provided for in full, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of significant accounting policies (continued)

(y) Income taxes (continued)

The carrying amount of deferred tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each date of the statement of financial position and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the date of the statement of financial position.

(z) Employee benefits

Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as expenses in the financial period in which the associated services are rendered by employees. Short-term accumulating compensated absences such as paid annual leave is recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave is recognised when the absences occur.

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions or variable contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to the employee services in the current and preceding financial period. Such contributions are recognised as an expense in profit or loss as incurred. As required by law, the Company makes such contributions to the Employees Provident Fund (“EPF”).

Once the contributions have been paid, the Company has no further payment obligations.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. BUSINESS TRANSFER

On 31 May 2018, the Minister of Finance, via BNM's letter granted a licence to the Company to commence general takaful business with effect from 1 June 2018 pursuant to a Business Transfer Scheme ("Business Transfer" or "the Scheme") which was approved and confirmed by the High Court of Malaya on 27 April 2018 in accordance with Part VII of the Islamic Financial Services Act 2013 ("IFSA").

The consideration for the transfer of the assets and liabilities of the general takaful business as at 1 June 2018 was RM1. The business transfer was accounted for as capital reorganisation as described in Note 2.3(a) of the financial statements. On 1 June 2018, Zurich Takaful Malaysia Berhad ("ZTMB") transferred the entire assets, liabilities and undertakings of its general takaful business to the Company under the Business Transfer Scheme pursuant to section 112(1) of the IFSA, as presented below. The comparative figures as at 1 January 2018 are also presented as if the general takaful business has existed in the Company since the beginning of the financial period.

			As at 1.6.2018			**As at 1.1.2018**
	Takaful Operator	**General Takaful Fund**	**Company**	**Takaful Operator**	**General Takaful Fund**	**Company**
ASSETS	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Property, plant and equipment	1,055	-	1,055	369	-	369
Intangible assets	1,045	-	1,045	1,887	-	1,887
Financing receivables	-	1,687	1,687	74,184	321	74,505
AFS financial assets	-	155,175	155,175	-	159,692	159,692
Takaful receivables	-	36,074	36,074	-	45,916	45,916
Retakaful assets	-	168,669	168,669	-	188,794	188,794
Other receivables	-	441	441	12,208	3,530	12,771
Current tax assets	489	-	489	703	-	703
Deferred tax assets	-	2,165	2,165	-	2,434	2,434
Cash and cash equivalents	14,895	111,983	126,878	2,020	38,627	40,647
TOTAL ASSETS	17,484	476,194	493,678	91,371	439,314	527,718
LIABILITIES						
Takaful contract liabilities	-	430,633	430,633	-	390,834	390,834
Takaful payables	-	25,402	25,402	-	30,381	30,381
Other payables	12,727	18,131	30,858	14,702	15,785	27,520
Expense liabilities	4,757	-	4,757	3,669	-	3,669
Current tax liabilities	-	2,028	2,028	-	2,314	2,314
Subordinated obligation	-	-	-	73,000	-	73,000
TOTAL LIABILITIES	17,484	476,194	493,678	91,371	439,314	527,718

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. BUSINESS TRANSFER (CONTINUED)

Under the capital reorganisation basis of accounting, the financial results of the general takaful business are presented as if the general takaful business has existed in the Company since the beginning of the financial period (15 December 2017). Hence, the financial results of the general takaful business from the period from 15 December 2017 to 31 May 2018 before the transfer from ZTMB to the Company on 1 June 2018 are included the Company's statement of profit or loss for the financial period from 15 December 2017 to 31 December 2018. For information and comparison purposes, the Company's statement of profit or loss for the period for 7 months from 1 June 2018 to 31 December 2018 are presented below.

	1.6.2018 to 31.12.2018			15.12.2017 to 31.12.2018		
	Takaful Operator RM'000	General Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	General Takaful Fund RM'000	Company RM'000
Gross earned contributions	-	258,873	258,873	-	401,749	401,749
Contribution ceded to retakaful operators	-	(28,161)	(28,161)	-	(62,717)	(62,717)
Net earned contributions		**230,712**	**230,712**	**-**	**339,032**	**339,032**
Wakalah fee income	89,016	-	-	136,361	-	-
Surplus sharing from general takaful fund	4,240	-	-	4,240	-	-
Investment income	6,439	5,638	12,077	7,514	9,131	16,645
Fee and commission income	-	3,581	3,581	-	8,598	8,598
Realised gains and losses	-	-	-	-	112	112
Other operating income – net	-	187	187	-	1,301	1,301
Other income	**99,695**	**9,406**	**15,845**	**148,115**	**19,142**	**26,656**
Total revenue	**99,695**	**240,118**	**246,557**	**148,115**	**358,174**	**365,688**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. BUSINESS TRANSFER (CONTINUED)

	1.6.2018 to 31.12.2018			15.12.2017 to 31.12.2018		
	Takaful Operator RM'000	General Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	General Takaful Fund RM'000	Company RM'000
Gross benefits and claims paid	-	(142,568)	(142,568)	-	(204,070)	(204,070)
Claims ceded to retakaful operators	-	33,748	33,748	-	59,328	59,328
Gross change to contract liabilities	-	(568)	(568)	-	(26,583)	(26,583)
Change in contract liabilities ceded to retakaful operators	-	(36,092)	(36,092)	-	(44,597)	(44,597)
Net claims	**-**	**(145,480)**	**(145,480)**	**-**	**(215,922)**	**(215,922)**
Wakalah fee expenses	-	(89,016)	-	-	(136,361)	-
Fee and commission expenses	(33,049)	-	(33,049)	(51,694)	-	(51,694)
Management expenses	(50,287)	-	(50,287)	(73,908)	-	(73,908)
Expense liabilities	(2,068)	-	(2,068)	(3,156)	-	(3,156)
Other operating expenses	-	-	-	(645)	-	(645)
Other expenses	**(85,404)**	**(89,016)**	**(85,404)**	**(129,403)**	**(136,361)**	**(129,403)**
Total underwriting surplus from operations	**14,291**	**5,622**	**15,673**	**18,712**	**5,891**	**20,363**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. BUSINESS TRANSFER (CONTINUED)

	1.6.2018 to 31.12.2018			15.12.2017 to 31.12.2018		
	Takaful Operator RM'000	General Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	General Takaful Fund RM'000	Company RM'000
Surplus attributable to participants	-	(4,240)	(4,240)	-	(4,240)	(4,240)
Surplus attributable to Takaful Operator	-	(4,240)	-	-	(4,240)	-
Zakat	-	-	-	-	-	-
Profit before taxation	**14,291**	**(2,858)**	**11,433**	**18,712**	**(2,589)**	**16,123**
Taxation	(1,166)	2,858	1,692	(3,151)	2,589	(562)
Net profit for the financial period	**13,125**	**-**	**13,125**	**15,561**	**-**	**15,561**

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(a) The ultimate liability arising from claims incurred under takaful contracts

The estimation of claims "Incurred But Not Reported" ("IBNR") is subjected to a greater degree of uncertainty than the estimation of cost of notified claims to the Company. IBNR claims may not be apparent to the insured until many years after the event giving rise to the claim. The long-tailed classes of business will typically display greater uncertainty between initial estimates and final outcomes because there is a greater degree of difficulty in estimating IBNR reserves. For the short-tailed classes, claims are generally typically reported soon after the claim event, and hence tend to display lower level of uncertainty.

The Company uses a variety of estimation techniques, generally based upon actuarial analyses of historical experience, which assume that the development pattern of the current claims will be consistent with past experience. Due to the fact that the ultimate claims liabilities are dependent upon the outcome of future events, allowance is made with the following consideration:

- Changes in the Company's processes which might accelerate or slow down the development claims, compared with the data from previous period;
- Changes in the legislation environment;
- Changes in the mix of business;
- Impact of large losses;
- The attitudes of claimants towards settlement of their claims;
- The effects of social and economic inflation; and
- Medical and technological developments.

Large and/or significant weather-related events impacting each relevant business class are generally assessed separately (whenever it is deemed as appropriate), being measured on a case by case basis or projected separately in order to allow for the effect of the development and incidence of these claims.

Where possible the Company adopts multiple techniques to estimate the required level of liabilities. The final estimates were selected after due consideration was given to the strengths and weaknesses of the various techniques used and the information available at hand.

Liabilities are evaluated gross of retakaful. A separate estimate is made of the amounts that will be recoverable based upon the gross liabilities.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Assets arising from retakaful contracts

Retakaful recoveries are also computed with the considerations described above. In addition, the recoverability of these assets is assessed on a periodic basis so that the balance is reflective of the amounts that will ultimately be received.

(c) Actuarial assumptions and methods

The process for determining the value of outstanding claims liabilities including the cost of claims handling is described below.

The methods used to establish the ultimate cost of claims include the following:

- Projecting ultimate numbers of claims and multiplying by projected ultimate average cost;
- Projecting ultimate claim payments;
- Projecting ultimate incurred claim amounts; and
- Applying plan or forecast loss ratios to earned contributions.

Additional qualitative judgements are also used to assess the extent to which past trends may not apply in the future. Thus, there is uncertainty surrounding changes to these patterns from whatever cause and known facts of individual claims at hand.

Projected retakaful assets are derived applying net to gross ratios observed on claims and contributions.

Projected payments are implicitly allowed for future inflation since any recent inflationary effects are likely to be incorporated in the Company's outstanding claims and hence reflected in the valuation process.

For the above reasons, a risk margin for adverse deviation ("PRAD") is added to the central estimate established above. The establishment of the risk margin takes into account the variability of the outcome of each line of business and the diversification benefit of writing a number of lines of business. In accordance with Bank Negara Malaysia's 'Risk-Based Capital Framework for Takaful Operators; the Company has established the level of risk margin to provide a probability of adequacy of 75%.

(d) Assumptions applied for MFRS 16 "Leases"

Determination of incremental borrowing rate
The lease liabilities are measured at the present value of the remaining lease payments over the lease term, discounted using the Company's incremental borrowing rate as the rate implicit in the lease is generally not readily determinable.

Extension and termination options
Any options to extend or terminate a lease that the Company is reasonably certain to exercise are included in the lease term. The right-of-use asset is initially recognised at an amount equal to the lease liability adjusted for lease prepayments made or lease incentives received, initial direct costs and any estimated costs to dismantle or restore the leased asset.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(d) Assumptions applied for MFRS 16 leases (continued)

The lease term will be considered to extend beyond the non-cancellable period if the lessee has an extension option that is considered to be reasonably certain to exercise, or an termination option that is considered to be reasonably certain not to exercise.

The Company has several lease contracts that include extension and termination options. The Company has included the renewal period as part of the lease term as the Company is reasonably certain to exercise the option to extend the lease. The Company considers all relevant facts and circumstances that create an economic incentive to exercise or not to exercise the option including any expected changes in facts and circumstances from the commencement date until the exercise date of the option.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT

	Computer hardware RM'000	Motor vehicle RM'000	Total RM'000
Cost			
At 1 January 2019	828	377	1,205
Additions	3	-	3
Disposal	-	(377)	(377)
At 31 December 2019	831	-	831
Accumulated depreciation			
At 1 January 2019	138	32	170
Charge for the financial year (Note 26)	161	44	205
Disposal	-	(76)	(76)
At 31 December 2019	299	-	299
Net carrying amount			
At 31 December 2019	532	-	532

	Computer hardware RM'000	Motor vehicle RM'000	Total RM'000
Cost			
At date of incorporation	-	-	-
Arising from Business Transfer (Note 3)	1,269	-	1,269
Additions	190	377	567
Reclassification (Note 5)	580	-	580
Write-offs	(1,211)	-	(1,211)
At 31 December 2018	828	377	1,205
Accumulated depreciation			
At date of incorporation	-	-	-
Arising from Business Transfer (Note 3)	900	-	900
Charge for the financial period (Note 26)	449	32	481
Write-offs	(1,211)	-	(1,211)
At 31 December 2018	138	32	170
Net carrying amount			
At 31 December 2018	690	345	1,035

6. RIGHT-OF-USE ASSETS

The Company's leases are operating lease agreements entered in respect of rented premises. Rental contracts are typically made for fixed periods of 2 to 6 years but may have extension periods.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purpose.

	2019
	RM'000
Cost	
At 1 January 2019 as previously reported	-
Adjustments on adoption of MFRS 16	6,029
At 1 January 2019 - restated	6,029
Additions	-
Expiration of lease contracts	-
At 31 December 2019	6,029
Accumulated depreciation	
At 1 January 2019 as previously reported	-
Adjustments on adoption of MFRS 16	392
At 1 January 2019 as restated	392
Charge for the financial year (Note 26)	1,208
At 31 December 2019	1,600
Net carrying amount	
At 31 December 2019	4,429

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. INTANGIBLE ASSETS

	Self-developed software	Other intangible asset	Total
	RM'000	RM'000	RM'000
Cost			
At 1 January 2019	1,886	20,000	21,886
Additions	-	10,000	10,000
At 31 December 2019	1,886	30,000	31,886
Accumulated amortisation			
At 1 January 2019	1,189	222	1,411
Charge for the financial year (Note 26)	506	1,778	2,284
At 31 December 2019	1,695	2,000	3,695
Net carrying amount			
At 31 December 2019	191	28,000	28,191

	Self-developed software	Other intangible asset	Total
	RM'000	RM'000	RM'000
Cost			
At date of incorporation	-	-	-
Arising from Business Transfer (Note 3)	2,481	-	2,481
Additions	-	20,000	20,000
Reclassification (Note 5)	(580)	-	(580)
Write-offs	(15)	-	(15)
At 31 December 2018	1,886	20,000	21,886
Accumulated amortisation			
At date of incorporation	-	-	-
Arising from Business Transfer (Note 3)	594	-	594
Charge for the financial period (Note 26)	610	222	832
Write-offs	(15)	-	(15)
At 31 December 2018	1,189	222	1,411
Net carrying amount			
At 31 December 2018	697	19,778	20,475

7. INTANGIBLE ASSETS (CONTINUED)

The self-developed software costs are in relation to internal development expenditure incurred for the software systems controlled by the Company that do not form an integral part of the hardware. These systems will generate economic benefits exceeding costs beyond one year.

Other intangible assets relate to the exclusive bancatakaful agreement with Alliance Islamic Bank Berhad and direct customer relationship acquired through the acquisition of general takaful portfolio from a third party. These assets are measured at cost less any accumulated amortisation and any impairment losses. Both assets are amortised over its useful life of 15 years using straight-line method.

The following key assumptions have been used in the cash flow projections in respect of bancatakaful agreement:

Key assumptions	**2019**
Bancatakaful average annualised gross written contribution growth rate	12.25%
Discount rate - pre tax	8.11%

Sensitivity to changes in key assumptions

Management considers that it is not reasonably possible for the abovementioned key assumptions to change so significantly that would result in an impairment.

8. INVESTMENTS

The Company's investments are summarised by measurement categories as follows

At 31 December 2019		Takaful Operator RM'000	General Takaful Fund RM'000	Company RM'000
Financing receivables	(a)	-	1,560	1,560
Available-for-sale ("AFS") financial assets	(b)	136,634	391,999	528,633
		136,634	393,559	530,193
The following investments mature after 12 months:				
AFS financial assets		125,423	343,532	468,955

At 31 December 2018		Takaful Operator RM'000	General Takaful Fund RM'000	Company RM'000
Financing receivables	(a)	-	1,500	1,500
Available-for-sale ("AFS") financial assets	(b)	78,297	246,729	325,026
		78,297	248,229	326,526
The following investments mature after 12 months:				
AFS financial assets		73,222	204,837	278,059

8. INVESTMENTS (CONTINUED)

(a) Financing receivables

At 31 December 2019	Takaful Operator RM'000	General Takaful Fund RM'000	Company RM'000
Amortised cost:			
Fixed deposit with licensed financial institutions	-	1,560	1,560
	-	1,560	1,560

At 31 December 2018	Takaful Operator RM'000	General Takaful Fund RM'000	Company RM'000
Amortised cost:			
Fixed deposit with licensed financial institutions	-	1,500	1,500
	-	1,500	1,500

As at 31 December 2019, the fixed deposit of RM1,560,000 (2018: RM1,500,000) has a maturity year of more than 3 months placed with a licensed Islamic bank.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. INVESTMENTS (CONTINUED)

(b) AFS financial assets

At 31 December 2019	Takaful Operator RM'000	General Takaful Fund RM'000	Company RM'000
Fair value:			
Islamic debt securities, unquoted	136,634	391,999	528,633
	136,634	391,999	528,633

At 31 December 2018	Takaful Operator RM'000	General Takaful Fund RM'000	Company RM'000
Fair value:			
Malaysian Government Securities/ Government Investment Issues	-	2,030	2,030
Islamic debt securities, unquoted	78,297	244,699	322,996
	78,297	246,729	325,026

(c) Carrying value of financial instruments

The movements in the Company's financial assets (excluding loans and receivables) are summarised in the table below by measurement category.

	2019 RM'000	2018 RM'000
At 1 January/date of incorporation	325,026	-
Arising from Business Transfer (Note 3)	-	159,692
Purchases	295,691	191,555
Disposals (sale and redemptions)	(99,539)	(28,135)
Realised profit/(loss) in statement of profit and loss (Note 23)	362	112
Fair value gains recorded in:		
- Other comprehensive income	1,291	109
- Takful contract liabilities	5,350	262
Amortisation/interest adjustment	452	1,431
At 31 December	528,633	325,026

The fair value hierarchy of investments is disclosed in Note 34 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. TAKAFUL RECEIVABLES

At 31 December 2019	General Takaful Fund RM'000	Company RM'000
Due contributions including agents/brokers and co-insurers	46,332	46,332
Due from retakaful and cedants	14,544	14,544
	60,876	60,876
Allowance for impairment	(8,008)	(8,008)
	52,868	52,868

At 31 December 2018	General Takaful Fund RM'000	Company RM'000
Due contributions including agents/brokers and co-insurers	37,317	37,317
Due from retakaful and cedants	16,523	16,523
	53,840	53,840
Allowance for impairment	(9,914)	(9,914)
	43,926	43,926

The carrying amounts disclosed above approximate fair values at the date of the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. RETAKAFUL ASSETS

At 31 December 2019	General Takaful Fund RM'000	Company RM'000
Retakaful of takaful contracts		
Claims liabilities (Note 13(i))	114,079	114,079
Unearned contribution reserves (Note 13(ii))	13,231	13,231
	127,310	127,310

At 31 December 2018	General Takaful Fund RM'000	Company RM'000
Retakaful of takaful contracts		
Claims liabilities (Note 13(i))	127,431	127,431
Unearned contribution reserves (Note 13(ii))	11,982	11,982
	139,413	139,413

The carrying amounts approximate fair values at the date of the statement of financial position.

11. OTHER RECEIVABLES

At 31 December 2019	Takaful Operator RM'000	General Takaful Fund RM'000	Company RM'000
Other receivables, deposits and prepayments	143	828	971
Inter-fund balances			
Amount due from General Takaful Fund	14,260	-	-
Surplus receivable from General Takaful Fund	4,750	-	-
	19,010	-	-
	19,153	828	971

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. OTHER RECEIVABLES (CONTINUED)

At 31 December 2018	Takaful Operator RM'000	General Takaful Fund RM'000	Company RM'000
Other receivables, deposits and prepayments	312	1,720	2,032
Inter-fund balances			
Amount due from General Takaful Fund	33,158	-	-
Surplus receivable from General Takaful fund	4,240	-	-
	37,398	-	-
	37,710	1,720	2,032

The carrying amounts approximate fair values at the date of the statement of financial position.

12. CASH AND CASH EQUIVALENTS

At 31 December 2019	Takaful Operator RM'000	General Takaful Fund RM'000	Company RM'000
Cash and bank balances	14,074	47,647	61,721
Fixed deposits with licensed financial institutions with maturities of less than 3 months	214,686	127,786	342,472
	228,760	175,433	404,193

At 31 December 2018	Takaful Operator RM'000	General Takaful Fund RM'000	Company RM'000
Cash and bank balances	57,664	154,723	212,387
Fixed deposits with licensed financial institutions with maturities of less than 3 months	122,912	30,000	152,912
	180,576	184,723	365,299

13. TAKAFUL CONTRACT LIABILITIES

The Takaful contract liabilities and movements are further analysed as follows:

At 31 December 2019	Gross RM'000	Re-takaful RM'000	Net RM'000
Provision for claims	275,152	(85,446)	189,706
Provision for incurred but not reported claims (“IBNR”)	95,974	(16,955)	79,019
Provision for adverse deviation (“PRAD”)	33,356	(11,678)	21,678
Claim liabilities (i)	404,482	(114,079)	290,403
Unearned contribution reserves (ii)	202,876	(13,231)	189,645
AFS fair value adjustment (iii)	4,373	-	4,373
Unallocated surplus (iv)	47,845	-	47,845
	659,576	(127,310)	532,266

(i) Claims liabilities	Gross RM'000	Re-takaful RM'000	Net RM'000
At 1 January	326,757	(127,431)	199,326
Claims incurred in the current year	360,694	(16,524)	344,170
Claims paid during the financial year (Note 25(a) and 25(b))	(288,854)	28,219	(260,635)
Movement in PRAD	5,885	1,657	7,542
At 31 December	404,482	(114,079)	290,403

(ii) Unearned contribution reserves	Gross RM'000	Re-takaful RM'000	Net RM'000
At 1 January	170,544	(11,982)	158,562
Contribution written in the financial year (Note 21(a) and 21(b))	653,694	(49,909)	603,785
Contribution earned during the financial year (Note 21(a) and 21(b))	(621,362)	48,660	(572,702)
At 31 December	202,876	(13,231)	189,645

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. TAKAFUL CONTRACT LIABILITIES (CONTINUED)

The Takaful contract liabilities and movements are further analysed as follows:

	Gross	Deferred tax	Net
	RM'000	RM'000	RM'000
(iii) AFS reserve			
At 1 January	404	-	404
Fair value movements arising from AFS financial assets	5,350	(1,381)	3,969
At 31 December 2019	5,754	(1,381)	4,373

	Gross	Re-takaful	Net
	RM'000	RM'000	RM'000
(iv) Unallocated surplus			
At 1 January	12,935	-	12,935
Surplus during the financial year	44,410	-	44,410
Surplus distributed during the year	(9,500)	-	(9,500)
At 31 December 2019	47,845	-	47,845

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. TAKAFUL CONTRACT LIABILITIES (CONTINUED)

At 31 December 2018	Gross RM'000	Re-takaful RM'000	Net RM'000
Provision for claims	209,534	(94,159)	115,375
Provision for incurred but not reported claims (“IBNR”)	89,562	(20,029)	69,533
Provision for adverse deviation (“PRAD”)	27,661	(13,243)	14,418
Claim liabilities (i)	326,757	(127,431)	199,326
Unearned contribution reserves (ii)	170,544	(11,982)	158,562
AFS fair value adjustment (iii)	404	-	404
Unallocated surplus (iv)	12,935	-	12,935
	510,640	(139,413)	371,227

(i) Claims liabilities	Gross	Re-takaful	Net
At date of incorporation	-	-	-
Arising from Business Transfer (Note 3)	265,705	(158,941)	106,764
Arising from General Takaful Portfolio Acquisition	22,316	(14,017)	8,299
Claims incurred in the current period	240,127	(16,348)	223,779
Claims paid during the financial period (Note 25(a) and 25(b))	(204,070)	59,328	(144,742)
Movement in PRAD	2,679	2,547	5,226
At 31 December	326,757	(127,431)	199,326

(ii) Unearned contribution reserves	Gross	Re-takaful	Net
At date of incorporation	-	-	-
Arising from Business Transfer (Note 3)	114,678	(29,853)	84,825
Arising from General Takaful Portfolio Acquisition	16,845	631	17,476
Contribution written in the financial period (Note 21(a) and 21(b))	440,770	(45,477)	395,293
Contribution earned during the financial period (Note 21(a) and 21(b))	(401,749)	62,717	(339,032)
At 31 December	170,544	(11,982)	158,562

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. TAKAFUL CONTRACT LIABILITIES (CONTINUED)

	Gross	Deferred tax	Net
	RM'000	RM'000	RM'000
(iii) AFS reserve			
Arising from Business Transfer (Note 3)	142	-	142
Fair value movements arising from AFS financial assets	262	-	262
At 31 December 2018	404	-	404

	Gross	Re-takaful	Net
	RM'000	RM'000	RM'000
(iv) Unallocated surplus			
At date of incorporation	-	-	-
Arising from Business Transfer (Note 3)	10,309	-	10,309
Arising from General Takaful Portfolio Acquisition	14,778	-	14,778
Deficit during the financial period	(3,672)	-	(3,672)
Surplus distributed during the financial period	(8,480)	-	(8,480)
At 31 December 2018	12,935	-	12,935

14. LEASE LIABILITIES

	2019 RM'000	2018 RM'000
Non-current lease liabilities	3,317	-
Current lease liabilities	1,430	-
Total lease liabilities	4,747	-

Reconciliation of movement of liabilities to cash flows arising from financing activities.

	2019 RM'000
At 1 January 2019 as restated	5,538
Payment of lease liabilities	(1,003)
Accrued interest	212
At 31 December 2019	4,747

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. TAKAFUL PAYABLES

At 31 December 2019	General Takaful Fund RM'000	Company RM'000
Due to agents and intermediaries	11,038	11,038
Due to retakaful operators and cedants	24,607	24,607
	35,645	35,645

At 31 December 2018	General Takaful Fund RM'000	Company RM'000
Due to agents and intermediaries	23,107	23,107
Due to retakaful operators and cedants	22,209	22,209
	45,316	45,316

The carrying amounts disclosed above approximate the fair values at the date of the statement of financial position.

16. OTHER PAYABLES

At 31 December 2019	Takaful Operator RM'000	General Takaful Fund RM'000	Company RM'000
Amount due to a related company	5,445	-	5,445
Deposits contribution	-	481	481
Accruals for staff costs	452	-	452
Other payables and accruals	20,945	34,245	55,190
	26,842	34,726	61,568
Inter-fund balances			
Amount due to Takaful Operator	-	14,260	-
Surplus payable to Takaful Operator	-	4,750	-
	-	19,010	-
	26,842	53,736	61,568

16. OTHER PAYABLES (CONTINUED)

At 31 December 2018	Takaful Operator RM'000	General Takaful Fund RM'000	Company RM'000
Amount due to a related company	9,310	-	9,310
Deposits contribution	-	487	487
Accruals for staff costs	437	-	437
Other payables and accruals	21,287	28,211	49,498
	31,034	28,698	59,732
Inter-fund balances			
Amount due to Takaful Operator	-	33,158	-
Surplus payable to Takaful Operator	-	4,240	-
	-	37,398	-
	31,034	66,096	59,732

The carrying amounts disclosed above approximate the fair values at the date of the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. EXPENSE LIABILITIES

	Takaful Operator Fund RM'000	Company RM'000
At 1 January 2019	14,609	14,609
Expense incurred during the financial year	17,543	17,543
At 31 December 2019	32,152	32,152

	Takaful Operator Fund RM'000	Company RM'000
At date of incorporation	-	-
Arising from Business Transfer (Note 3)	3,669	3,669
Arising from General Takaful Portfolio acquisition	7,775	7,775
Expense incurred during the financial period	3,165	3,165
At 31 December 2018	14,609	14,609

At the end of the financial year, the Company's reported higher aggregate of Unearned Wakalah Fee ("UWF") than the Unexpired Expense Risk ("UER") together with related provision of risk margin for adverse deviation as at the end of the financial year.

As at 31 December 2019	RM'000
(a) Unearned wakalah fee ("UWF")	32,152
(b) Unexpired expense risk ("UER")	12,928

As at 31 December 2018	RM'000
(b) Unearned wakalah fee ("UWF")	14,609
(b) Unexpired expense risk ("UER")	10,128

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. DEFERRED TAXATION

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 income taxes relate to the same fiscal authority.

Net deferred tax assets shown on the statement of financial position have been determined after considering appropriate offsetting as follows:

As at 31 December 2019	Takaful Operator RM'000	General Takaful Fund RM'000	Company RM'000
Deferred tax assets			
At 1 January 2019	1,439	3,289	4,728
Credited/(charged) to statement of profit or loss (Note 27)			
- unutilised tax savings from general takaful portfolio acquisition	-	1,830	1,830
- unutilised tax losses	-	(892)	(892)
- investments	44	415	459
- provisions	2,509	-	2,509
- property, plant and equipment	247	-	247
- leases	93	-	93
- allowance for impairment loss	-	(456)	(456)
- expense liabilities	5,987	-	5,987
	10,319	4,186	14,505
Charged to comprehensive income:			
- available-for-sale reserve	(310)	-	(310)
Charged to retained earnings:			
- leases	10	-	10
Charged to takaful contract liabilities:			
- available-for-sale reserve	-	(1,381)	(1,381)
At 31 December 2019	10,019	2,805	12,824

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. DEFERRED TAXATION (CONTINUED)

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 income taxes relate to the same fiscal authority.

Net deferred tax assets shown on the statement of financial position have been determined after considering appropriate offsetting as follows:

As at 31 December 2018	Takaful Operator RM'000	General Takaful Fund RM'000	Company RM'000
Deferred tax assets			
At date of incorporation	-	-	-
Arising from Business Transfer (Note 3)	-	2,434	2,434
Arising from General Takaful Portfolio acquisition	-	19	19
Credited/(charged) to statement of profit or loss (Note 27)			
- unutilised tax losses		892	892
- property, plant and equipment	(173)	-	(173)
- allowance for impairment loss	-	(56)	(56)
- expense liabilities	1,638	-	1,638
	1,465	3,289	4,754
Charged to comprehensive income:			
- available-for-sale reserve	(26)	-	(26)
At 31 December 2018	1,439	3,289	4,728

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. DEFERRED TAXATION (CONTINUED)

31 December 2019	Takaful Operator RM'000	General Takaful Fund RM'000	Company RM'000
Subject to income tax:			
Deferred tax assets (before offsetting)			
- allowance for impairment loss	-	1,922	1,922
- property plant and equipment	74	-	74
- expense liabilities	7,625	-	7,625
- arising from General Takaful Portfolio acquisition	-	1,849	1,849
- provisions	2,509	-	2,509
- leases	103	-	103
	10,311	3,771	14,082
Offsetting	(292)	(966)	(1,258)
Deferred tax assets after offsetting	10,019	2,805	12,824
Deferred tax liabilities (before offsetting)			
- investments	(292)	(966)	(1,258)
Offsetting	292	966	1,258
Deferred tax liabilities after offsetting	-	-	-

31 December 2018	Takaful Operator RM'000	General Takaful Fund RM'000	Company RM'000
Subject to income tax:			
Deferred tax assets (before offsetting)			
- allowance for impairment loss	-	2,378	2,378
- expense liabilities	1,638	-	1,638
- unutilised tax losses	-	892	892
- arising from General Takaful Portfolio acquisition	-	19	19
	1,638	3,289	4,927
Offsetting	(199)	-	(199)
Deferred tax assets after offsetting	1,439	3,289	4,728
Deferred tax liabilities (before offsetting)			
- investments	(26)	-	(26)
- property, plant and equipment	(173)	-	(173)
	(199)	-	(199)
Offsetting	199	-	199
Deferred tax liabilities after offsetting	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. SHARE CAPITAL

	Number of shares	Share capital RM'000
Issued and fully paid up		
At 1 January 2019	259,000,002	259,000
Issued during the financial year	24,369,748	58,000
At 31 December 2019	283,369,750	317,000

	Number of shares	Share capital RM'000
Issued and fully paid up		
At date of incorporation	2	*
Issued during the financial period	259,000,000	259,000
At 31 December 2018	259,000,002	259,000

* Represents 2 ordinary shares.

The Company was incorporated with a share capital of RM2.00 comprises of 2 ordinary shares. During the financial year, the Company increased its share capital to 283,369,750 (2018: 259,000,002) by the allotment of 24,369,748 (2018: 259,000,000) new ordinary shares. As at 31 December 2019, the issued and paid-up share capital of the Company is RM317,000,000 (2018: 259,000,002).

20. RESERVES

(a) Retained earnings

Under the single-tier tax system which came into effect from 1 January 2008, companies are not required to have tax credits under Section 108 of the Income Tax Act, 1967 for dividend payment purposes. Dividends paid under this system are tax exempted in the hand of the shareholders.

As at 31 December 2019, the Company is already under the single-tier tax system. The Company may distribute single-tier exempt dividends to its shareholders out of its retained earnings. Pursuant to Section 60(1) of the Islamic Financial Services Act, 2013, the Company is required to obtain BNM's written approval prior to declaring or paying any dividend. Pursuant to the RBC Framework for Takaful Operators, the Company shall not pay dividends if its Capital Adequacy Ratio position is less than its internal target capital level or if the payment of dividend would impair its Capital Adequacy Ratio position to below its internal target.

(b) Available-for-sale reserve

The available-for-sale reserve of the Company represents the fair value gains or losses of the available-for-sale financial assets, net of deferred tax.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. NET EARNED CONTRIBUTIONS

	2019	15 DECEMBER 2017 TO 31 DECEMBER 2018
	RM'000	RM'000
(a) Gross earned contributions		
- Takaful contracts (Note 13(ii))	653,694	440,770
- Change in gross contribution liabilities	(32,332)	(39,021)
	621,362	401,749
(b) Contributions ceded to reinsurers		
- Takaful contracts (Note 13(ii))	(49,909)	(45,477)
- Change in retakaful contribution liabilities	1,249	(17,240)
	(48,660)	(62,717)
Net earned contributions	572,702	339,032

22. INVESTMENT INCOME

	2019		
	Takaful Operator RM'000	General Takaful Fund RM'000	Company RM'000
AFS financial assets			
Hibah/profit income			
- Malaysian Government Securities/Government Investment Issues	-	6	6
- corporate debt securities unquoted in Malaysia	3,733	15,326	19,059
Accretion /amortisation			
- corporate debt securities unquoted in Malaysia	(173)	(1,396)	(1,569)
	3,560	13,936	17,496
Financing receivables			
Hibah/profit income			
- fixed deposits from licensed Islamic financial institutions	6,573	6,101	12,674
	10,133	20,037	30,170

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. INVESTMENT INCOME (CONTINUED)

			15 DECEMBER 2017 TO 31 DECEMBER 2018
	Takaful Operator RM'000	**General Takaful Fund RM'000**	**Company RM'000**
AFS financial assets			
Hibah/profit income			
- Malaysian Government Securities/Government Investment Issues	-	131	131
- corporate debt securities unquoted in Malaysia	1,176	7,952	9,128
Accretion /amortisation			
- Malaysian Government Securities/Government Investment Issues	-	(4)	(4)
- corporate debt securities unquoted in Malaysia	(51)	(616)	(667)
	1,125	7,463	8,588
Financing receivables			
Hibah/profit income			
- fixed deposits from licensed Islamic financial institutions	6,389	1,668	8,057
	7,514	9,131	16,645

23. REALISED GAINS AND LOSSES

			2019
	Takaful Operator RM'000	**General Takaful Fund RM'000**	**Company RM'000**
AFS financial assets			
Realised gains:			
- Malaysian Government Securities/ Government Investment Issues	-	4	4
- Corporate debt securities unquoted in Malaysia	76	282	358
	76	286	362

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. REALISED GAINS AND LOSSES (CONTINUED)

	15 DECEMBER 2017 TO 31 DECEMBER 2018		
	Takaful Operator RM'000	General Takaful Fund RM'000	Company RM'000
AFS financial assets			
Realised gains:			
- Malaysian Government Securities/ Government Investment Issues	-	-	-
- Corporate debt securities unquoted in Malaysia	-	112	112
	-	112	112

24. FEE AND COMMISSION

	2019 RM'000	15 DECEMBER 2017 TO 31 DECEMBER 2018 RM'000
(a) Fee and commission income		
Retakaful commission income recognised in General Takaful Fund	9,623	8,598
(b) Fee and commission expenses		
Gross commission expenses recognised in Takaful Operator	(73,638)	(51,694)

25. NET CLAIMS INCURRED

	2019 RM'000	15 DECEMBER 2017 TO 31 DECEMBER 2018 RM'000
(a) Gross benefits and claims paid	(288,854)	(204,070)
(b) Claims ceded to retakaful operators	28,219	59,328
(c) Gross change in contract liabilities	(112,444)	(26,583)
(d) Change in contract liabilities ceded to retakaful operators	(13,260)	(44,597)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. MANAGEMENT EXPENSES

	2019	15 DECEMBER 2017 TO 31 DECEMBER 2018
	RM'000	RM'000
Staff costs (including Chief Executive Officer):		
- salaries and bonus	2,680	2,293
- defined contribution plans	439	318
- other employee benefits	650	634
	3,769	3,245
Directors' remuneration (Note 26(a))	509	362
Auditors' remuneration:		
- statutory audit	250	318
- audit related services	5	5
- tax related services	14	68
Shariah committee remuneration	105	64
Other professional fees	282	345
Office rental	347	1,257
Depreciation of property, plant and equipment (Note 5)	205	481
Amortisation of intangible assets (Note 7)	2,284	832
Depreciation of right-of-use assets (Note 6)	1,208	-
Training expenses	229	145
Repairs and maintenance expenses	559	240
Information technology expenses	4,794	2,480
Advertising, promotional and entertainment expenses	8,066	4,621
Printing and stationery expenses	4,813	2,744
Postage, courier and telephone charges	272	362
Breakdown service assistance expenses	4,014	2,676
Outsourcing costs paid to related party	31,930	29,221
Other expenses	22,127	24,442
	81,504	70,301
Total management expenses	85,782	73,908

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. MANAGEMENT EXPENSES (CONTINUED)

The remuneration attributable to the Chief Executive Officer ("CEO") of the Company during the financial year, as included in staff salaries and bonus, amounted to RM1,537,000.

(a) Directors' remuneration

The Directors' remuneration and other emoluments during current financial year / period are as follows:

			2019
	Fees RM'000	Allowance RM'000	Total RM'000
Non-Executive Directors			
- Nabil Nazih El-Hage	167	-	167
- Onn Kien Hoe	62	39	101
- Dr Md Khalil bin Ruslan	62	38	100
- Dr Nordin Mohd Zain	62	40	102
- Hasnah Binti Omar	25	14	39
	378	131	509

			2018
	Fees RM'000	Allowance RM'000	Total RM'000
Non-Executive Directors			
- Nabil Nazih El-Hage	98	-	98
- Onn Kien Hoe	36	15	51
- Dr Md Khalil bin Ruslan	50	17	67
- Dr Nordin Mohd Zain	36	15	51
	220	47	267
General takaful fund's share of ZTMB's directors' remuneration and other emoluments in respect of financial period from 1 January 2018 to 31 May 2018	72	23	95
	292	70	362

26. MANAGEMENT EXPENSES (CONTINUED)

The number of Executive and Non-Executive Directors whose total remuneration received or receivable during the current financial year/period are analysed by the following bands:

	Number of Directors	
	2019	**2018**
Executive Director:		
RM100,000 and below	1	1
Non-Executive Directors:		
RM 1 - RM100,000	2	4
RM100,001 – RM200,000	3	-

27. TAXATION

			2019
	Takaful Operator RM'000	**General Takaful Fund RM'000**	**Company RM'000**
Current tax:			
Current financial year	17,299	8,171	25.470
Under/(over) provision of tax	7,906	(3,885)	4,021
	25,205	4,286	29,491
Deferred tax (Note 18)	(8,880)	(897)	(9,777)
Tax expense	16,325	3,389	19,714

			15 DECEMBER 2017 TO 31 DECEMBER 2018
	Takaful Operator RM'000	**General Takaful Fund RM'000**	**Company RM'000**
Current tax:			
Current financial period	2,328	(341)	1,987
Under/(over) provision of tax arising from the Business Transfer	2,288	(1,412)	876
	4,616	(1,753)	2,863
Deferred tax (Note 18)	(1,465)	(836)	(2,301)
Tax expense/(income)	3,151	(2,589)	562

The income tax for the Company is calculated based on the tax rate of 24% of the estimated assessable profit for the financial year/period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. TAXATION (CONTINUED)

A reconciliation of income tax expense applicable to profit before taxation at statutory income tax rate to income tax expenses at the effective income tax rate of the Company is as follows:

	2019	15 DECEMBER 2017 TO 31 DECEMBER 2018
	RM'000	RM'000
Profit before taxation	45,871	16,123
Taxation at Malaysian statutory tax rate of 24%	11,009	3,870
Income not subject to tax	-	(4,184)
Expenses non-deductible for tax purposes	9,003	-
Previously unrecognised deductible temporary differences	(4,319)	-
Under-provision of tax in prior year/period	4,021	876
Tax expense	19,714	562

28. DIVIDENDS

The Directors have not recommended the payment of any dividend for the current financial year.

29. EARNINGS PER SHARE

The basic earnings per ordinary share are calculated by dividing the profit for the financial year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

Diluted earnings per share are not presented as there were no dilutive potential ordinary shares as at the date of the statement of financial position.

	2019	15 DECEMBER 2017 TO 31 DECEMBER 2018
	RM'000	RM'000
Profit attributable to ordinary equity holders	26,157	15,561
Weighted average number of shares in issue	279,774	142,670
Basic earnings per share (sen)	0.09	0.11

ZURICH GENERAL TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30. CASH FLOWS

	Note	2019	15 DECEMBER 2017 TO 31 DECEMBER 2018
		RM'000	RM'000
Net profit for the financial year/period		26,157	15,561
Adjustments for:			
Depreciation of property, plant and equipment	5	205	481
Amortisation of intangible assets	7	2,284	832
Depreciation of right-of-use assets	6	1,208	-
Write-back for impairment of takaful receivables		(1,906)	(229)
Investment income	22	(30,170)	(16,645)
Realised gains	23	(362)	(112)
Tax expense	27	19,714	562
Expense on lease liabilities	14	212	-
Changes in working capital:			
Decrease in retakaful assets		12,103	62,767
Increase in investments		(196,487)	(91,322)
(Increase)/decrease in takaful receivables		(7,036)	2,640
Decrease in other receivables		2,453	11,427
Increase in takaful contract liabilities		144,967	65,605
Increase in other payables		1,696	24,649
(Decrease)/increase in takaful payables		(9,671)	12,090
Increase in expense liabilities		17,543	10,940
Cash (utilised in)/generated from operating activities		(17,090)	99,246

31. SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Related parties and relationship

The related parties and their relationship with the Company as at 31 December 2019 are as follows:

Name of company	Relationship
Zurich Holdings Malaysia Berhad ("ZHMB")	Immediate holding company
Zurich Insurance Company Ltd. ("ZICL")	Penultimate holding company
Zurich Shared Services Malaysia Sdn. Bhd. ("ZSSM")	Subsidiary of ZICL
Zurich Services Malaysia Sdn. Bhd. ("ZSM")	Subsidiary of ZICL
Zurich Life Insurance Malaysia Berhad	Subsidiary of ZICL
Zurich Takaful Malaysia Berhad	Subsidiary of ZHMB
Zurich General Insurance Malaysia Berhad	Subsidiary of ZHMB

(b) Related party transactions

In the normal course of business, the Company undertakes various transactions with other companies deemed related by virtue of being subsidiary and associated companies of ZIGL, collectively known as ZIGL Group, at agreed terms and prices.

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

	2019	15 DECEMBER 2017 TO 31 DECEMBER 2018
	RM'000	RM'000
Trade		
Subsidiary of Immediate holding company		
Contribution and commission	34	-
Non-trade		
Subsidiary of Immediate holding company		
Outsourcing income / expenses	27,485	25,145
Reimbursement costs	2,425	2,177
Subsidiary of Penultimate holding company		
Outsourcing income / expenses	4,445	4,076
Reimbursement costs	1,945	625

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(c) Related party balances

The significant outstanding balances of the Company with its related parties as at 31 December are as follows:

	2019	2018
	RM'000	**RM'000**
Amount due from related companies:		
Takaful receivables	34	-
Other receivables	319	424
Amount due to related companies:		
Other payables	(5,799)	(9,734)

(d) Key management personnel's remuneration

The remuneration of the key management personnel during the financial year / period are as follows:

	2019	15 DECEMBER 2017 TO 31 DECEMBER 2018
	RM'000	**RM'000**
Salary	815	636
Defined contribution plans	139	78
	954	714

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. The key management personnel of the Company include the Chief Executive Officer and other key responsible persons of the Company.

32. RISK MANAGEMENT FRAMEWORK

Risk Governance Structure

The Company adopts three lines of defence model approach to governance and enterprise risk management. The Company's risk governance structure and risk reporting requirement are incorporated in the Company's Risk Management Framework. The Framework explains the underlying approach and defines an on-going and consistent process for identifying, analysing, evaluating, treating, monitoring and reporting significant risks faced by the business units, divisions, stakeholders and ultimately, the Company. It also outlines the key aspects of the risks management process and identifies the main reporting procedures.

The adoption of the Framework is the responsibility of the Board with some of the responsibilities delegated to the Risk Management Committee including oversight over technology-related matters. The Company has established senior management committees which act as a platform for two-way communication between the Management and the Board. The Committees are the Asset, Liability Management Investment Committee (ALMIC) and the various Senior Management Committees for General Businesses. All these committees are chaired by the Chief Executive Officer or a member of the key management team.

They are responsible to oversee the development and assess the effectiveness of risk management policies, review risk exposure and portfolio composition, and ensure that infrastructure, resources and systems are put in place for effective risk management activities.

The Company places strong emphasis on ensuring Shariah Compliance in all its activities, and put in place a comprehensive control, monitoring and reporting procedures to manage and mitigate potential shariah non-compliance incidences.

Governance and Regulatory Framework

The Company is required to comply with the IFSA and BNM Regulations, as applicable.

The Company is also required to comply with all Zurich Group's policies and standards. If there is any conflict with the local laws or regulations, the local laws and regulations have priority while the stricter rules will apply where possible.

32. RISK MANAGEMENT FRAMEWORK (CONTINUED)

Capital Management

The Company's capital management policy is to create shareholders value, maintain a strong capital position with sufficient buffer to meet policyholders' obligations and regulatory requirements, and make strategic investments for business growth.

The minimum Capital Adequacy Ratio ("CAR") under the RBCT Framework regulated by BNM is 130% for each takaful operator. The Company complied with the minimum CAR as at 31 December 2019.

The regulated capital of the Company as at 31 December 2019 comprised of Available Capital of RM368,739,000. (2018: RM261,040,000).

The capital structure of the Company as at 31 December 2019, as prescribed under the RBCT Framework, is shown below:

	2019	2018
	RM'000	RM'000
Tier 1 Capital		
Paid-up share capital	317,000	259,000
Reserve including retained earnings	87,095	26,059
	404,095	285,059
Tier 2 Capital		
Available-for-sale reserve	5,437	487
Deduction:		
Other intangible assets	(28,000)	(19,778)
Deferred tax assets	(12,824)	(4,728)
Total Capital Available	368,708	261,040

33. TAKAFUL RISK

The Company underwrites various general takaful contracts, which are mostly on annual coverage and annual contribution basis, the exception being short term contribution such as Marine Cargo which covers the duration in which the cargo is being transported. The Company also underwrites some non-annual certificates with coverage period of more than one year such as Long-Term Fire Homeowner, Contractor's All Risks and Workmen's Compensation. A majority of the takaful business written by the Company is Motor and Fire. Other lines of business include Health, Personal Accident, Engineering, Liability, Bond and other Miscellaneous classes.

The Company's underwriting strategy is to build balanced portfolios based on a large number of homogeneous risks. This reduces the variability of the portfolio's outcome. The underwriting strategy is set out in an annual business plan that establishes the classes of business to be written, and the industry sectors in which the Company is prepared to underwrite. This strategy is cascaded by the business units to individual underwriters through detailed underwriting authorities that set out the limits that any one underwriter can write by line of size, class of business, geographically and industry in order to ensure appropriate risk selection within the portfolio. The underwriters have the right to refuse the renewal or to change the terms and condition of the contract at renewal. The Company's Executive Committee meets periodically to review certain management information including contribution income and key ratios by line of business.

The table below sets out the concentration of the general takaful contracts - claims liabilities by type of takaful contracts issued:

			2019
	Gross	**Re-takaful**	**Net**
	RM'000	**RM'000**	**RM'000**
Fire	59,475	(39,698)	19,777
Motor	224,259	(18,553)	205,706
Marine, Aviation and Transit	8,975	(5,589)	3,386
Miscellaneous	111,773	(50,239)	61,534
At 31 December	404,482	(114,079)	290,403

			2018
	Gross	**Re-takaful**	**Net**
	RM'000	**RM'000**	**RM'000**
Fire	58,276	(43,072)	15,204
Motor	166,624	(32,104)	134,520
Marine, Aviation and Transit	8,622	(5,366)	3,256
Miscellaneous	93,235	(46,889)	46,346
At 31 December	326,757	(127,431)	199,326

33. TAKAFUL RISK (CONTINUED)

Key Assumptions

The principal assumption underlying the estimation of liabilities is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of initial expected loss ratios, average claim costs, claim handling costs, claim inflation factors and average number of claims for each accident year.

Additional qualitative judgements are used to assess the extent to which past trends may apply in the future, for example, isolated occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors, such as, portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors, such as judicial decisions and government legislation, may affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in profit rates, delays in settlement and changes in foreign currency rates.

Sensitivities

The takaful claims liabilities are sensitive to the key assumptions shown below. It has not been possible to quantify the sensitivity of certain assumptions, such as, legislative changes or uncertainty in the estimation process.

The analysis below is performed on the total portfolio for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net claims liabilities, profit before tax and equity. The correlation among assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

	Change in assumptions	Impact on gross claims liabilities	Impact on net claims liabilities	Impact on profit before tax	Impact on equity
		RM'000	RM'000	RM'000	RM'000
31 December 2019					
Average claim cost	+10%	40,279	28,912	(28,912)	(21,973)
Average number of claims	+10%	50,193	38,915	(38,915)	(29,575)

	Change in assumptions	Impact on gross claims liabilities	Impact on net claims liabilities	Impact on profit before tax	Impact on equity
		RM'000	RM'000	RM'000	RM'000
31 December 2018					
Average claim cost	+10%	30,132	18,754	(18,754)	(14,253)
Average number of claims	+10%	31,220	19,961	(19,961)	(15,170)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33. TAKAFUL RISK (CONTINUED)

Claims Development Table

The following tables show the estimate of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting period, together with cumulative payments to-date.

In setting provisions for claims, the Company considers to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves when there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development, and the margin necessary to provide the necessary confidence in adequacy of provision is relatively at its highest. As claims develop and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33. TAKAFUL RISK (CONTINUED)

Gross General Takaful Claims Liabilities for 2019:

	Prior RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	Total RM'000
Accident Year:									
At end of the accident year		122,510	173,322	153,400	186,898	172,090	254,552	371,126	
One year later		113,516	150,108	140,108	167,895	163,196	257,548		
Two years later		108,045	136,885	137,760	159,460	160,558			
Three years later		109,963	122,018	140,401	162,319				
Four years later		108,039	117,332	139,991					
Five years later		112,723	124,892						
Six years later		109,532							
Current estimate of cumulative claims incurred		109,532	124,892	139,991	162,319	160,558	257,548	371,126	
At end of accident year		33,270	40,160	43,447	53,291	59,301	106,603	178,461	
One year later		67,240	93,627	90,643	115,463	113,620	187,064		
Two years later		85,084	106,477	106,009	130,448	131,411			
Three years later		91,757	106,286	125,668	135,805				
Four years later		94,874	109,182	130,885					
Five years later		96,642	109,999						
Six years later		97,277							
Cumulative payments to-date		97,277	109,999	130,885	135,805	131,411	187,064	178,461	
Direct and facultative inwards	16,062	12,255	14,893	9,106	26,514	29,147	70,484	192,665	371,126

Best Estimate of Claim Liabilities	371,126
Fund PRAD at 75% Confidence Level	33,356
Gross General Takaful Claim Liabilities	404,482

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33. TAKAFUL RISK (CONTINUED)

Gross General Takaful Claims Liabilities for 2018:

	Prior RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	Total RM'000
Accident Year:									
At end of the accident year		75,801	122,510	173,322	153,400	186,898	172,090	254,552	
One year later		73,172	113,516	150,108	140,108	167,895	163,196		
Two years later		71,157	108,045	136,885	137,760	159,460			
Three years later		72,160	109,963	122,018	140,401				
Four years later		77,392	108,039	117,332					
Five years later		70,866	112,723						
Six years later		70,879							
Current estimate of cumulative claims incurred		70,879	112,723	117,332	140,401	159,460	163,196	254,552	
At end of accident year		18,204	33,270	40,160	43,447	53,291	59,301	106,603	
One year later		45,537	67,240	93,627	90,643	115,463	113,620		
Two years later		51,451	85,084	106,477	106,009	130,448			
Three years later		56,490	91,757	106,286	125,668				
Four years later		62,033	94,874	109,182					
Five years later		66,254	96,642						
Six years later		66,562							
Cumulative payments to-date		66,562	96,642	109,182	125,668	130,448	113,620	106,603	
Direct and facultative inwards	9,208	4,317	16,081	8,150	14,733	29,012	49,576	147,949	279,026
Claims liabilities of transferred business	4,927	858	1,335	10,225	575	670	519	961	20,070
Best Estimate of Claim Liabilities									299,096
Fund PRAD at 75% Confidence Level									27,661
Gross General Takaful Claim Liabilities									326,757

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33. TAKAFUL RISK (CONTINUED)

Net General Takaful Claims Liabilities for 2019:

	Prior RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	Total RM'000
Accident Year:									
At end of the accident year		28,156	35,176	60,770	75,207	91,768	231,143	350,374	
One year later		25,865	35,319	57,828	70,521	88,627	232,186		
Two years later		26,826	33,785	54,011	68,732	87,683			
Three years later		26,211	29,566	52,618	68,097				
Four years later		25,438	28,869	52,957					
Five years later		25,563	29,703						
Six years later		25,751							
Current estimate of cumulative claims incurred		25,751	29,703	52,957	68,097	87,683	232,186	350,374	
At end of accident year		9,537	10,445	19,313	27,600	31,247	99,480	175,488	
One year later		18,208	23,279	39,635	50,983	64,250	172,484		
Two years later		22,095	26,790	45,416	58,053	73,147			
Three years later		22,878	26,088	48,527	59,601				
Four years later		23,463	26,794	49,725					
Five years later		23,782	26,998						
Six years later		23,839							
Cumulative payments to-date		23,839	26,998	49,725	59,601	73,147	172,484	175,488	
Direct and facultative inwards	3,256	1,912	2,705	3,232	8,496	14,536	59,702	174,886	268,725
Best Estimate of Claim Liabilities									268,725
Fund PRAD at 75% Confidence Level									21,678
Net General Takaful Claim Liabilities									290,403

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33. TAKAFUL RISK (CONTINUED)

Net General Takaful Claims Liabilities for 2018:

	Prior RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	Total RM'000
Accident Year:									
At end of the accident year		17,662	28,156	35,176	60,770	75,207	91,768	231,143	
One year later		17,635	25,865	35,319	57,828	70,521	88,627		
Two years later		16,905	26,826	33,785	54,011	68,732			
Three years later		16,821	26,211	29,566	52,618				
Four years later		16,515	25,438	28,869					
Five years later		16,181	25,563						
Six years later		15,909							
Current estimate of cumulative claims incurred		15,909	25,563	28,869	52,618	68,732	88,627	231,143	
At end of accident year		5,573	9,537	10,445	19,313	27,600	31,247	99,480	
One year later		12,654	18,208	23,279	39,635	50,983	64,250		
Two years later		14,142	22,095	26,790	45,416	58,053			
Three years later		14,936	22,878	26,088	48,527				
Four years later		15,196	23,463	26,794					
Five years later		15,402	23,782						
Six years later		15,458							
Cumulative payments to-date		15,458	23,782	26,794	48,527	58,053	64,250	99,480	
Direct and facultative inwards	2,161	451	1,781	2,074	4,091	10,680	24,376	131,663	177,277
Claims liabilities of transferred business	1,110	683	1,077	2,383	541	647	435	755	7,631
Best Estimate of Claim Liabilities									184,908
Fund PRAD at 75% Confidence Level									14,418
Net General Takaful Claim Liabilities									199,326

34. FAIR VALUE MEASUREMENTS

(a) Determination of fair value and fair value hierarchy

The Company classifies fair value measurement using a fair value hierarchy that reflects the significant of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - Quoted market price

Included in the quoted price category are financial instruments that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, secondary market via dealer and broker, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 - Valuation Techniques - Market observable input

Financial instruments in this category are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions. It includes financial instruments for which pricing is obtained via pricing services, but where prices have not been determined in an active market, instruments with fair values based on broker quotes and discounted cash flows, the price of the most recent transactions may be used provided that there has not been a significant change in economic circumstances since the time of the transaction, or if the conditions have changed, that price should be adjusted to reflect the change in conditions by reference to current prices for similar financial instruments and investment in unit and property trusts with fair values obtained via investment bankers and/or fund managers.

Level 3 - Valuation Techniques - Unobservable input

Non-market observable inputs mean that fair values are determined in whole or in part using a valuation technique based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. The main asset classes in this category are unquoted equity securities, un-rated securities and debt securities from organisations in default. Valuation techniques of these portfolios are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the instrument at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Company. Therefore, unobservable inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the instrument (including assumptions about risk). These inputs are developed based on the best information available, which might include the Company's own data and judgements.

34. FAIR VALUE MEASUREMENTS (CONTINUED)

(b) Financial instruments and non-financial assets carried at fair value

The following tables show the Company's financial instruments and non-financial assets which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 December 2019				
AFS financial assets:				
- Corporate debt securities	-	528,633	-	528,633
	-	528,633	-	528,633

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 December 2018				
AFS financial assets:				
- Malaysian Government Securities/ Government Investment Issues	-	2,030	-	2,030
- Corporate debt securities	-	322,996	-	322,996
	-	325,026	-	325,026

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

35. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangement and similar arrangement are as follows:

	Gross amount recognised as financial assets/ liabilities	Gross amount offset in the statement of financial position	Amount presented in the statement of financial position
	RM'000	RM'000	RM'000
31 December 2019			
Financial assets:			
Takaful receivables	53,782	(914)	52,868
Financial liabilities:			
Takaful payables	37,449	(1,804)	35,645

	Gross amount recognised as financial assets/ liabilities	Gross amount offset in the statement of financial position	Amount presented in the statement of financial position
	RM'000	RM'000	RM'000
31 December 2018			
Financial assets:			
Takaful receivables	44,373	(447)	43,926
Financial liabilities:			
Takaful payables	45,763	(447)	45,316

There are no financial instruments subjected to an enforceable master netting arrangement or financial collateral (including cash collateral) pledged or received as at 31 December 2019 and 2018.

36. FINANCIAL RISK

The Company is exposed to financial risks, including credit risk, liquidity risk, market risk and operational risk during the normal course of its business. The Company has in place, established procedures and guidelines to monitor the risks on an on-going basis.

Credit Risk

The Company has exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Credit risk is assumed through three (3) main mechanisms.

i) The assumption of credit risk through investment strategies relating to financial assets;
ii) Credit risk created through retakaful, where a retakaful asset represents an obligation of the retakaful operators to the entity; and
iii) Receivables within the business, where the entity owed payment or services by a third party. Most typically this is arising from sale of takaful policies.

Minimum credit quality applies to investments in private debt securities/bonds with a minimum rating of A-/A2 (at the date of investment) provided by Malaysian Rating Corporation Berhad (“MARC”) and Rating Agency Malaysia Berhad (“RAM”) respectively. The Company however intends to maintain an average rating of AA in the overall bond portfolio under current investment strategy and objectives. The Company does not solely depend on the rating report provided but as in all credit assessments/reviews are based on publicly available issuer information together with in-house analysis based on information provided by the borrower/issuer, peer group comparisons, industry comparisons and other quantitative tools.

Retakaful is used to manage takaful risk. This does not, however, discharge the Company’s liability as primary insurer. If a retakaful operator fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of retakaful operator is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

The Company manages its credit risk in respect of receivables by establishing defined tolerance on credit periods, putting in place collection procedures and rigorously monitoring its credit portfolio.

36. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit Exposure

The table below shows the maximum exposure to credit risk for the components on the statement of financial position which are subject to credit risk:

				2019
	Note	**Takaful Operator RM'000**	**General Takaful Fund RM'000**	**Company RM'000**
AFS financial assets:				
- Islamic debt securities	8(b)	136,634	391,999	528,633
Financing receivables	8(a)	-	1,560	1,560
Takaful receivables	9	-	52,868	52,868
Retakaful assets*		-	114,079	114,079
Other receivables #		19,128	828	946
Cash and cash equivalents		228,760	175,433	404,193
		384,522	736,767	1,102,279

				2018
	Note	**Takaful Operator RM'000**	**General Takaful Fund RM'000**	**Company RM'000**
AFS financial assets:				
- Malaysian Government Securities/ Government Investment Issues	8(b)	-	2,030	2,030
- Islamic debt securities	8(b)	78,297	244,699	322,996
Financing receivables	8(a)	-	1,500	1,500
Takaful receivables	9	-	43,926	43,926
Retakaful assets*		-	127,431	127,431
Other receivables #		37,645	1,720	1,967
Cash and cash equivalents		180,576	184,723	365,299
		296,518	606,029	865,149

*Retakaful assets exclude unearned contribution reserve
#Exclude prepayments of RM25,000 as at 31 December 2019 (2018: RM65,000)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

36. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit Exposure by Credit Rating

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

	Neither past-due nor impaired						
	Investment grade		Non-investment grade	Not rated			
	Government Guaranteed	(AAA to BBB)	(BB to C)		Past due but not impaired	Impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2019							
AFS financial assets:							
- Malaysian Government Securities/ Government Investment Issues	-	-	-	-	-	-	-
- Islamic debt securities	70,918	457,715	-	-	-	-	528,633
Financing receivables	-	1,560	-	-	-	-	1,560
Takaful receivables							
- Gross	-	6,924	-	31,618	14,326	8,008	60,876
- Allowance for impairment	-	-	-	-	-	(8,008)	(8,008)
Retakaful assets	-	61,416	-	53,878	-	(1,215)	114,079
Other receivables	-	-	-	946	-	-	946
Cash and cash equivalents	-	404,193	-	-	-	-	404,193
	70,918	931,808	-	86,442	14,326	(1,215)	1,102,279

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

36. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit Exposure by Credit Rating (continued)

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

	Neither past-due nor impaired						
	Investment grade		Non-investment grade	Not rated			
	Government Guaranteed	(AAA to BBB)	(BB to C)		Past due but not impaired	Impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2018							
AFS financial assets:							
- Malaysian Government Securities/ Government Investment Issues	2,030	-	-	-	-	-	2,030
- Islamic debt securities	82,164	240,832	-	-	-	-	322,996
Financing receivables	-	1,500	-	-	-	-	1,500
Takaful receivables							
- Gross	-	10,638	-	14,285	19,003	9,914	53,840
- Allowance for impairment	-	-	-	-	-	(9,914)	(9,914)
Retakaful assets	-	70,642	648	55,208	-	933	127,431
Other receivables	-	-	-	1,967	-	-	1,967
Cash and cash equivalents	-	365,299	-	-	-	-	365,299
	84,194	688,911	648	71,460	19,003	933	865,149

36. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit Exposure by Credit Rating (continued)

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the RAM and MARC credit ratings of counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade.

	Government Guaranteed	AAA to AA	A1 to A3	BBB1 to BBB3	BB and below	Not rated	Impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2019								
AFS financial assets:								
- Malaysian Government Securities/ Government Investment Issues	-	-	-	-	-	-	-	-
- Islamic debt securities	70,918	440,077	17,638	-	-	-	-	528,633
Financing receivables	-	1,560	-	-	-	-	-	1,560
Takaful receivables								
- Gross	-	21,250	-	-	-	31,618	8,008	60,876
- Allowance for impairment	-	-	-	-	-	-	(8,008)	(8,008)
Retakaful assets	-	24,283	37,133	-	-	53,878	(1,215)	114,079
Other receivables	-	-	-	-	-	946	-	946
Cash and cash equivalents	-	404,193	-	-	-	-	-	404,193
	70,918	891,363	54,771	-	-	86,442	(1,215)	1,102,279

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

36. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit Exposure by Credit Rating (continued)

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the RAM and MARC credit ratings of counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade.

	Government Guaranteed	AAA to AA	A1 to A3	BBB1 to BBB3	BB and below	Not rated	Impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2018								
AFS financial assets:								
- Malaysian Government Securities/ Government Investment Issues	2,030	-	-	-	-	-	-	2,030
- Islamic debt securities	82,164	240,832	-	-	-	-	-	322,996
Financing receivables	-	1,500	-	-	-	-	-	1,500
Takaful receivables								
- Gross	-	29,641	-	-	-	14,285	9,914	53,840
- Allowance for impairment	-	-	-	-	-	-	(9,914)	(9,914)
Retakaful assets	-	25,182	45,460	-	648	55,208	933	127,431
Other receivables	-	-	-	-	-	1,967	-	1,967
Cash and cash equivalents	-	253,207	112,092	-	-	-	-	365,299
	84,194	550,362	157,552	-	648	71,460	933	865,149

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

36. FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Age Analysis of Financial Assets Past Due But Not Impaired

A financial asset is deemed past due when the counterparty has failed to make payment when the outstanding amount is contractually due.

	Up to 3 months	3 months to 6 months	7 months to 12 months	> 12 months	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2019					
Takaful receivables	-	11,150	1,956	1,220	14,326
31 December 2018					
Takaful receivables	-	16,575	2,377	51	19,003

Impaired Financial Assets

At 31 December 2019, based on a combination of collective and individual assessment of receivables, there are impaired takaful receivables of RM8,008,000 (2018: RM9,914,000). For assets to be classified as "past-due and impaired", contractual payments must be in arrears for more than 90 days. In addition, full impairment is made on takaful receivables exhibiting objective evidence of impairment such as outstanding debts exceeding 180 days. The Company records impairment allowance for takaful receivables in separate "allowance for impairment" accounts.

A reconciliation of the allowance for impairment loss of takaful receivables is as follows:

	2019	2018
	RM'000	RM'000
At 1 January 2019	9,914	-
Arising from Business Transfer	-	10,143
Write-back for the financial year / period	(1,906)	(229)
At 31 December	8,008	9,914

No collateral is held as security for any past due or impaired assets.

36. FINANCIAL RISK (CONTINUED)

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. In respect of catastrophic events, there is also a liquidity risk associated with the timing differences between gross cash outflows and expected retakaful recoveries. The Company's policy is to maintain adequate liquidity to meet its liquidity needs under all conditions.

There are guidelines on asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding is available to meet takaful and investment contracts obligations.

The Company's excess-of-loss retakaful contract contains clauses permitting the Company to make cash call claims and receive immediate payment for large loss should claims events exceed a certain amount.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

36. FINANCIAL RISK (CONTINUED)

Liquidity Risk (continued)

Maturity Profile

The table below summarises the maturity profile of the Company's financial assets and financial liabilities based on remaining undiscounted contractual obligations, including profit payable and receivable.

For takaful contract liabilities and retakaful assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised takaful liabilities. Contribution liabilities and the retakaful's share of contribution liabilities have been excluded from the analysis.

	Carrying value	Up to a year	1 – 3 years	3 – 5 years	5 - 15 years	No maturity date	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2019							
Financial assets:							
AFS financial assets	528,633	78,994	242,202	189,535	82,952	-	593,683
Financing receivables	1,560	1,560	-	-	-	-	1,560
Retakaful assets*	114,079	84,187	27,289	2,483	120	-	114,079
Takaful receivables	52,868	52,868	-	-	-	-	52,868
Other receivables#	946	946	-	-	-	-	946
Cash and cash equivalents	404,193	404,193	-	-	-	-	404,193
	1,102,279	622,748	269,491	192,018	83,072	-	1,167,329
Financial liabilities:							
Takaful contract liabilities*	404,482	284,804	108,778	10,399	501	-	404,482
Lease liabilities	4,747	1,430	2,448	869	-	-	4,747
Other liabilities	61,568	61,568	-	-	-	-	61,568
Takaful payables	35,645	35,645	-	-	-	-	35,645
	506,442	383,447	111,226	11,268	501	-	506,442

*Exclude unearned contribution reserve, AFS reserve and unallocated surplus

#Exclude prepayments

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

36. FINANCIAL RISK (CONTINUED)

Liquidity Risk (continued)

Maturity Profile (continued)

The table below summarises the maturity profile of the Company's financial assets and financial liabilities based on remaining undiscounted contractual obligations, including profit payable and receivable.

For takaful contract liabilities and retakaful assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised takaful liabilities. Contribution liabilities and the retakaful's share of contribution liabilities have been excluded from the analysis.

	Carrying value	Up to a year	1 – 3 years	3 – 5 years	5 - 15 years	No maturity date	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2018							
Financial assets:							
AFS financial assets	325,026	60,798	107,657	144,467	59,753	-	372,675
Financing receivables	1,500	1,500	-	-	-	-	1,500
Retakaful assets*	127,431	90,811	33,193	3,289	138	-	127,431
Takaful receivables	43,926	43,926	-	-	-	-	43,926
Other receivables#	1,967	1,967	-	-	-	-	1,967
Cash and cash equivalents	365,299	365,299	-	-	-	-	365,299
	865,149	564,301	140,850	147,756	59,891	-	912,798
Financial liabilities:							
Takaful contract liabilities*	326,757	231,733	86,251	8,423	350	-	326,757
Other liabilities	59,732	59,732	-	-	-	-	59,732
Takaful payables	45,316	45,316	-	-	-	-	45,316
	431,805	336,781	86,251	8,423	350	-	431,805

*Exclude unearned contribution reserve, AFS reserve and unallocated surplus

#Exclude prepayments

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

36. FINANCIAL RISK (CONTINUED)

Liquidity Risk (continued)

The table below summarises the current/non-current classification of assets:

	Current*	**Non-current**	**Total**
	RM'000	**RM'000**	**RM'000**
31 December 2019			
Property, plant and equipment	-	532	532
Right-of-use assets	-	4,429	4,429
Intangible assets	-	28,191	28,191
AFS financial assets	78,994	449,639	528,633
Financing receivables	1,560	-	1,560
Retakaful assets	127,310	-	127,310
Takaful receivables	52,868	-	52,868
Other receivables	971	-	971
Deferred tax assets	-	12,824	12,824
Cash and cash equivalents	404,193	-	404,193
	665,896	495,615	1,161,511

	Current*	**Non-current**	**Total**
	RM'000	**RM'000**	**RM'000**
31 December 2018			
Property, plant and equipment	-	1,035	1,035
Intangible assets	-	20,475	20,475
AFS financial assets	60,798	264,228	325,026
Financing receivables	1,500	-	1,500
Retakaful assets	139,413	-	139,413
Takaful receivables	43,926	-	43,926
Other receivables	2,032	-	2,032
Current tax assets	752	-	752
Deferred tax assets	-	4,728	4,728
Cash and cash equivalents	365,299	-	365,299
	613,720	290,466	904,186

* Expected recovery or settlement within 12 months from the date of the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

36. FINANCIAL RISK (CONTINUED)

Market Risk

Market risk is the risk of financial loss in the Company investment's valuation due to adverse changes or volatility of prices in economic and financial markets. Market risk comprises three types of risk i.e. foreign exchange rates (currency risk), market rates/profit yields and market prices (price risk).

The Company manages market risk through setting of investment policy and asset allocation, approving portfolio limit structure and risk management methodologies, approving hedging, and alternative risk transfer strategies. Investment limits monitoring is in place at various levels to ensure that all investment activities are aligned with the Company's risk management principles and philosophies. Compliance with established financial risk limits forms an integral part of the risk governance and financial reporting framework.

Profit Rates/Profit Yield Risks

Profit rate risk is part of market risk as any adverse movements in profit rates/ profit yield may affect the Company investment's fair valuation and reinvestment issues to the Company. ALMIC actively monitors such developments as well as discuss changes in maturity profiles of the assets and liabilities to minimise overall mismatch.

The Company has no significant concentration of profit rate/profit yield risk.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact of profit before tax and takaful contract liabilities (due to changes in fair value of fixed and floating rate/yield financial instruments) and equity (that reflects adjustments to profit before tax and re-valuing fixed rate/yield AFS financial assets).

The sensitivity analysis below illustrates impact of 50bps increase/decrease in profit rate/ profit yield to investment value based on portfolio holdings as at 31 December 2019, holding other variables constant.

				2019
	Changes in variables	Impact on profit before tax RM'000	Impact on equity* RM'000	Impact on Takaful contract liabilities RM'000
Takaful Operator				
RM	+50 basis points	-	(1,753)	-
RM	-50 basis points	-	1,801	-
General Takaful Fund				
RM	+50 basis points	-	-	(4,769)
RM	-50 basis points	-	-	4,901

* Impact on equity/ takaful contract liabilities reflects adjustments for tax, where applicable.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

36. FINANCIAL RISK (CONTINUED)

Profit Rates/Profit Yield Risks (continued)

	Changes in variables	Impact on profit before tax RM'000	Impact on equity* RM'000	2018 Impact on Takaful contract liabilities RM'000
Takaful Operator				
RM	+50 basis points	-	(945)	-
RM	-50 basis points	-	965	-
General Takaful Fund				
RM	+50 basis points	-	-	(3,064)
RM	-50 basis points	-	-	3,137

37. OPERATIONAL RISK

Operational risk arises from inadequate or failed performance of business functions or internal processes. Exposure to this risk can cause deficiencies or breakdowns in internal controls or processes, technology and external events such as interruption of business operations due to a breakdown of IT systems, landslide or flood.

The Company has developed a comprehensive Standard Operating Procedures ("SOP") to enable all relevant departments to implement measures, monitor and control the risk in order to avoid or reduce future losses. The Risk Management Department is assigned to facilitate the relevant departments in identifying and evaluating their operational risks and control weaknesses via a structured risk assessment process.

38. COMPLIANCE RISK

Compliance risk is the risk arising from violations of, or non-conformance with business principles, internal policies and procedures, related laws, rules and regulations (i.e. BNM, Malaysian Takaful Association ("MTA"), Perbadanan Insurans Deposit Malaysia ("PIDM")) governing the takaful industry, products and activities.

Consequently, the exposure to this risk can damage the Company's reputation, lead to legal or regulatory sanctions and /or financial loss.

The Legal Department and Compliance Department are assigned to look into all compliance aspects in observing the regulatory requirements (e.g. BNM, MTA, PIDM). It has developed internal policies and procedures (e.g. Anti-Money Laundering Framework, Introduction of New Products Framework, Outsourcing Framework) to align with the laws and guidelines issued by the authorities.

39. GENERAL TAKAFUL PORTFOLIO ACQUISITION

On 1 August 2018, the Company has entered into a Business Transfer Agreement ("BTA") with HSBC Amanah Takaful (Malaysia) Berhad ("HSBCAT") to acquire its general takaful portfolio with effect from 3 November 2018. This BTA was approved and confirmed by the High Court of Malaya on 25 September 2018 in accordance with Part VI of the Islamic Financial Services Act 2013.

On 3 November 2018, HSBCAT transferred its entire general takaful business assets together with the assumed liabilities to the Company, as presented below.

	RM'000
ASSETS	
Takaful receivables	421
Retakaful assets	13,386
Other receivables	688
Deferred tax assets	19
Cash and cash equivalents	49,833
TOTAL ASSETS	**64,347**
LIABILITIES	
Takaful contract liabilities	53,939
Takaful payables	2,845
Other payables	7,563
TOTAL LIABILITIES	**64,347**

In addition to the above, the Company has also assumed expense liabilities of RM7,775,000 for the portfolio acquired. The above transfer of general takaful portfolio was accounted for as acquisition of separate assets and liabilities.

The Company has also recorded an intangible asset of RM20 million, reflecting the customer relationship acquired. The basis of the intangible asset is described in Note 2.3(c) of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

40. ADDITIONAL DISCLOSURE UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACT LIABILITIES

The Company has applied the temporary exemption from the adoption of MFRS 9 “Financial Instruments” from 1 January 2018 to no later than 1 January 2021 (see Note 2.1(a)).

In order to compare with entities applying MFRS 9, the amendments require deferring entities to disclose additional information including contractual cash flows characteristics and credit exposure of the financial assets. The following table presents the Company’s financial assets by their contractual cash flows characteristics, which indicate if they are solely payments of principal and profit on the principal outstanding (“SPPI”).

a) The following table shows the carrying amount under MFRS 139 for financial assets with SPPI cash flow analysed by credit quality:

	Government Guaranteed	AAA to AA	A1 to A3	Total
	RM'000	RM'000	RM'000	RM'000
31 December 2019				
AFS financial assets:				
Islamic debt securities, unquoted	70,918	440,077	17,638	528,633
Financing receivables:				
Fixed deposits with licensed financial institutions with maturities of less than 3 months	-	342,472	-	342,472
	70,918	782,549	17,638	871,105

	Government Guaranteed	AAA	AA	Total
	RM'000	RM'000	RM'000	RM'000
31 December 2018				
AFS financial assets:				
Malaysian Government Securities/ Government Investment Issues	2,030	-	-	2,030
Islamic debt securities, unquoted	82,164	79,644	161,188	322,996
Financing receivables:				
Fixed deposits with licensed financial institutions with maturities of less than 3 months	-	92,912	60,000	152,912
	-	25,182	45,460	477,938

40. ADDITIONAL DISCLOSURE UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACT LIABILITIES (CONTINUED)

b) Fair value / carrying amount:

	Financial assets with SPPI cash flow	Other financial assets	Total
	RM'000	**RM'000**	**RM'000**
Fair value at 31 December 2019	871,105	231,174	1,102,279
Fair value changes during the financial year	6,641	-	6,641
Financial assets that do not have low credit risk:			
- Fair value / carrying amount at 31 December 2019 under MFRS 139	-	N/A	N/A

N/A – not applicable

	Financial assets with SPPI cash flow	Other financial assets	Total
	RM'000	**RM'000**	**RM'000**
Fair value at 31 December 2018	477,938	387,211	865,149
Fair value changes during the financial period	371	-	371
Financial assets that do not have low credit risk:			
- Fair value / carrying amount at 31 December 2018 under MFRS 139	-	N/A	N/A

N/A – not applicable

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

41. SUBSEQUENT EVENT

In the first quarter 2020, the rapid spread of the Covid-19 has been declared a pandemic. Globally, increasing measures are being taken to contain it, and these have led to a significant volatility in the financial markets and resulting in an adverse impact on the global business and economic activity.

With the rapid development of Covid-19 outbreak in Malaysia, the Government issued a Movement Control Order ("MCO') beginning from 18 March 2020 until 31 March 2020. The MCO was subsequently extended to 12 May 2020.

The MCO imposes limitation on movement of people, suspension of non-essential business operations, travel restrictions and quarantine measures. The Government has also introduced various economic stimulus plans to assist the citizens and businesses.

During the MCO period, Zurich General Takaful Malaysia Berhad has ensured that the Company continues to provide core takaful services to its customers. The Company expects that the impact of Covid-19 may have a knock-on effect on the business operations and performance of the Company in the coming financial year. Due to uncertainty of when the outbreak will be fully contained, it is challenging to predict the exact extent of the impact to the Company at this juncture. Nevertheless, the Company will continue to monitor the situation and will take actions as needed to ensure it remains viable as a Company.

Zurich General Takaful Malaysia Berhad
Registration No. 201701045981 (1260157-U)
Level 23A, Mercu 3, No. 3, Jalan Bangsar, KL Eco City, 59200 Kuala Lumpur, Malaysia
Tel: 03-2109 6000 Fax: 03-2109 6888 Call Centre: 1-300-888-622
www.zurich.com.my