Statutory Financial Statements For The Financial Year Ended 31 December 2020

Registration No.
200601012246 (731996-H)

ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

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CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

Zurich Takaful Malaysia Berhad ("ZTMB" 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 issued by Bank Negara Malaysia ("BNM"). 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.

ROLES AND RESPONSIBILITIES OF THE BOARD

The Board is responsible for the overall governance of the Company by providing guidance, including setting the directions in terms of the Company's corporate objectives and business strategies, overseeing the conduct of business of the Company, implementing an appropriate system of risk management and ensuring the adequacy and integrity of the Company's internal control and reporting procedures.

COMPOSITION OF THE BOARD

The composition of the Board during the period since the date of the last report is as follows:

Hasnah binti Omar	Chairperson (Independent Non-Executive Director)
Onn Kien Hoe	Member (Independent Non-Executive Director)
Datuk Dr. Hafsah binti Hashim	Member (Independent Non-Executive Director)
Dr. Yusri bin Mohamad	Member (Independent Non-Executive Director)
Stephen James Clark	Member (Executive Director)

The Board currently comprises five Directors with skills and experience in a diverse range of business, financial, technical and public service background. The Board is represented by four Non-Executive Directors and one Executive Director.

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.

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CORPORATE GOVERNANCE STATEMENT (CONTINUED)

PROFILE OF DIRECTORS AND CHIEF EXECUTIVE OFFICER

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

Cik Hasnah binti Omar was appointed as an Independent Non-Executive Director of the Company on 30 June 2016. She was appointed as Chairman of the Board of Directors of the Company on 14 May 2019. Cik Hasnah is a member of the Audit Committee, Risk Management and Sustainability 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), 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 the Asian Development Bank (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 General Takaful Malaysia Berhad. She also sits on the Board of Malaysian Industrial Development Finance Berhad (MIDF), and Zurich Life Insurance Malaysia Berhad. She also serves as a member of the Appeals Committee of the Securities Industry Dispute Resolution Centre since 2015. Cik Hasnah is also an Independent Board member of Bond Pricing Agency Malaysia Sdn Bhd.

PROFILE OF DIRECTORS AND CHIEF EXECUTIVE OFFICER (CONTINUED)

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

Mr. Onn Kien Hoe was appointed as an Independent Non-Executive Director of the Company on 17 May 2012. Mr. Onn is the Chairman of Audit Committee of the Company. He is also a member of Risk Management and Sustainability Committee, and Nomination and Remuneration 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, Malaysian Institute of Certified Public Accountants and Kampuchea Institute of Certified Public Accountants and Auditors.

Mr. Onn is a partner with Crowe Malaysia PLT, an internationally affiliated accounting firm. His role includes acting as the Co-Head of the Corporate Advisory Division of Crowe Malaysia. He is also a Director in Crowe (KH) Co., Ltd, where he is also responsible for the operations of Crowe in Cambodia.

Mr. Onn has extensive experience in the disciplines of audit, advisory and insolvency. He has participated in cross border transactions including mergers and acquisitions, listing, reverse takeovers, due diligence reviews and valuation assignments. His cross-border experience involves transactions on international stock exchanges including London, Hong Kong, Singapore, Australia, Cambodia and Malaysia.

Mr. Onn has served as an examiner for the Malaysian Institute of Certified Public Accountants, a member of the Interpretation Committee of the Malaysian Accounting Standards Board and a member of the General Committee of Malaysian International Chamber of Commerce and Industry.

Mr. Onn currently sits on the Boards of Avillion Berhad, Zurich General Takaful Malaysia Berhad and several private limited companies.

Datuk Dr. Hafsah binti Hashim
Malaysian, Female
Independent Non-Executive Director
Chairperson of Risk Management and Sustainability Committee
Member of Audit Committee
Member of Nomination and Remuneration Committee

Datuk Dr. Hafsah binti Hashim was appointed as Independent Non-Executive Director of the Company on 4 June 2019. She is the Chairperson of the Risk Management and Sustainability Committee of the Company. She is also a member of the Audit Committee and Nomination and Remuneration Committee of the Company.

Datuk Dr. Hafsah obtained her Bachelor in Applied Science from Science University of Malaysia in 1982 and Masters in Business Administration from Aston University, United Kingdom in 1996.

Datuk Dr. Hafsah has vast experience in public sector administration and has served in several ministries including Ministry of International Trade and Industry (MITI), Ministry of Agriculture and Ministry of Primary Industries. She also served as the Chief Executive Officer of SME Corporation Malaysia for nearly 14 years. In total, she served the Government of Malaysia for 36 years and 2 months before retiring on 15 August 2018.

On the international front, Datuk Dr. Hafsah is appointed as the Monsha'at International Advisory Board Committee of Small and Medium Enterprise General Authority (SMEA) of the Kingdom of Saudi Arabia from 1 November 2017 until 1 November 2019.

Datuk Dr. Hafsah currently sits on the Board of Directors of among others, Johor Corporation SIRIM Berhad and Permodalan Usahawan Nasional Berhad. She is also the Chairman of PharmaNiaga, Arab-Malaysia Chamber of Commerce Berhad, SIRIM Technology Venture Sdn Bhd and Serunai Commerce Sdn Bhd. In addition, Datuk Dr Hafsah assumes an Advisory role to the Board of Bank Islam, Malaysia.

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CORPORATE GOVERNANCE STATEMENT (CONTINUED)

PROFILE OF DIRECTORS AND CHIEF EXECUTIVE OFFICER (CONTINUED)

Dr. Yusri bin Mohamad
Malaysian, Male
Independent Non-Executive Director
Chairman of Nomination and Remuneration Committee
Member of Audit Commitee
Member of Risk Management and Sustainability Committee

Dr. Yusri bin Mohamad was appointed as Independent Non-Executive Director of the Company on 4 June 2019. He is the Chairman of the Nomination and Remuneration Committee of the Company. He is also a member of the Audit Committee and Risk Management and Sustainability Committee of the Company.

Dr. Yusri obtained his doctorate degree in Laws from the International Islamic University Malaysia in 2010, Bachelor of Laws and LLB (Shariah) Hons – Bachelor of Laws (Shariah) from the International Islamic University Malaysia in 1996 and LLM - Master of Laws from the University of London in 1997.

Dr. Yusri is an experienced academic professional with vast work experience in the academic field specializing in shariah and legal; and has more than 23 years of experience in related fields. He has also served in top management roles in various government, private educational and welfare foundations. He is a partner of a legal firm, Messrs. Wajdi Mohamad Yusri & Co and is a licensed Shariah lawyer for the Federal Territories, Malaysia.

Dr. Yusri is currently the Chairman of the Shariah Committee of the Company and a member of the Shariah Committee of Bank Muamalat Malaysia Berhad. He also serves on the board of Islamic and Strategic Studies Institute Berhad.

Stephen James Clark
British, Male
Executive Director

Mr. Clark was appointed as the Executive Director of the Company on 1 October 2018.

Mr. Clark was educated in the United Kingdom and received his Masters in Business Administration (Major in Marketing) from City University, London in 1997.

Mr. Clark is an experienced insurance professional with vast work experience in the financial services sector in Asia Pacific ("APAC") and possesses a high degree of familiarity with the South East Asia market. He has over 17 years of experience in the Life and General Insurance businesses, over 11 years of which as the CEO of various insurance companies and subsidiaries. Mr Clark has in-depth experience in setting up and running multi-channel life insurance ventures.

With solid executive management and cross-functional experience, Mr. Clark is capable of performing in a broad range of executive, financial and commercially oriented positions. He has managed strategic development and execution, business development, sales, management of operations as well as team development and leadership.

Mr. Clark is, additionally, the Executive Director of Zurich Life Insurance Malaysia Berhad. He also sits on the Board of Zurich Holdings Malaysia Berhad, a wholly-owned subsidiary of Zurich Insurance Company Ltd.

DIRECTORS' TRAINING

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. The training programmes attended by the Directors during the financial year ended 31 December 2020 included areas of leadership, governance, risk management, climate change, finance, investment, insurance related matters and information technology.

BOARD MEETINGS

The Board is scheduled to meet at least six times a year with additional meetings being convened as necessary. For the financial year ended 31 December 2020, the Board met seven times. All the Directors satisfied the minimum attendance of at least 75% of the Board meetings held during the financial year ended 31 December 2020.

The number of meetings attended by each member of the Board during the financial year ended 31 December 2020 is as follows:

Name of Directors	No. of Attendance
Hasnah binti Omar	7/7
Onn Kien Hoe	7/7
Datuk Dr. Hafsah binti Hashim	7/7
Dr. Yusri bin Mohamad	7/7
Stephen James Clark	7/7

BOARD COMMITTEES

The Board has established Board Committees and Senior Management Committees.

Each Committee operates within defined terms of reference. Board Committees are Audit Committee, Nomination and Remuneration Committee, Risk Management and Sustainability Committee. Senior Management Committees include the Asset Liability Management and Investment Committee ("ALMIC"), the Risk and Control Committee ("RCC")and various Senior Management Committees for Takaful businesses. The Board Committees are chaired by an Independent Non-Executive Director, while the Senior Management Committees are chaired by the Chief Executive Officer or a member of senior management team.

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CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD COMMITTEES (CONTINUED)

Audit Committee ("AC")

The members of the Audit Committee are as follows:

Onn Kien Hoe	Chairman (Independent Non-Executive Director)
Hasnah binti Omar	Member (Independent Non-Executive Director)
Datuk Dr. Hafsah binti Hashim	Member (Independent Non-Executive Director)
Dr. Yusri bin Mohamad	Member (Independent Non-Executive Director)

The principal objectives are to assist the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the Company. The Audit Committee 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 Audit Committee functions on the Terms of Reference approved by the Board. The principal duties and responsibilities of Audit Committee 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 ensure 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;
(vii) To determine the quality, adequacy and effectiveness of the Company's internal control environment;
(viii) To ensure that the officers who perform the Shariah review function are qualified to undertake compliance function responsibilities and have sound understanding of relevant Shariah requirements applicable to Islamic financial business; and
(ix) To provide oversight over shariah review related matters including the shariah review plan on a yearly basis.

The Audit Committee meets at least once every quarter, or more frequently as circumstances dictate. During the financial year ended 31 December 2020, the Audit Committee held six meetings with senior management, 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.

BOARD COMMITTEES (CONTINUED)

Audit Committee ("AC") (continued)

The number of meetings attended by each member of the Audit Committee during the financial year ended 31 December 2020 is as follows:

Name of Directors	No. of Attendance
Onn Kien Hoe (Chairman)	6/6
Hasnah binti Omar	6/6
Datuk Dr. Hafsah binti Hashim	6/6
Dr. Yusri bin Mohamad	6/6

During the financial year ended 31 December 2020, apart from reviewing the quarterly results and annual financial statements, the Audit Committee also approved the annual internal audit plan. The plan is developed to cover key operational areas, financial activities and information systems and regulatory compliance audit that are significant to the overall performance of the Company on a cyclical basis.

The Internal Audit Department also conducts audits on an ad-hoc basis based on special requests either by the Board of Directors or the senior management. It also works closely with the external auditors to resolve any internal control issues raised by them, and assists in ensuring appropriate management-based actions are taken. The Audit Committee receives regular reports from the Head of the Internal Audit Department on the audit results.

Nomination and Remuneration Committee ("NRC")

The members of the Nomination and Remuneration Committee are as follows:

Dr. Yusri bin Mohamad (Chairman)	Chairman (Independent Non-Executive Director)
Onn Kien Hoe	Member (Independent Non-Executive Director)
Hasnah binti Omar	Member (Independent Non-Executive Director)
Datuk Dr. Hafsah binti Hashim	Member (Independent Non-Executive Director)

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CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD COMMITTEES (CONTINUED)

Nomination and Remuneration Committee ("NRC") (continued)

The Nomination and Remuneration Committee is made up of Independent Non-Executive Directors. In considering the right candidate for appointment to the Board, the Nomination and Remuneration Committee 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 fulfil its fiduciary responsibilities. The Nomination and Remuneration Committee is also responsible for the annual review of the effectiveness of the Board and individual Directors.

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

(i) Nomination matters concerning the Board, Senior Management (including Chief Executive Officer and Expatriates) and Company Secretary on areas pertaining to appointments and removals, composition, fit and proper assessments, performance evaluation and development.
(ii) To develop and recommend a formal, clear and transparent remuneration policy and framework for fixing the remuneration for Directors, Chief Executive Officer and key senior officers (including the expatriates, if any) of the Company.
(iii) To recommend specific remuneration packages for Directors, Chief Executive Officer and key senior officers (including the expatriates, if any) of the Company.
(iv) 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.
(v) To review and assess the nomination and selection of the Board, Senior Management (including Chief Executive Officer and expatriates) and Company Secretary, the performance of the Board and Chief Executive, undertake fit and proper assessments, succession planning and training and development needs.

The number of meetings attended by each member of the Nomination and Remuneration Committee during the financial year ended 31 December 2020 is as follows:

Name of Directors	No. of Attendance
Dr. Yusri bin Mohamad (Chairman)	5/5
Onn Kien Hoe	5/5
Hasnah binti Omar	5/5
Datuk Dr. Hafsah binti Hashim	5/5

In the opinion of the Nomination and Remuneration Committee, the Board has a balanced mix of skills and experience required for the businesses of the Company.

BOARD COMMITTEES (CONTINUED)

Risk Management and Sustainability Committee ("RMSC")

The members of the Risk Management and Sustainability Committee are as follows:

Datuk Dr. Hafsah binti Hashim	Chairperson (Independent Non-Executive Director)
Dr. Yusri bin Mohamad (Chairman)	Member (Independent Non-Executive Director)
Onn Kien Hoe	Member (Independent Non-Executive Director)
Hasnah binti Omar	Member (Independent Non-Executive Director)

The RMSC is made up of Non-Executive Directors. It reviews the risk management framework of the Company to ensure risks at all levels are managed effectively. It also formulates risk management policies, action plans and evaluates the adequacy of overall risk management policies and procedures.

The RMSC functions on the Terms of Reference approved by the Board. The principal duties and responsibilities of RMSC Committee 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; and
(iv) To review the management's periodic reports on risk exposure, risk portfolio composition and risk management activities.
(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).
(vi) To provide oversight over sustainability-related matters which include review of Zurich's sustainability strategy and objectives, review of Zurich's approach and conduct concerning sustainability, assessing progress against agreed actions at least annually, review of legislative and regulatory developments and reporting requirements relating to sustainability, review of the proposal to the Board for approval targets on ESG matters which have a material impact on business strategy, underwriting or business performance.

The number of meetings attended by each member of the Risk Management and Sustainability Committee during the financial year ended 31 December 2020 is as follows:

Name of Directors	No. of Attendance
Datuk Dr. Hafsah binti Hashim (Chairperson)	5/5
Dr. Yusri bin Mohamad	5/5
Onn Kien Hoe	5/5
Hasnah binti Omar	5/5

BOARD COMMITTEES (CONTINUED)

Shariah Committee ("SC")

The members of the Shariah Committee are as follows:

Dr Yusri bin Mohamad	Chairman
Dr Md Khalil bin Ruslan	Member
Dr Luqman bin Haji Abdullah (retired, expired tenure w.e.f. 30 September 2020)	Member
Dr Mohamad Abdul Hamid (retired, expired tenure w.e.f. 30 September 2020)	Member
Dr Zulkifli bin Hasan	Member
Dr Mohamed Fairooz bin Abdul Khir (newly appointed w.e.f. 2 October 2020)	Member
Dr Wan Marhaini Binti Wan Ahmad (newly appointed w.e.f. 2 October 2020)	Member

The Shariah Committee 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 number of meetings attended by each member of the Shariah Committee during the financial year ended 31 December 2020 is as follows:

Name of Members Attendance	No. of Attendance
Dr Yusri bin Mohamad	6/6
Dr Md Khalil bin Ruslan	6/6
Dr Luqman bin Haji Abdullah (retired, expired tenure w.e.f. 30 Sept 2020)	5/5
Dr Mohamad Abdul Hamid (retired, expired tenure w.e.f. 30 Sept 2020)	4/5
Dr Zulkifli bin Hasan	5/6
Dr Mohamed Fairooz bin Abdul Khir (newly appointed w.e.f. 2 October 2020)	1/1
Dr Wan Marhaini Binti Wan Ahmad (newly appointed w.e.f. 2 October 2020)	1/1

BOARD COMMITTEES (CONTINUED)

Shariah Committee ("SC") (continued)

The principal duties and responsibilities of Shariah Committee are:

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 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.

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.

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 have, 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”).

The Board has approved a communication policy that is applicable to all levels of staff of the Company.

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.

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 ITSC 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 has 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 Risk Management and Sustainability Committee ("RMSC") meets regularly, at least every quarter in a financial year, to review risk management reports of the Company. The RMSC has categorised risks into seven (7) risk types affecting the Company namely Family Takaful business Risk, Market Risk, Credit Risk, Operational Risk, Strategic and Reputation Risk and Capital Management and Liquidity Risk, and Shariah Risk.

The Company has established, within its risk management framework, a structural 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.

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's 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 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.

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CORPORATE GOVERNANCE STATEMENT (CONTINUED)

REMUNERATION POLICY (continued)

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.
- The Company's Short Term Incentive Plan ("STIP") 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 policies, 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 objective 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. The incentive plans are discretionary and can be terminated, modified, changed or revised, at any time, except for previously awarded grants. A clawback framework is in place however, for members of the Executive Committee to allow for recovery, forfeiture and/or clawback, subject to specific conditions. Malus conditions are also in place to reduce or eliminate awards applicable to all STIP and LTIP participants.
- 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 the key 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 TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors are pleased to submit their report to the members together with the audited financial statements of the Company for the financial year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Company is engaged principally in the underwriting of Family Takaful including Investment-linked business.

There have been no significant changes in the nature of the principal activities during the financial year.

FINANCIAL RESULTS

	RM'000
Net loss for the financial year	(3,478)

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 since the end of the previous financial year. The Directors do not recommend the payment of any dividend for the current financial year.

SHARE CAPITAL

There was change in the share capital of the Company during the financial year. The share capital movement was as follows:

Date	**Increase RM**
8 December 2020	60,000,000
	60,000,000

The Company increased its share capital by RM60,000,000 to RM180,000,000 during the financial year. The summary of the capital injection exercise is disclosed in Note 18 to the financial statements.

ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

DIRECTORS

The Directors of the Company who have held office during the financial year and the period from the date of the financial year to the date of the report are as follows:

Hasnah binti Omar	Chairperson (Independent Non-Executive Director)
Onn Kien Hoe	Member (Independent Non-Executive Director)
Datuk Dr. Hafsah binti Hashim	Member (Independent Non-Executive Director)
Dr. Yusri bin Mohamad	Member (Independent Non-Executive Director)
Stephen James Clark	Member (Executive Director)

DIRECTORS' BENEFITS

Since the end of the 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 25(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.

INSURANCE AND INDEMNITY COST

The Company, through its ultimate holding company, Zurich Insurance Group Ltd. ("ZIGL" or "the Group") has maintained a Director's 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 affected for the Directors of the Company for the financial year amounting to RM5,110.

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

ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholding required to be kept under Section 59 of the Companies Act 2016, particulars of interests of Directors in office at the end of the financial year in shares in the ultimate holding company, Zurich Insurance Group Ltd, are as follows:

	Number deferred/restricted/performance share units				
	At 1.1.2020	Granted/ reinvested dividends	Vested	Cancelled	At 31.12.2020
Units in Zurich Insurance Group Ltd.					
Direct interest:					
Stephen James Clark	4,122	1,427	(742)	-	4,807

Deferred, restricted and performance share units are granted to the Group's most senior executives under Zurich Insurance Group Ltd's long term incentive plans ("LTIP") entitle the holder to receive cash payment equal to the value of the same number of common shares plus credited dividends upon retirement or terminiation of employment or as they are vested, subject to any performance conditions.

Other than as disclosed above, no other Directors 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 25(a) to the financial statements.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 25(a) to the financial statements. There is no indemnity given to or insurance effected for any auditor of the Company.

ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

OTHER STATUTORY INFORMATION

(a) Before the financial statements of the Company were prepared, the Directors took reasonable steps:

 (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of 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 meet 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.

For the purpose of paragraphs (e) and (f), contingent and other liabilities do not include liabilities arising from insurance contracts 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 was adequate provision for its insurance liabilities in accordance with the valuation methods specified in the Risk-Based Capital ("RBC") Framework for Takaful Operators issued by BNM.

ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

SIGNIFICANT EVENT

Details of the significant event are disclosed in Note 34 to the financial statements.

IMMEDIATE, PENULTIMATE AND ULTIMATE HOLDING CORPORATIONS

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

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), will retire and do not seek for reappointment at the forthcoming Annual General Meeting of the Company.

Signed on behalf of the Board of the Directors in accordance with their resolution dated 25 February 2021.

HASNAH BINTI OMAR
CHAIRMAN

STEPHEN JAMES CLARK
DIRECTOR

Kuala Lumpur
25 February 2021

Registration No.
200601012246 (731996-H)

ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

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

We, Hasnah Binti Omar and Stephen James Clark, being two of the Directors of Zurich Takaful Malaysia Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 28 to 105 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and comply with the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2020 and the financial performance and the cash flows of the Company for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors on 25 February 2021.

HASNAH BINTI OMAR
DIRECTOR

STEPHEN JAMES CLARK
DIRECTOR

Kuala Lumpur
25 February 2021

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

I, Mukesh Dhawan, the Officer primarily responsible for the financial management of Zurich Takaful Malaysia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 28 to 105 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.

MUKESH DHAWAN

Subscribed and solemnly declared by the above named Mukesh Dhawan at Kuala Lumpur in Wilayah Persekutuan on 25 February 2021.

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

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TAKAFUL

Shariah Committee's Report

In the name of Allah, the Beneficent, the Merciful

In carrying out the roles and the responsibilities of the Zurich 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 2020.

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 six (6) seating of scheduled meetings and one (1) special meeting for the financial year 2020 with the attendance of all members of SC were above 80%. We reviewed inter alia products, transactions, services, processes, documents and updates on shariah control functions activities 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 evidence 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 functions i.e., Shariah Advisory, Research and Training which is further substantiated by Shariah Review which resides in the Compliance Department, Shariah Risk at 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 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 following the revision of Shariah Governance Policy Document of BNM. This includes the restructuring of the Shariah Review function from Shariah Department to Compliance Department with additional manpower to improve and strengthen the Shariah governance and compliance culture in Zurich Takaful Malaysia Berhad.

Shariah Training & Awareness

Throughout 2020 at least ten ("10") Shariah trainings and briefing sessions were held covering more than three hundred ("300") participants. The trainings were conducted using various modes such as face-to-face and online mode.The awareness program was further reinforced via Z-fence program with collaboration of other Shariah functions namely Shariah review, Shariah risk management and Shariah audit function. Overall, we are of the view that these programs would nourish the awareness of Shariah in the company.

Shariah Committee's Report (continued)

Shariah Control Functions

The Shariah Control function plays a vital role in achieving the objective of ensuring Shariah compliance in the Company.

In 2020, the management had updated us on the transition of reporting line of Shariah Review function from Shariah department to Compliance department pursuant to the Shariah Governance Policy Document (SGPD) effective April 2020. The function had presented to us among other the new Shariah Review plan, the adoption of the Zurich Compliance Program-Compliance Assurance methodology into the Shariah Review Methodology to enable the function to perform its duties as intended.

The management also presented to us on the shariah risk initiatives to further enhance the management of shariah non-compliance risk (SNCR) through the amendment of the Shariah Risk Management Policy with the adoption of Self-Assessment of Operational Risk (SAOR) methodology to assess SNCR and implementation of internal SNCR parameters to assist identification of SNCR. In addition, various sessions on the SNCR methodology and processes had been conducted to increase awareness among the staff and to promote the shariah compliance culture in the Company.

In same period, Internal Audit had presented to us one (1) report on Shariah Department for our information.

Shariah Non-Compliance

In 2020, there were two (2) immaterial SNC incidents being reported pertaining to wakalah fee charges and tainted dividend income derived from investment Fund. The management had presented to us a rectification plan and it has been executed and monitored accordingly by the management.

Business Zakat and Purification

During the financial year, the Company had done their responsibility to perform zakat guided by the Zakat Policy that was approved by us.

Conclusion

Based on the above, in our opinion, the state of Zurich Takaful compliance with Shariah as follow:

The overall operations, business, affairs and activities of the Zurich Family Takaful are in compliance with Shariah but it has come to the Shariah committee's attention that two Shariah non-compliance events has occurred and has been rectified.

On that note, we, being the members of Shariah Committee of Zurich Takaful Malaysia Berhad do hereby certify that to our best knowledge the businesses and activities of the Company for the financial year ended 31 December 2020 have been conducted in conformity with the Shariah rules and principles.

Allah knows best.

Shariah Committee's Report (continued)

On behalf of the Committee:

Chairman of the Shariah Committee :

DR. YUSRI MOHAMAD

Shariah Committee :

ASSOC. PROF. DR. MD KHALIL RUSLAN

Kuala Lumpur
25 February 2021

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)
(Company No. 200601012246 (731996-H))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Zurich Takaful Malaysia Berhad ("the Company") give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its 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 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 28 to 105.

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' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

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
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INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF ZURICH TAKAFUL MALAYSIA BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 200601012246 (731996-H))

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 the Corporate Governance Statement, Directors' Report and Shariah Committee's Report, 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.

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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF ZURICH TAKAFUL MALAYSIA BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 200601012246 (731996-H))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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.

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

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF ZURICH TAKAFUL MALAYSIA BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 200601012246 (731996-H))

OTHER MATTERS

This report is made solely to the member 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
03252/05/2022 J
Chartered Accountant

Kuala Lumpur
25 February 2021

Registration No.
200601012246 (731996-H)

ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

		2020			2019		
	Note	Takaful Operator	Family Takaful Fund	Company	Takaful Operator	Family Takaful Fund	Company
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS							
Property and equipment	4	3,536	-	3,536	4,172	-	4,172
Intangible assets	5	1,769	-	1,769	2,576	-	2,576
Right-of-use assets	6	3,221	-	3,221	6,092	-	6,092
Investments	7	139,554	702,691	839,145	99,127	578,167	674,244
Takaful receivables	8	-	640	640	-	7,935	7,935
Qard receivable	9	4,061	-	-	14,670	-	-
Retakaful assets	10	-	27,120	27,120	-	25,343	25,343
Other receivables	11	27,147	1,019	6,170	32,062	3,343	8,959
Current tax assets		-	2,184	2,184	303	1,427	1,730
Deferred tax assets	17	-	668	668	-	-	-
Cash and bank balances		81,990	77,117	159,107	52,638	91,802	144,440
TOTAL ASSETS		261,278	811,439	1,043,560	211,640	708,017	875,491

Registration No.
200601012246 (731996-H)

ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020 (CONTINUED)

	Note	2020 Takaful Operator	2020 Family Takaful Fund	2020 Company	2019 Takaful Operator	2019 Family Takaful Fund	2019 Company
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
LIABILITIES							
Takaful contract liabilities	12	-	762,030	758,930	-	656,222	653,172
Takaful payables	13	-	8,696	8,696	-	297	297
Qard payable		-	21,712	-	-	32,321	-
Other payables	14	42,637	38,818	59,459	40,100	49,156	62,810
Lease liabilities	15	3,285	-	3,285	6,113	-	6,113
Expense liabilities	16	19,898	-	19,898	18,301	-	18,301
Current tax liabilities		2,819	1,895	4,714	-	1,974	1,974
Deferred tax liabilities	17	2,001	-	2,001	3,442	368	3,810
TOTAL LIABILITIES		70,640	833,151	856,983	67,956	740,338	746,477
SHAREHOLDERS' EQUITY							
Share capital	18	180,000	-	180,000	120,000	-	120,000
Retained earnings	19	8,449	(21,712)	4,388	22,536	(32,321)	7,866
Available-for-sale reserve	19	2,189	-	2,189	1,148	-	1,148
		190,638	(21,712)	186,577	143,684	(32,321)	129,014
TOTAL LIABILITIES, PARTICIPANTS' FUNDS AND SHAREHOLDERS' EQUITY		261,278	811,439	1,043,560	211,640	708,017	875,491

Registration No.
200601012246 (731996-H)

ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

				2020			2019
	Note	Takaful Operator	Family Takaful Fund	Company	Takaful Operator	Family Takaful Fund	Company
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross earned contributions	20	-	411,200	411,200	-	405,631	405,631
Contribution ceded to retakaful operators	20	-	(39,945)	(39,945)	-	(32,212)	(32,212)
Net earned contributions	20	-	371,255	371,255	-	373,419	373,419
Wakalah fee income		144,906	-	-	150,903	-	-
Surplus sharing from Family Takaful Fund		5,000	-	-	11,500	-	-
Investment income	21	5,414	21,291	26,705	4,993	18,733	23,726
Realised gains	22	12	90	102	249	661	910
Fair value gains	23	50	5,380	5,430	210	15,548	15,758
Other operating income – net		164	3,130	3,294	388	3,066	3,454
Other income		155,546	29,891	35,531	168,243	38,008	43,848
Total revenue		155,546	401,146	406,786	168,243	411,427	417,267
Gross benefits and claims paid	24	-	(153,866)	(153,866)	-	(185,394)	(185,394)
Claims ceded to retakaful operators	24	-	23,730	23,730	-	36,298	36,298
Gross change to contract liabilities	24	-	(109,462)	(109,462)	-	(96,563)	(96,563)
Change in contract liabilities ceded to retakaful operators	24	-	3,682	3,682	-	650	650
Net claims		-	(235,916)	(235,916)	-	(245,009)	(245,009)

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ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

	Note	2020 Takaful Operator	2020 Family Takaful Fund	2020 Company	2019 Takaful Operator	2019 Family Takaful Fund	2019 Company
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Wakalah fee expenses		-	(144,906)	-	-	(150,903)	-
Fee and commission expenses		(93,101)	-	(93,101)	(83,792)	-	(83,792)
Management expenses	25	(70,768)	-	(70,768)	(70,865)	-	(70,865)
Other operating (expenses)/income	25	(1,243)	(755)	(1,998)	(1,302)	3	(1,299)
Finance cost		(147)	-	(147)	(225)	-	(225)
Expense liabilities		(1,597)	-	(1,597)	(5,453)	-	(5,453)
Other expenses		(166,856)	(145,661)	(167,611)	(161,637)	(150,900)	(161,634)
Total underwriting (loss)/surplus from operations		(11,310)	19,569	3,259	6,606	15,518	10,624
Surplus attributable to participants		-	(5,000)	(5,000)	-	(11,500)	(11,500)
Surplus attributable to Takaful Operator		-	(5,000)	-	-	(11,500)	-
(Loss)/profit before taxation		(11,310)	9,569	(1,741)	6,606	(7,482)	(876)
Zakat		-	-	-	(164)	-	(164)
Taxation	26	(2,777)	1,040	(1,737)	(4,024)	(897)	(4,921)
Net (loss)/profit for the financial year		(14,087)	10,609	(3,478)	2,418	(8,379)	(5,961)

Included in the net (loss)/profit for the financial year is the reduction of Qard to Family Takaful fund of RM10,609,000 (2019: increase of Qard to Family Takaful fund of RM8,379,000)

ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

	Note	2020 Takaful Operator	2020 Family Takaful Fund	2020 Company	2019 Takaful Operator	2019 Family Takaful Fund	2019 Company
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net (loss)/profit for the financial year		(14,087)	10,609	(3,478)	2,418	(8,379)	(5,961)
Other comprehensive income:							
Items that may be subsequently reclassified to profit or loss:							
Fair value changes on available-for-sale investments that may be reclassified to profit or loss:							
- Gross fair value changes	7	1,368	5,166	6,536	1,270	6,109	7,379
- Deferred tax	17	(327)	(413)	(742)	(290)	(488)	(778)
- Net fair value changes		1,041	4,753	5,794	980	5,621	6,601
Changes in Takaful contract liabilities arising from unrealised net fair value changes		-	(4,753)	(4,753)	-	(5,621)	(5,621)
Other comprehensive income for the financial year, net of tax		1,041	-	1,041	980	-	980
Total comprehensive (loss)/income for the financial year		(13,046)	10,609	(2,437)	3,398	(8,379)	(4,981)

ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

		Non-distributable	Distributable	
	Share capital	Available-for-sale reserve	Retained earnings/ (accumulated losses)	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2020	120,000	1,148	7,866	129,014
Issue of share capital during the financial Year	60,000	-	-	60,000
Net loss for the financial year	-	-	(3,478)	(3,478)
Other comprehensive income for the financial year	-	1,041	-	1,041
At 31 December 2020	180,000	2,189	4,388	186,577
At 1 January 2019, as previously stated	190,000	168	(36,122)	154,046
Impact of change in accounting policy	-	-	(51)	(51)
At 1 January 2019, as restated	190,000	168	(36,173)	153,995
Issue of share capital during the financial year	20,000	-	-	20,000
Reduction of capital during the financial year	(90,000)	-	50,000	(40,000)
Net profit for the financial year	-	-	(5,961)	(5,961)
Other comprehensive income for the financial year	-	980	-	980
At 31 December 2019	120,000	1,148	7,866	129,014

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

ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020	2019
		RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in)/generated from operating activities	27	(67,210)	32,166
Distribution income received		8,543	8,041
Profit income received		18,518	16,406
Interest paid on lease liabilities	15	(147)	(225)
Income tax paid		(2,687)	(2,947)
Net cash flows (used in)/generated from operating activities		(42,983)	53,441
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(469)	(409)
Purchase of intangible assets		(278)	(2,080)
Net cash flows used in investing activities		(747)	(2,489)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares		60,000	20,000
Reduction in capital		-	(90,000)
Utilisation of accumulated loss		-	50,000
Payment on lease liabilities	15	(1,603)	(1,443)
Net cash flows generated from/(used in) financing activities		58,397	(21,443)
NET INCREASE IN CASH AND CASH EQUIVALENTS		14,667	29,509
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		144,440	114,931
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR		159,107	144,440
Cash and cash equivalents consist of:			
Cash and bank balances		154,106	144,440
Fixed deposit with licensed financial institution with maturities less than 3 months		5,001	-
		159,107	144,440

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

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The Company is engaged principally in the underwriting of Family Takaful including Investment-linked business. There have been no significant changes in the nature of these principal activities during the financial year.

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

Registered office

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

Principal place of business

Level 23A, 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 corporation incorporated and domiciled in Malaysia. The penultimate holding and ultimate holding corporations are Zurich Insurance Company Ltd. and Zurich Insurance Group Ltd., respectively. Both corporations 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 dated 25 February 2021.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of preparation

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

In preparing the Company-level financial statements as a whole, the assets, liabilities, income and expenses of the Takaful funds are combined with those of the Takaful Operator whereby the related inter-fund balances, including Qard, and transactions are eliminated in full.

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 are uniform for like transactions and events in similar circumstances.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

The preparation of financial statements in conformity with the 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 revenue and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Company's accounting policies. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ. 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 3 to the financial statements.

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

The preparation of financial statements in conformity 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.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

(i) Standards, amendments to published standards and interpretations

(a) Standards, amendments to published standards and interpretations that are effective

The Company has applied the following standards and amendments for the first time for the financial year beginning on 1 January 2020:

- The Conceptual Framework for Financial Reporting (Revised 2018)
- Amendments to MFRS 101 and MFRS 108 "Definition of Material"
- Amendments to MFRS 3 "Definition of Business"
- Amendments to MFRS 9, MFRS 139, and MFRS 7 "Interest Rate Benchmark Reform"
- Amendments to MFRS 16 "Covid-19 Related Rent Concessions"
- Amendments to MFRS 4 "Extension of the Temporary Exemption from Applying MFRS 9"

<u>Amendments to MFRS 16 "Covid-19 Related Concessions"</u>

The amendment grants an optional exemption for lessees to account for a rent concession related to COVID-19 in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment in the period(s) in which the event or condition that triggers the reduced payment occurs. The amendment, however, do not make any changes to lessor accounting.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

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

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

Amendments to MFRS 16 "Covid-19 Related Concessions" (continued)

The exemption only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

(i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
(ii) any reduction in lease payments affects only payments due on or before 30 June 2021; and
(iii) there is no substantive change to other terms and conditions of the lease.

The amendments are to be applied retrospectively.

Amendments to MFRS 4 "Extension of the Temporary Exemption from Applying MFRS 9"

The amendments defer the effective date of MFRS 17 (incorporating the amendments) and extend the temporary exemptions for MFRS 9 "Financial Instruments" by 2 years to annual reporting periods beginning on or after 1 January 2023.

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 2023 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 2020 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 2023.

For further information on the effects from MFRS 9, Note 33 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 interest ("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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Basis of preparation (continued)

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

(b) Standards and amendments that have been issued but not yet effective

(i) Effective from financial year beginning on or after 1 January 2022

- Annual improvements to MFRS 9 'Fees in the 10% test for derecognition of financial liabilities' (effective 1 January 2022) clarifies that only fees paid or received between the borrower and the lender, including the fees paid or received on each other's behalf, are included in the cash flow of the new loan.

  An entity shall apply the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- Amendments to MFRS 3 'Reference to Conceptual Framework' (effective 1 January 2022) replace the reference to Framework for Preparation and Presentation of Financial Statements with 2018 Conceptual Framework. The amendments did not change the current accounting for business combinations on acquisition date.

  The amendments provide an exception for the recognition of liabilities and contingent liabilities should be in accordance with the principles of MFRS 137 'Provisions, contingent liabilities and contingent assets' and IC Interpretation 21 'Levies' when falls within their scope. It also clarifies that contingent assets should not be recognised at the acquisition date.

  The amendments shall be applied prospectively.

- Amendments to MFRS 116 'Proceeds before intended use' (effective 1 January 2022) prohibit an entity from deducting from the cost of a property, plant and equipment the proceeds received from selling items produced by the property, plant and equipment before it is ready for its intended use. The sales proceeds should instead be recognised in profit or loss.

  The amendments also clarify that testing whether an asset is functioning properly refers to assessing the technical and physical performance of the property, plant and equipment.

  The amendments shall be applied retrospectively.

- Amendments to MFRS 137 'onerous contracts—cost of fulfilling a contract' (effective 1 January 2022) clarify that direct costs of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts. The amendments also clarify that before recognising a separate provision for an onerous contract, impairment loss that has occurred on assets used in fulfilling the contract should be recognised.

  The amendments shall be applied retrospectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

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

(b) Standards and amendments that have been issued but not yet effective (continued)

(ii) Effective from financial year beginning on or after 1 January 2023

- Amendments to MFRS 101 'Classification of liabilities as current or non-current' (effective 1 January 2023) clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

  A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date. A loan is classified as non-current if a covenant is breached after the reporting date.

  The amendments shall be applied retrospectively.

- MFRS 17 "Insurance Contracts" replaces MFRS 4 "Insurance Contracts".

  MFRS 17 applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features if an entity also issues insurance 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 contracts. Insurance contracts, (other than reinsurance) where the entity is the policyholder 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 is 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.

  Alternative measurement models are provided for the different insurance coverages:

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

  - Variable Fee Approach should be applied for insurance contracts that specify a link between payments to the policyholder 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.

  Insurers are required to disclose information about amounts, judgements and risks arising from insurance contracts.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of preparation (continued)

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

(b) Standards and amendments that have been issued but not yet effective (continued)

(ii) Effective from financial year beginning on or after 1 January 2023 (continued)

- MFRS 17 "Insurance Contracts" replaces MFRS 4 "Insurance Contracts". (continued)

  The Company plans to adopt the new standard on the required effective date. A Project Steering Committee has been formally set up by the Company to steer decisions and oversees the implementation of MFRS 17. Major enhancements on the accounting and actuarial systems have been completed. Moving forward, our focus would primarily be on finalising the implementation efforts and analysing the effects of MFRS 17 on the financial statements.

Other than MFRS 9 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 2021 are not relevant to the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset.

Subsequent cost is 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 item 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 year in which they are incurred.

The residual values and useful life of assets are reviewed and adjusted if appropriate at each date of the statement of financial position. Depreciation of property and equipment is provided so as to allocate the cost of each asset on a straight line basis over the estimated useful life of the assets. The annual depreciation rates are as follows:

Computer equipment	20%
Furniture and fittings	10%
Motor vehicles	10%
Office equipment	10%
Renovation	10%

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(h) 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 and loss.

(c) Intangible asset

<u>Computer software</u>

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to 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 as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

(i) it is technically feasible to complete the software product so that it will be available for use;
(ii) management intends to complete the software product and use or sell it;
(iii) there is an ability to use or sell the software product;
(iv) it can be demonstrated how the software product will generate probable future economic benefits;
(v) adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
(vi) the expenditure attributable to the software product during its development can be reliably measured.

Computer software development costs recognised as assets are amortised using straight line method over their estimated useful lives.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Leases

Accounting by lessee

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 a lone prices. However, for leases of properties for which the Companyis a lessee, it has elected the practiceal expedient provided in MFRS16 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.

<u>Lease term</u>

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

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

<u>ROU assets</u>

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

The ROU assets are subsequently measured at cost, less accumulated depreciationand impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Leases (continued)

Accounting by lessee (continued)

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Company under residual value guarantees;
- The exercise price of a purchase and extension options if the Company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Company presents the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the finance cost in profit or loss in the statement of comprehensive income.

Reassessment of lease liabilities

The Company is also exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

Short term leases and leases of low value assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment, printing and photostate machines. The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Leases (continued)

Accounting by lessee (continued)

Rent concessions

During the financial year, the Company elects to account for a Covid-19 related rent concession that meets all of the following conditions in the same way as they would if there were not lease modification:

i. the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
ii. any reduction in lease payments affects only payments due on or before 30 June 2021; and
iii. there is no substantive change to other terms and conditions of the lease.

The Company accounts for such Covid-19 related rent concession as a variable lease payment in the period(s) in which the event or condition that triggers the reduced payment occurs. The Company presents the impacts of rent concessions within operating expenses.

Until 31 December 2019, the accounting required by MFRS 16 for a change in lease payments, other than those arising from a change in amounts expected to be payable under residual value guarantees or in an index or rate used to determine lease payments, depends on whether that change meets the definition of a lease modification.

If a rent concession results from a lease modification, the Company accounts for the rent concession as either a new lease or as a remeasurement of an existing lease liability, depending on the criteria set in MFRS 16.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Investments and other financial assets

The Company classifies its investments and other financial assets into the following categories: financial assets measured at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired or originated. Management determines the classification of its investment at initial recognition.

(i) Financial assets measured at fair value through profit or loss (“FVTPL”)

The Company classifies assets acquired for the purpose of selling in the short-term as held-for-trading or it is part of a portfolio of identified investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Investments held by investment-linked funds are designated as FVTPL at inception as they are managed and evaluated on a fair value basis, in accordance with the respective investment strategy and mandate.

Financial assets classified as FVTPL are initially recorded at fair value. Subsequent to initial recognition, these financial assets are remeasured at fair value and any gain or loss arising from the change in fair values is recognised in profit or loss. Equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost.

(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) Available-for-sale (“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 assets 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 asset is derecognised or asset is determined to be impaired, except for the Family Takaful funds, where such fair value gains or losses are reported as a separate component of Takaful contract liabilities. 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 the 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 except for the Family Takaful funds, where such fair value gains or losses are reported as a separate component of Takaful contract liabilities until the asset is derecognised.

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

2 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 prices on 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 values.

For financial instruments where there is not an active market, the fair value is determined by using valuation techniques. 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 flow analysis and/or option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs. 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 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.

The carrying amounts of financial assets and financial liabilities with a maturity period of less than one year are assumed to approximate their fair values. Fair value measurements are classified using a fair value hierarchy based on the observability of the inputs used in the fair value measurement. The levels of the fair value hierarchy are defined as follows:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. 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 inputs are market based inputs that are directly or indirectly observable, but not considered level 1 quoted prices. Level 2 inputs consist of (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical assets or liabilities in non-active markets; (iii) inputs other than quoted prices that are observable and (iv) inputs derived from, or corroborated by, observable market data.

  Financial instruments measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are 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 flow and investment in structured products with fair values obtained via investment bankers and/or fund managers are considered as Level 2 valuation basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Fair value of financial instruments (continued)

- Level 3 inputs are unobservable inputs which reflect the Company's own assumptions about market pricing using the best internal and external information available. 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. There are no level 3 valued financial investments held by the Company during the current financial year.

(g) Impairment of financial assets

The Company assesses at each date of the statement of financial position whether a financial asset or group of financial assets is impaired.

(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 impairment loss is recorded 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 each 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

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 profit or loss, is transferred from equity through the statement of comprehensive income or from Takaful contract liabilities to profit or loss. Reversals in respect of equity instruments classified as AFS are not recognised in 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment of non-financial assets

The carrying values of assets are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of the net realisable value and the value in use, which is measured by reference to discounted cash flows. Recoverable amounts are estimated for individual assets, or, if it is not possible, for the cash-generating unit.

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.

(i) Takaful receivables

Takaful receivables are recognised when due. They are measured at initial recognition at the fair value. Subsequent to initial recognition, Takaful receivables are measured at amortised cost, using the effective yield method.

If there is objective evidence that the Takaful receivables are impaired, the Company reduces the carrying amount of the Takaful receivables accordingly and recognises that impairment loss in profit or loss. The Company gathers the objective evidence that Takaful receivables are impaired using the procedures 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(g) to the financial statements.

(j) Employee benefits

Short term employee benefits

Wages, salaries, paid annual leave, bonuses and non-monetary benefits, which are short-term employee benefits, are accrued in the financial year in which the associated services are rendered by employees of the Company.

Post employment benefits

The Company has post-employment benefit schemes for eligible employees, which are defined contribution plans.

The Company's contributions to defined contribution plans, including the Employees' Provident Fund, are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Company has no further payment obligations.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The Company recognises termination benefits at the earlier of the following dates:
(a) when the Company can no longer withdraw the offer of those benefits; and
(b) when the Company recognises costs for a restructuring that is within the scope of MFRS 137 and involves the payment of termination benefits.

In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Product classification

A Takaful contract is a contract under which the participants' fund has accepted significant Takaful risk from another party (the participants) by agreeing to compensate the participants or their beneficieries if a specified occurrence of pre-agreed events adversely affects the participants. As a general guideline, the Company determines whether it has significant Takaful risk by comparing benefits paid with benefits payable if the Takaful event did not occur. Investment contracts are those contracts that do not transfer significant Takaful risk.

Once a contract has been classified as a Takaful contract, it remains a Takaful contract for the remainder of its life-time, even if the Takaful risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as Takaful contracts after inception if Takaful risk becomes significant.

Financial risk is the risk of a possible future change in one or more of a specified profit rate, financial instrument price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

When Takaful contracts contain both a financial risk component and a significant Takaful risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any contributions relating to the Takaful risk component are accounted for on the same bases as Takaful contracts and the remaining element is accounted for as a deposit through the statement of financial position similar to investment contracts.

The Company defines Takaful risk to be significant when the ratio of the Takaful risk over the deposit component is not less than 110% of the deposit component at any point of the Takaful contract in force. 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.

(l) Retakaful

The Company cedes Takaful risk in the normal course of business for most of its businesses. Retakaful assets represent balances due from retakaful operators. Amounts recoverable from retakaful operators 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 its obligations to participants. Contributions and claims are presented on a gross basis for both ceded and assumed retakaful.

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 profit or loss.

Gains or losses on buying retakaful are recognised in profit or loss immediately at the date of purchase and are not amortised.

The Company also assumes retakaful risk in the normal course of business for Family Takaful contracts when applicable. Contribution 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 companies. 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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Retakaful (continued)

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 explicitly identified contribution or fees to be retained by the retakaful operator. Investment income on these contracts is accounted for using the effective yield method when accrued.

(m) Family Takaful underwriting results

The Family Takaful fund is maintained in accordance with the requirements of the Islamic Financial Services Act, 2013 and includes the amount attributable to participants. The amount attributable to participants represents the accumulated surplus attributable to the participants as determined by an annual actuarial valuation of the Family Takaful fund and is attributable in accordance with the terms and conditions prescribed by the Shariah Committee of the Company.

Any actuarial deficit in the Family Takaful fund will be made good via a benevolent loan or Qard from the Takaful Operator.

Contribution income

Contribution income represents contribution recognised in the Family Takaful and Investment-linked funds.

Contribution income from the Family Takaful fund is recognised as soon as the amount can be reliably measured. First contribution is recognised from inception date and subsequent contribution is recognised on due date. At the end of the financial year, all contributions are accounted for to the extent that they can be reliably measured.

Outward retakaful contributions are recognised in the same accounting periods as the original certificates to which the retakaful relates.

Contribution income of the Investment-linked fund includes net creation of units, which represent contributions paid by participants as payment for a new contract or subsequent payments to increase the amount of that contract. Net creation of units is recognised on receipt basis.

Provision for outstanding claims

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

Recoveries on retakaful claims are accounted for in the same financial year as the original claims are recognised.

Claims and provisions for claims arising on Family Takaful certificates including settlement costs, less retakaful recoveries, are accounted for using the case basis method and for this purpose, the benefits payable under a Family Takaful certificate are recognised as follows:

(i) maturity or other certificate benefit payments due on specified dates are treated as claims payable on the due dates;

(ii) death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Family Takaful underwriting results (continued)

Deficits/accumulated profit

Deficits reported by the Family Takaful fund during the financial year are reported as a loss in profit or loss of the Family Takaful fund to the extent that there are no unallocated surplus balances and available-for-sale reserves residing within the Family Takaful contract liabilities. Accordingly, accumulated profit and available-for-sale reserve of the Takaful Operator are treated as an equity in the statement of financial position of the Company.

(n) Takaful contract liabilities

Family Takaful contract liabilities

Family Takaful contract liabilities are recognised when contracts are entered into and contributions are charged.

A liability adequacy test is performed at 75 percentile confidence level, in line with BNM's valuation guidelines on Family Takaful business and the requirements of MFRS 4 Insurance Contract. Claim rates, surrender assumptions and other valuation parameters are determined at a 75 percentile confidence level.

For Investment-linked products, the non-unit liabilities were valued on a cash flow basis by projecting tabarru' (risk charges) stream on a certificate basis, taking into account expected death and surrenders as decrements. The tabarru' streams were then compared against the corresponding projected mortality and other risk benefits. Future deficits were reserved on a present value basis, using the risk free spot rates of return, based on Sterling Discounted Cash Flow ("SDCF") method. The SDCF approach is adopted to ensure all future obligations can be met without recourse to further finance or capital support at any future time over the term of the certificate. The higher of the Unearned Tabarru' Reserve ("UTR") and total present value of deficits was taken as the actuarial liability. The value of Participant Investment Account ("PIA") is taken as the unit reserves.

In the case of yearly renewable term products with no savings elements, the liability for such Family Takaful certificate comprises the provision for unearned contributions and unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the operator. Where the portfolio demonstrates deteriorating experience, a deficiency reserve is set up as an additional reserve.

For long-term products with implicit guarantees, the liabilities are measured by using a prospective actuarial valuation method. The liability is determined as the sum of present value of future benefits less the present value of future contributions, discounted at the appropriate risk discount rate.

Expense reserve in the Takaful Operator's fund is determined, such that a consistent method is used between family takaful liabilities and expense liabilities. For instance, for IL products, SDCF is used discounted at appropriate spot rates. For other plans in the non-IL fund, the prospective Gross Premium Valuation is used. For non-guaranteed plans, in particular the medical standalone plans, an unearned wakalah fee methodology is used.

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

(o) Takaful Operator's expense liabilities

The expense liabilities of the Takaful Operator consist of expense liabilities of the Family Takaful funds which are based on estimations performed by a qualified actuary. The expense liabilities are released over the term of the Takaful certificate and recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Measurement and impairment of Qard

Any deficit in the Takaful risk fund will be made good via a interest-free loan, or Qard, granted by the Takaful Operator to the Takaful funds. Qard shall be repaid from future surplus of the Takaful funds.

Qard is accounted for as receivable and payable in the financial statements of the Takaful Operator and Takaful funds respectively, and is stated at cost. At each date of the statement of financial position, the Company assesses whether there is any indication of impairment. If such indication exists, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. As write down is made if the carrying amount exceeds the recoverable amount, as set out in Note 2(h) to the financial statements on impairment of non-financial assets.

Qard payable in the respective Takaful funds is stated at cost.

(q) Management expenses, commission expenses and Wakalah fee

The acquisition costs, commissions and management expenses are borne by the Takaful Operator. In accordance with principles of Wakalah approved by the Company's Shariah Committee and agreed between the participants and the Takaful Operator, an agreed percentage of the gross contribution will be charged as upfront wakalah fees by the Takaful Operator to the Family Takaful funds to cover the acquisition costs, commissions and management expenses, and recognised as income upon issuance of certificates. Non-upfront wakalah fees are charged by Takaful Operator to Family Takaful fund based on agreed amount or a certain percentage of an amount to cover other costs incurred by the Takaful operator.

(r) Other revenue recognition

Profit income includes the amount of amortisation of premium and accretion of discount is recognised on a time proportion basis that takes into account the effective yield of the asset.

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

Gains or losses arising on disposal of investments are credited or charged to profit or loss.

(s) Zakat

Zakat represents tithes payable by the Company to comply with Shariah principles and as approved by the Shariah Committee of the Company. Zakat provision is calculated on 2.577% of the profit before zakat and taxation of the Company for the financial year.

(t) Income taxes

Tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the 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 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.

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 in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Income taxes (continued)

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(u) Dividends

Dividends are recognised as liabilities when the obligation to pay is established.

(v) 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 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.

(w) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, 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.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management’s best estimate of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

(x) Cash and cash equivalents

For the purpose of the statement of cash flows, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Critical accounting estimates and assumptions

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.

(i) Actuarial liabilities for Family Takaful fund and Takaful Operator’s fund expense liabilities

The liability for family takaful contracts is based on current assumptions, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management’s best current estimate of future cash flows.

The main assumptions used relate to mortality, morbidity, investment returns, expenses, lapse and surrender rates, and discount rates. The Company bases mortality and morbidity on established industry and Malaysian tables which reflect historical experiences, adjusted when appropriate to reflect the Company’s unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences.

Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

For the valuation of expense liabilities, assumptions on future expenses are based on current expense levels, adjusted for expected expense inflation, if appropriate. Lapse and surrender rates are based on the Company’s historical experience of lapses and surrenders.

The discount rates adopted in the liability valuation accord a level of guarantee which is no less certain than that accorded by a Government Investment Issue (“GII”).

At subsequent reporting dates, these reserve estimates will be reassessed for adequacy and reasonableness and revised, accordingly.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Critical accounting estimates and assumptions (continued)

(ii) Lease liabilities

- 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

  In determining the lease term, management 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 terminated). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

  The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in lease liabilities and ROU assets. Refer to Note 15 for details about the Company’s leases.

- Residual value guarantees

  The Company initially estimates and recognises amounts expected to be payable under residual value guarantees as part of the lease liability. The amounts are reviewed, and adjusted if appropriate, at the end of each reporting period.

(b) Critical judgment in applying the entity’s accounting policies

In determining and applying accounting policies, judgement is often required in respect of items where the choice of a specific policy could materially affect the reported results and financial position of the Company.

Significant judgment is required in determining the income and deferred taxes applicable to the Company's business as a Takaful Operator. There are transactions and calculations for which the ultimate tax determination is subject to agreement with the tax authorities. The Company recognises tax liabilities on anticipated issues based on the best estimate of the amount of taxes expected to be paid. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

4 PROPERTY AND EQUIPMENT

Takaful Operator/Company

	Computer equipment	Furniture and fittings	Motor vehicles	Office equipment	Renovation	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost						
At 1 January 2019	1,342	3,442	350	2,153	2,145	9,432
Additions	149	-	-	-	260	409
Write-offs	-	-	-	(398)	-	(398)
At 31 December 2019/ 1 January 2020	1,491	3,442	350	1,755	2,405	9,443
Additions	469	-	-	-	-	469
Disposals	-	-	(6)	-	-	(6)
At 31 December 2020	1,960	3,442	344	1,755	2,405	9,906

	Computer equipment	Furniture and fittings	Motor vehicles	Office equipment	Renovation	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Accumulated depreciation						
At 1 January 2019	654	2,017	28	1,080	772	4,551
Charge for the financial year (Note 25(a))	192	342	35	330	216	1,115
Write-offs	-	-	-	(395)	-	(395)
At 31 December 2019/ 1 January 2020	846	2,359	63	1,015	988	5,271
Charge for the financial year (Note 25(a))	264	342	86	171	241	1,104
Disposals	-	-	(5)	-	-	(5)
At 31 December 2020	1,110	2,701	144	1,186	1,229	6,370
Net carrying amount						
At 31 December 2019	645	1,083	287	740	1,417	4,172
At 31 December 2020	850	741	200	569	1,176	3,536

5 INTANGIBLE ASSETS

Takaful Operator/Company

	2020	2019
	RM'000	RM'000
Cost		
At 1 January	4,446	2,366
Additions	278	2,080
Write-offs	(483)	-
At 31 December	4,241	4,446
Accumulated amortisation		
At 1 January	1,870	1,375
Amortisation for the financial year (Note 25(a))	602	495
At 31 December	2,472	1,870
Net carrying amount		
At 31 December	1,769	2,576

The intangible assets consist mainly of development costs and costs that are directly associated with identifiable software systems controlled by the Company that do not form an integral part of the hardware, and that will generate economic benefits exceeding costs beyond one year.

6 RIGHT-OF-USE ASSETS

	Premises	
	2020	2019
	RM'000	RM'000
Cost		
At 1 January	8,521	7,296
Additions	294	899
Extensions	8	326
Remeasurement	(1,283)	-
At 31 December	7,540	8,521
Accumulated depreciation		
At 1 January	2,429	908
Depreciation during the financial year (Note 25(a))	1,941	1,521
Remeasurement	(51)	-
At 31 December	4,319	2,429
Net carrying amount		
At 31 December	3,221	6,092

7 INVESTMENTS

	Takaful Operator	Family Takaful Fund	Company
	RM'000	RM'000	RM'000
At 31 December 2020			
Malaysian Government Securities / Government Investment Issues	-	3,441	3,441
Islamic debt securities, unquoted	136,454	289,312	425,766
Shariah-approved quoted equities	-	141,432	141,432
Investment-linked units	3,100	-	-
Unit trusts	-	268,506	268,506
	139,554	702,691	839,145
At 31 December 2019			
Malaysian Government Securities / Government Investment Issues	-	1,076	1,076
Islamic debt securities, unquoted	96,077	218,098	314,175
Shariah-approved quoted equities	-	114,460	114,460
Investment-linked units	3,050	-	-
Unit trusts	-	244,533	244,533
	99,127	578,167	674,244

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

At 31 December 2020

	Takaful Operator	Family Takaful Fund	Company
	RM'000	RM'000	RM'000
Available-for-sale ("AFS") (Note 7(a))	136,454	228,768	365,222
Fair value through profit or loss ("FVTPL") (Note 7(b))	3,100	473,923	473,923
	139,554	702,691	839,145
The following investments mature after 12 months:			
AFS	113,995	227,737	341,732
FVTPL	-	56,670	56,670
	113,995	284,407	398,402
At 31 December 2019			
Available-for-sale ("AFS") (Note 7(a))	96,077	156,468	252,545
Fair value through profit or loss ("FVTPL") (Note 7(b))	3,050	421,699	421,699
	99,127	578,167	674,244
The following investments mature after 12 months:			
AFS	84,697	156,468	241,165
FVTPL	-	58,934	58,934
	84,697	215,402	300,099

7 INVESTMENTS (CONTINUED)

(a) AFS investments

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
At 31 December 2020			
Fair value:			
Government Investment Issues	-	3,441	3,441
Islamic debt-securities, unquoted	136,454	225,327	361,781
	136,454	228,768	365,222
At 31 December 2019			
Fair value:			
Islamic debt-securities, unquoted	96,077	156,468	252,545
	96,077	156,468	252,545

(b) FVTPL investments

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
At 31 December 2020			
Fair value at designation:			
Shariah-approved quoted equities	-	141,432	141,432
Islamic debt securities, unquoted	-	63,985	63,985
Investment-linked units	3,100	-	-
Unit trusts	-	268,506	268,506
	3,100	473,923	473,923
At 31 December 2019			
Fair value at designation:			
Government Investment Issues	-	1,076	1,076
Shariah-approved quoted equities	-	114,460	114,460
Islamic debt securities, unquoted	-	61,630	61,630
Investment-linked units	3,050	-	-
Unit trusts	-	244,533	244,533
	3,050	421,699	421,699

7 INVESTMENTS (CONTINUED)

(c) Carrying value of investments

The movement of financial assets are summarised in the table below by measurement category:

(i) Takaful Operator

	AFS	FVTPL	Total
	RM'000	RM'000	RM'000
At 1 January 2019	135,953	2,840	138,793
Purchases	33,462	-	33,462
Disposals including maturities and redemptions	(73,630)	-	(73,630)
Fair value (loss)/gain recorded in:			
Profit or loss (Note 23)	-	210	210
Other comprehensive income	1,270	-	1,270
Movement in accrued profit	(460)	-	(460)
Amortisation adjustment (Note 21(a))	(518)	-	(518)
At 31 December 2019/1 January 2020	96,077	3,050	99,127
Purchases	51,716	-	51,716
Disposals including maturities and redemptions	(12,502)	-	(12,502)
Fair value gain recorded in:			
Profit or loss (Note 23)	-	50	50
Other comprehensive income	1,368	-	1,368
Movement in accrued profit	430	-	430
Amortisation adjustment (Note 21(a))	(635)	-	(635)
At 31 December 2020	136,454	3,100	139,554

(ii) Family Takaful fund

	AFS	FVTPL	Total
At 1 January 2019	106,385	364,901	471,286
Purchases	59,877	167,618	227,495
Disposals including maturities and redemptions	(16,183)	(126,398)	(142,581)
Fair value loss recorded in:			
Profit and loss (Note 23)	-	15,548	15,548
Takaful contract liabilities (Note 12(a))	6,109	-	6,109
Movement in accrued profit	670	208	878
Amortisation adjustment (Note 21(b))	(390)	(178)	(568)
At 31 December 2019/1 January 2020	156,468	421,699	578,167
Purchases	68,196	193,348	261,544
Disposal including maturities and redemptions	(1,098)	(146,217)	(147,315)
Fair value gain/(loss) recorded in:			
Profit or loss (Note 23)	90	5,380	5,470
Takaful contract liabilities (Note 12(a))	5,166	-	5,166
Movement in accrued profit	661	(50)	611
Amortisation adjustment (Note 21(b))	(715)	(237)	(952)
At 31 December 2020	228,768	473,923	702,691

7 INVESTMENTS (CONTINUED)

(c) Carrying value of investments (continued)

(iii) Company

	AFS	FVTPL	Total
	RM'000	RM'000	RM'000
At 1 January 2019	242,338	364,901	607,239
Purchases	93,339	167,618	260,957
Disposals including maturities and redemptions	(89,813)	(126,398)	(216,211)
Fair value gain recorded in:			
Profit or loss	-	15,548	15,548
Takaful contract liabilities	6,109	-	6,109
Other comprehensive income	1,270	-	1,270
Movement in accrued profit	210	208	418
Amortisation adjustment (Note 21(c))	(908)	(178)	(1,086)
At 31 December 2019/1 January 2020	252,545	421,699	674,244
Purchases	119,912	193,348	313,260
Disposals including maturities and redemptions	(13,600)	(146,217)	(159,817)
Fair value gain/(loss) recorded in:			
Profit or loss	90	5,380	5,470
Takaful contract liabilities	5,166	-	5,166
Other comprehensive income	1,368	-	1,368
Movement in accrued profit	1,091	(50)	1,041
Amortisation adjustment (Note 21(c))	(1,350)	(237)	(1,587)
At 31 December 2020	365,222	473,923	839,145

7 INVESTMENTS (CONTINUED)

(d) Fair values of investments

Recurring fair value measurements:

The following tables show the analysis of the different hierarchy of fair values for financial instruments recorded at fair value and financial instruments not measured at fair value but fair values are disclosed:

	Level 1	Level 2	Total
	RM'000	RM'000	RM'000
At 31 December 2020			
(i) Takaful Operator			
(a) FVTPL investments			
Investment-linked units	3,100	-	3,100
(b) AFS investments			
Islamic debt securities, unquoted	-	136,454	136,454
(ii) Family Takaful fund			
(a) FVTPL investments			
Islamic debt securities, unquoted	-	63,985	63,985
Shariah-approved quoted equities	141,432	-	141,432
Unit trusts	268,506	-	268,506
	409,938	63,985	473,923
(b) AFS investments			
Government Investment Issues	-	3,441	3,441
Islamic debt securities, unquoted	-	225,327	225,327
	-	228,768	228,768
(iii) Company			
(a) FVTPL investments			
Islamic debt securities, unquoted	-	63,985	63,985
Shariah-approved quoted equities	141,432	-	141,432
Unit trusts	268,506	-	268,506
	409,938	63,985	473,923
(b) AFS investments			
Government Investment Issues	-	3,441	3,441
Islamic debt securities, unquoted	-	361,781	361,781
	-	365,222	365,222

7 INVESTMENTS (CONTINUED)

(d) Fair values of investments

Recurring fair value measurements: (continued)

The following tables show the analysis of the different hierarchy of fair values for financial instruments recorded at fair value and financial instruments not measured at fair value but fair values are disclosed:

	Level 1	Level 2	Total
	RM'000	RM'000	RM'000
At 31 December 2019			
(i) Takaful Operator			
(a) FVTPL investments			
Investment-linked units	3,050	-	3,050
(b) AFS investments			
Islamic debt securities, unquoted	-	96,077	96,077
(ii) Family Takaful fund			
(a) FVTPL investments			
Government Investment Issues	-	1,076	1,076
Islamic debt securities, unquoted	-	61,630	61,630
Shariah-approved quoted equities	114,460	-	114,460
Unit trusts	244,533	-	244,533
	358,993	62,706	421,699
(b) AFS investments			
Islamic debt securities, unquoted	-	156,468	156,468
(iii) Company			
(a) FVTPL investments			
Government Investment Issues	-	1,076	1,076
Islamic debt securities, unquoted	-	61,630	61,630
Shariah-approved quoted equities	114,460	-	114,460
Unit trusts	244,533	-	244,533
	358,993	62,706	421,699
(b) AFS investments			
Malaysian Government Securities	-	-	-
Islamic debt securities, unquoted	-	252,545	252,545
	-	252,545	252,545

8 TAKAFUL RECEIVABLES

	Family Takaful Fund	Company
	RM'000	RM'000
At 31 December 2020		
Due contributions including agents/brokers and co-takaful	411	411
Due from retakaful and cedants	229	229
	640	640
Allowance for impairment loss	-	-
	640	640
Offsetting financial assets and financial liabilities:		
Gross amounts of recognised financial assets	15,526	15,526
Less: Gross amounts of recognised financial liabilities set off in the statement of financial position	(14,886)	(14,886)
Net amounts of financial assets presented in the statement of financial position	640	640
At 31 December 2019		
Due contributions including agents/brokers and co-takaful	4,297	4,297
Due from retakaful and cedants	3,638	3,638
	7,935	7,935
Allowance for impairment loss	-	-
	7,935	7,935
Offsetting financial assets and financial liabilities:		
Gross amounts of recognised financial assets	35,326	35,326
Less: Gross amounts of recognised financial liabilities set off in the statement of financial position	(27,391)	(27,391)
Net amounts of financial assets presented in the statement of financial position	7,935	7,935

9 QARD RECEIVABLE

	Takaful Operator 2020	2019
	RM'000	RM'000
Qard receivable	21,712	32,321
Less : Allowance for impairment loss	(17,651)	(17,651)
	4,061	14,670

Allowance for impairment loss represents the difference between the carrying amount of Qard receivable and its projected recoverable amount. As at 31 December 2020, the Company has made an assessment of the Qard recoverable based on the projection of surplus or deficit of the Ordinary Family Takaful risk fund for the next 5 years, taking into consideration of the risk fund balance less the best estimates of net liabilities for certificates. Based on the projection, the Company has not made further impairment to the balance of Qard receivable in the Takaful Operator Fund.

10 RETAKAFUL ASSETS

	Family Takaful Fund 2020	2019
	RM'000	RM'000
Retakaful of Takaful contracts (Note 12)	27,120	25,343

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11 OTHER RECEIVABLES

	Note	Takaful Operator	Family Takaful Fund	Company
		RM'000	RM'000	RM'000
At 31 December 2020				
Other receivables, deposits and prepayments		5,151	1,019	6,170
Inter-fund balances:				
Wakalah fee receivable from Family Takaful Fund	14	12,769	-	-
Tharawat fees receivable from Family Takaful fund	14	667	-	-
Amount due from Family Takaful fund	14	3,560	-	-
Surplus receivable from Family Takaful fund	14	5,000	-	-
		21,996	-	-
Total other receivables		27,147	1,019	6,170
Receivable within 12 months		27,147	1,019	6,170
At 31 December 2019				
Other receivables, deposits and prepayments		5,616	3,343	8,959
		5,616	3,343	8,959
Inter-fund balances:				
Wakalah fee receivable from Family Takaful Fund	14	10,687	-	-
Tharawat fees receivable from Family Takaful fund	14	784	-	-
Amount due from Takaful Operator	14	3,475	-	-
Surplus receivable from Family Takaful fund	14	11,500	-	-
		26,446	-	-
Total other receivables		32,062	3,343	8,959
Receivable within 12 months		32,062	3,343	8,959

The carrying amounts approximate their fair values as at the date of statement of financial position due to the relatively short-term maturity of these balances.

12 TAKAFUL CONTRACT LIABILITIES

	2020 Gross	2020 Retakaful	2020 Net	2019 Gross	2019 Retakaful	2019 Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Family Takaful (Note 12(a))	762,030	(27,120)	734,910	656,222	(25,343)	630,879
Less: Net asset value of investment-linked units held by Takaful Operator	3,100	-	3,100	3,050	-	3,050
	758,930	(27,120)	731,810	653,172	(25,343)	627,829

(a) Family Takaful

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

	2020 Gross	2020 Retakaful	2020 Net	2019 Gross	2019 Retakaful	2019 Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Certificateholders' liabilities	211,216	(17,989)	193,227	180,589	(19,876)	160,713
Net asset value attributable to unitholders	504,363	-	504,363	429,755	-	429,755
Actuarial liabilities	715,579	(17,989)	697,590	610,344	(19,876)	590,468
Unallocated surplus attributable to unitholders	9,431	-	9,431	16,910	-	16,910
Accumulated deficits of non-investment-linked funds	(27,173)	-	(27,173)	(35,370)	-	(35,370)
Qard (Note 9)	21,712	-	21,712	32,321	-	32,321
Claims liabilities	31,411	(9,131)	22,280	25,700	(5,467)	20,233
Available-for-sale fair value adjustment	11,070	-	11,070	6,317	-	6,317
	762,030	(27,120)	734,910	656,222	(25,343)	630,879

12 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(a) Family Takaful (continued)

	Gross	Retakaful	Net
	RM'000	RM'000	RM'000
At 1 January 2019	551,491	(19,144)	532,347
Contributions received (Note 20(i))	405,631	(32,212)	373,419
Liabilities paid for death, maturities, surrenders, benefits and claims (Note 24(a)(i),(ii))	(185,394)	36,298	(149,096)
Movement in claims liabilities	186	655	841
Experience variance on inforce Takaful certificates	(3,890)	2,663	(1,227)
Reserve on new certificates	(51,747)	2,885	(48,862)
Miscellaneous	82,149	(16,488)	65,661
Fees deducted	(130,204)	-	(130,204)
Surplus distributed to Takaful Operator	(11,500)	-	(11,500)
Qard	8,379	-	8,379
Prior year surplus distributed to participant fund	(14,500)	-	(14,500)
Movement in AFS fair value adjustments :			
- gross fair value changes (Note 7(c)(ii))	6,109	-	6,109
- deferred tax (Note 17)	(488)	-	(488)
Movement in AFS fair value adjustments	5,621	-	5,621
At 31 December 2019	656,222	(25,343)	630,879
At 1 January 2020	656,222	(25,343)	630,879
Contributions received (Note 20(i))	411,200	(39,945)	371,255
Liabilities paid for death, maturities, surrenders, benefits and claims (Note 24(a)(i),(ii))	(153,866)	23,730	(130,136)
Movement in claims liabilities	(5,712)	3,664	(2,048)
Experience variance on inforce Takaful certificates	4,838	(2,757)	2,081
Reserve on new certificates	(20,122)	850	(19,272)
Miscellaneous	15,510	12,681	28,191
Fees deducted	(123,684)	-	(123,684)
Surplus distributed to Takaful Operator	(5,000)	-	(5,000)
Qard	(10,609)	-	(10,609)
Prior year surplus distributed to participant fund	(11,500)	-	(11,500)
Movement in AFS fair value adjustments :			
- gross fair value changes (Note 7(c)(ii))	5,166	-	5,166
- deferred tax (Note 17)	(413)	-	(413)
Movement in AFS fair value adjustments	4,753	-	4,753
At 31 December 2020	762,030	(27,120)	734,910

13 TAKAFUL PAYABLES

	Family Takaful Fund	Company
	RM'000	RM'000
At 31 December 2020		
Due to retakaful operators and cedants	8,696	8,696
Offsetting financial assets and financial liabilities:		
Gross amounts of recognised financial liabilities	23,582	23,582
Less: Gross amounts of recognised financial assets set off in the statement of financial position	(14,886)	(14,886)
Net amounts of financial liabilities presented in the statement of financial position	8,696	8,696
At 31 December 2019		
Due to retakaful operators and cedants	297	297
Offsetting financial assets and financial liabilities:		
Gross amounts of recognised financial liabilities	27,688	27,688
Less: Gross amounts of recognised financial assets set off in the statement of financial position	(27,391)	(27,391)
Net amounts of financial liabilities presented in the statement of financial position	297	297

There are no financial assets subjected to an enforceable master netting arrangement or similar agreement and financial instruments received as collateral, nor any cash collateral pledged or received as at 31 December 2020 (2019: nil).

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

14 OTHER PAYABLES

	Note	Takaful Operator	Family Takaful Fund	Company
		RM'000	RM'000	RM'000
At 31 December 2020				
Amount due to a related company		3,587	-	3,587
Commission payable		18,823	-	18,823
Deposits contribution		27	8,949	8,976
Accruals for staff costs		3,153	-	3,153
Other payables and accruals		17,047	7,873	24,920
		42,637	16,822	59,459
Inter-fund balances:				
Wakalah fee payable to Takaful Operator	11	-	12,769	-
Tharawat fees payable to Takaful Operator	11	-	667	-
Surplus payable to Takaful Operator	11	-	5,000	-
Amount due to Takaful Operator	11	-	3,560	-
		-	21,996	-
Total other payables		42,637	38,818	59,459
Payable within 12 months		42,637	38,818	59,459
At 31 December 2019				
Amount due to a related company		4,815	-	4,815
Commission payable		16,724	-	16,724
Deposits contribution		27	16,380	16,407
Accruals for staff costs		2,874	-	2,874
Other payables and accruals		15,660	6,330	21,990
		40,100	22,710	62,810
Inter-fund balances:				
Wakalah fee payable to Takaful Operator	11	-	10,687	-
Tharawat fees payable to Takaful Operator	11	-	784	-
Surplus payable to Takaful Operator	11	-	11,500	-
Amount due to Takaful Operator	11	-	3,475	-
		-	26,446	-
Total other payables		40,100	49,156	62,810
Payable within 12 months		40,100	49,156	62,810

The carrying amounts approximate their fair values as at the date of statement of financial position due to the relatively short-term maturity of these balances.

15 LEASE LIABILITIES

	2020	2019
	RM'000	RM'000
At 1 January	6,113	6,320
Additions	-	899
Extensions	59	337
Remeasurement	(1,284)	-
Interest expense	147	225
Lease payment	(1,750)	(1,668)
At 31 December	3,285	6,113
Repayable within 12 months	1,228	1,513
Repayable after 12 months	2,057	4,600
	3,285	6,113

16 EXPENSE LIABILITIES

	Takaful Operator	
	2020	2019
	RM'000	RM'000
Best estimate provisions	8,936	10,917
PRAD	10,962	7,384
Net expense liabilities	19,898	18,301

17 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 taxes relate to the same tax authority.

The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	Takaful Operator	Family Takaful Fund	Company
	RM'000	RM'000	RM'000
At 31 December 2020			
Deferred tax liabilities/(asset)	2,001	(668)	1,333
At 31 December 2019			
Deferred tax liabilities	3,442	368	3,810

17 DEFERRED TAXATION (CONTINUED)

	Takaful Operator	Family Takaful Fund	Company
	RM'000	RM'000	RM'000
1 January 2019	1,695	(1,534)	161
Charged/(credited) to profit or loss (Note 26):			
FVTPL investments	-	2,254	2,254
Property and equipment	(569)	(175)	(744)
Qard	2,011	-	2,011
Unutilised tax losses	-	(665)	(665)
Adjustment for prior year AFS	15	-	15
	1,457	1,414	2,871
Charged to other comprehensive income:			
AFS investments	305	-	305
Adjustment for prior year AFS	(15)	-	(15)
	290	-	290
Charged to Takaful contract liabilities:			
AFS investments (Note 12(a))	-	488	488
At 31 December 2019/1 January 2020	3,442	368	3,810
Charged/(credited) to profit or loss (Note 26):			
FVTPL investments	-	(2,034)	(2,034)
Property and equipment	530	175	705
Qard	(2,298)	-	(2,298)
Unutilised tax losses	-	525	525
AFS amortisation	-	(115)	(115)
	(1,768)	(1,449)	(3,217)
Charged to other comprehensive income:			
AFS investments	327	-	327
Charged to Takaful contract liabilities:			
AFS investments (Note 12(a))	-	413	413
At 31 December 2020	2,001	(668)	1,333

17 DEFERRED TAXATION (CONTINUED)

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

	Takaful Operator	Family Takaful Fund	Company
	RM'000	RM'000	RM'000
2020			
Subject to income tax:			
Deferred tax assets (before offsetting)			
- FVTPL investments	-	1,375	1,375
- AFS investments	-	115	115
- Unutilised tax losses	-	141	141
	-	1,631	1,631
Offsetting	-	(963)	(963)
Deferred tax assets (after offsetting)	-	668	668
Deferred tax liabilities (before offsetting)			
- Property and equipment	88	-	88
- Qard	1,224	-	1,224
- AFS investments	689	963	1,652
	2,001	963	2,964
Offsetting	-	(963)	(963)
Deferred tax liabilities (after offsetting)	2,001	-	2,001
2019			
Subject to income tax:			
Deferred tax assets (before offsetting)			
- Property and equipment	441	176	617
- AFS investments	-	1	1
- Unutilised tax losses	-	665	665
	441	842	1,283
Offsetting	(441)	(842)	(1,283)
Deferred tax assets (after offsetting)	-	-	-
Deferred tax liabilities (before offsetting)			
- Qard	3,520	-	3,520
- FVPTL investments	-	660	660
- AFS investments	363	550	913
	3,883	1,210	5,093
Offsetting	(441)	(842)	(1,283)
Deferred tax liabilities (after offsetting)	3,442	368	3,810

18 SHARE CAPITAL

	2020		2019	
	No. of Shares	Share Capital	No. of Shares	Share Capital
	'000	RM'000	'000	RM'000
Issued and fully paid ordinary shares:				
At beginning of the financial year	120,000	120,000	190,000	190,000
Capital reduction during the financial year	-	-	(90,000)	(90,000)
Issued during the financial year	60,000	60,000	20,000	20,000
At end of the financial year	180,000	180,000	120,000	120,000

On 8 December 2020, the Company increased its issued and paid-up capital by RM60,000,000 via issuance of 60,000,000 new ordinary shares for working capital purposes. The new shares ranked pari-passu with the existing ordinary shares of the Company.

19(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 2020, 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.

19(b) AVAILABLE-FOR-SALE RESERVE

The available-for-sale reserve in the Company-level financial statements represents the fair value gains or losses from available-for-sale investments, net of deferred tax, of the Takaful Operator.

20 NET EARNED CONTRIBUTION

	2020	2019
	RM'000	RM'000
Family Takaful Fund		
(i) Gross earned contributions		
Takaful contracts (Note 12(a))	411,200	405,631
(ii) Contribution ceded to retakaful operators		
Takaful contracts (Note 12(a))	(39,945)	(32,212)
Net earned contributions	371,255	373,419

21 INVESTMENT INCOME

	2020 RM'000	2019 RM'000
(a) Takaful Operator		
AFS investments:		
- Hibah/profit income	5,554	4,984
- Amortisation of premiums - net (Note 7(c)(i))	(635)	(518)
LAR:		
- Hibah/profit income	495	527
	5,414	4,993
(b) Family Takaful Fund		
FVTPL investments:		
- Hibah/profit income	2,974	2,820
- Dividend income	8,743	7,988
- Amortisation of premiums - net (Note 7(c)(ii))	(237)	(178)
AFS investments:		
- Hibah/profit income	9,094	6,708
- Amortisation of premiums - net (Note 7(c)(ii))	(715)	(390)
LAR:		
- Hibah/profit income	1,432	1,785
	21,291	18,733
(c) Company		
FVTPL investments:		
- Hibah/profit income	2,974	2,820
- Dividend income	8,743	7,988
- Amortisation of premiums - net (Note 7(c)(iii))	(237)	(178)
AFS investments:		
- Hibah/profit income	14,648	11,692
- Amortisation of premiums - net (Note 7(c)(iii))	(1,350)	(908)
LAR:		
- Hibah/profit income	1,927	2,312
	26,705	23,726

22 REALISED GAINS/(LOSSES)

	2020 RM'000	2019 RM'000
(a) Takaful Operator		
AFS investments:		
Islamic debt securities	13	249
Loss on disposal of property and equipment	(1)	-
	12	249
(b) Family Takaful Fund		
AFS investments:		
Islamic debt securities	90	661
	90	661
(c) Company		
AFS investments:		
Islamic debt securities	103	910
Loss on disposal of property and equipment	(1)	-
	102	910

23 FAIR VALUE GAINS/(LOSSES)

	2020 RM'000	2019 RM'000
FVTPL investments:		
Takaful Operator (Note 7 (c)(i))	50	210
Family Takaful Fund (Note 7 (c)(ii))	5,380	15,548
Company	5,430	15,758

24 NET CLAIMS

		2020	2019
		RM'000	RM'000
Family Takaful Fund			
(i)	Gross benefits and claims paid (Note 12(a))	(153,866)	(185,394)
(ii)	Claims ceded to retakaful operators (Note 12(a))	23,730	36,298
(iii)	Gross change in contract liabilities	(109,462)	(96,563)
(iv)	Change in contract liabilities ceded to retakaful operators	3,682	650
	Net claims	(235,916)	(245,009)

25 (a) MANAGEMENT EXPENSES

	2020	2019
	RM'000	RM'000
Takaful Operator		
Staff salaries and bonus	10,979	10,954
Defined contribution plan	2,022	2,009
Other staff costs	10,969	1,181
	23,970	14,144
Auditors' remuneration:		
- Statutory audit	262	278
- Audit related service	-	7
- Non audit service	14	13
Non-Executive Directors' remuneration:		
- fees	420	294
- other emoluments	125	184
Shariah Committee remuneration:		
- fees	81	65
- other emoluments	28	23
Depreciation charge on property and equipment	1,104	1,115
Amortisation of intangible assets	602	495
Depreciation charge of right-of-use assets	1,941	1,521
Office rental	2,048	2,134
Printing and stationery	1,202	1,615
Advertising and promotions	711	582
Postage and telephone	943	715
Professional fees	648	545
Agency training	576	665
Data processing	4,955	2,122
Repairs and maintenance	1,062	1,113
Motor vehicle expenses	1	41
Electricity charges	482	508
Bank and credit card charges	1,950	1,695
Other expenses	27,643	40,991
	70,768	70,865

25(a) MANAGEMENT EXPENSES (CONTINUED)

	Fees	Salary	Bonus	Allowance	Others	Benefits-in kind	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2020							
Chief Executive Officer							
- Mukesh Dhawan	-	1,675	145	-	1	31	1,852
Executive Director							
- Stephen James Clark	-	-	-	-	-	-	-
Non-Executive Directors							
- Hasnah binti Omar	150	-	-	29	-	-	179
- Onn Kien Hoe	90	-	-	32	-	-	122
- Dr. Yusri Bin Mohamad	90	-	-	32	-	-	122
- Datuk Dr. Hafsah binti Hashim	90	-	-	32	-	-	122
	420	1,675	145	125	1	31	2,397

25(a) MANAGEMENT EXPENSES (CONTINUED)

	Fees	Salary	Bonus	Allowance	Others	Benefits-in kind	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2019							
Chief Executive Officer							
- Mukesh Dhawan	-	1,450	246	-	10	29	1,735
Executive Director							
- Stephen James Clark	-	-	-	-	-	-	-
Non-Executive Directors							
- Hasnah binti Omar	92	-	-	23	-	-	115
- Tan Sri Ahmad bin Mohd Don	47	-	-	12	-	-	59
- Tan Sri Datuk Seri Razman Md Hashim bin Che Din Md Hashim	17	-	-	71	-	-	88
- Dr. Md Khalil bin Ruslan	17	-	-	6	-	-	23
- Onn Kien Hoe	45	-	-	27	-	-	72
- Choy Khai Choon	24	-	-	16	-	-	40
- Dr. Yusri Bin Mohamad	26	-	-	13	-	-	39
- Datuk Dr. Hafsah binti Hashim	26	-	-	16	-	-	42
	294	1,450	246	184	10	29	2,213

25 (a) MANAGEMENT EXPENSES (CONTINUED)

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

	Number of Directors	
	2020	**2019**
Non-Executive Directors:		
RM10,000 – RM100,000	-	7
RM100,001 – RM200,000	4	1

The Executive Director did not receive any remuneration for the current financial year.

The Directors of the Company in office during the financial year were as follows:

i) Hasnah binti Omar
ii) Onn Kien Hoe
iii) Dr. Yusri Bin Mohamad
iv) Datuk Dr. Hafsah binti Hashim
v) Stephen James Clark

(b) OTHER OPERATING EXPENSE/(INCOME)

	Takaful Operator	Family Takaful Fund	Company
	RM'000	RM'000	RM'000
2020			
Other operating expense	1,243	755	1,998
	1,243	755	1,998
2019			
Other operating expense/(income)	1,302	(3)	1,299
	1,302	(3)	1,299

26 TAXATION

	Takaful Operator	Family Takaful Fund	Company
	RM'000	RM'000	RM'000
2020			
Current tax:			
Current financial year	4,780	1,670	6,450
Overprovision in prior financial year	(235)	(1,261)	(1,496)
	4,545	409	4,954
Deferred tax (Note 17)	(1,768)	(1,449)	(3,217)
Tax expense/(income)	2,777	(1,040)	1,737
2019			
Current tax:			
Current financial year	2,048	1,767	3,815
Under/(over) provision in prior financial year	519	(2,284)	(1,765)
	2,567	(517)	2,050
Deferred tax (Note 17)	1,457	1,414	2,871
Tax expense	4,024	897	4,921

The numerical reconciliation between statutory tax rate and the effective tax rate of the Company is as follows:

	2020	2019
	RM'000	RM'000
Loss before taxation attributable to Takaful Operator, after Zakat	(1,742)	(1,040)
Taxation at Malaysia statutory tax rate of 24%	(418)	(250)
Expenses not deductible for tax purposes	4,691	6,039
Tax (income)/expense attributable to participants	(1,040)	897
Over provision of tax in prior financial year	(1,496)	(1,765)
Total tax expenses	1,737	4,921

27 CASH FLOWS

	2020 RM'000	2019 RM'000
Net loss for the financial year	(3,478)	(5,961)
Adjustment for:		
Investment income	(26,705)	(23,726)
Realised gains from disposal of FVTPL and AFS investments	(101)	(910)
Fair value gains	(5,430)	(15,758)
Depreciation of property and equipment	1,104	1,115
Write-offs of property and equipment	-	3
Write-offs of intangible assets	483	-
Loss on disposal of property and equipment	1	-
Amortisation of intangible assets	602	495
Depreciation for right-of-use assets	1,941	1,521
Interest expense on lease liability	147	225
Tax expense attributable to Takaful Operator	2,777	4,024
Tax (income)/expense attributable to participants	(1,040)	897
Changes in working capital:		
Increase in financial assets at fair value through profit or loss	(47,131)	(41,220)
Increase in available-for-sale financial assets	(106,312)	(2,615)
Increase in retakaful assets	(1,778)	(6,198)
(Increase)/decrease in Takaful receivables	7,295	(4,565)
Decrease/(increase) in other receivables	2,988	(1,202)
Increase in Takaful contract liabilities	101,056	99,111
Increase/(decrease) in Takaful payables	8,399	(874)
(Decrease)/increase in other payables	(3,625)	22,351
Increase in expense liabilities	1,597	5,453
Cash (used in)/generated from operating activities	(67,210)	32,166

28 SIGNIFICANT RELATED PARTY DISCLOSURE

Related parties and relationship

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

Related Companies	Relationship
Zurich Insurance Group Ltd. ("ZIGL")	Ultimate holding company
Zurich Insurance Company Ltd. ("ZICL")	Penultimate holding company
Zurich Holding Malaysia Berhad ("ZHMB")	Immediate holding company
Zurich Life Insurance Malaysia Berhad ("ZLIMB")	Subsidiary of ultimate holding company
Zurich Services Malaysia Sdn Bhd ("ZSM")	Subsidiary of penultimate holding company
Zurich Shared Services Malaysia Sdn Bhd ("ZSSM")	Subsidiary of penultimate holding company
Zurich General Insurance Malaysia Berhad ("ZGIMB")	Subsidiary of immediate holding company
Zurich General Takaful Malaysia Berhad ("ZGTMB")	Subsidiary of immediate holding company

Significant related party transactions

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

	2020 RM'000	2019 RM'000
Transactions with immediate holding company :		
- Capital reduction	-	(40,000)
- Injection of capital	60,000	20,000
Transactions with subsidiaries of ultimate holding company :		
- Outsourcing & Reimbursement costs	(31,662)	(29,633)
Transactions with subsidiaries of immediate holding company :		
- Outsourcing & Reimbursement costs	(170)	(116)
- Outsourcing income & Reimbursement of expenses paid on behalf	405	2,179
Transactions with subsidiaries of penultimate holding company :		
- Reimbursement costs	(343)	(187)

28 SIGNIFICANT RELATED PARTY DISCLOSURE (CONTINUED)

Related party balances

Included in the statement of financial position of the Company are significant related party balances as shown below:

	2020 RM'000	2019 RM'000
Balance with Zurich Life Insurance Malaysia Berhad :		
- Outsourcing fee	(1,862)	(1,745)
- Reimbursement of expenses paid on behalf	(1,142)	(1,571)
- Partnership commission paid on behalf	-	(1,458)
	(3,004)	(4,774)
Balance with Zurich General Insurance Malaysia Berhad :		
- Outsourcing fee	(41)	(27)
- Reimbursement of expenses paid on behalf	(49)	-
	(90)	(27)
Balance with Zurich General Takaful Malaysia Berhad :		
- Outsourcing fee	859	405
- Reimbursement of expenses paid on behalf	753	426
	1,612	831
Balance with Zurich Insurance Company Ltd. :		
- IFRS 9 Project Cost	(197)	-
- Investment service fee	(156)	-
	(353)	-

These related party balances are current, unsecured, non profit-bearing and payable within 12 months.

29 TAKAFUL FUNDS

The Company's activities are organised by funds and segregated into the Family Takaful and Takaful Operator, in accordance with the Islamic Financial Services Act, 2013. The Company's statement of financial position and statement of profit or loss have been further analysed by funds.

The Family Takaful business offers primary investment-linked products as well as group medical covers.

STATEMENT OF FINANCIAL POSITION BY FUNDS
AS AT 31 DECEMBER 2020

	Takaful Operator	Family Takaful Fund	Investment-linked Fund	Company
	RM'000	RM'000	RM'000	RM'000
Assets:				
Property and equipment	3,536	-	-	3,536
Intangible assets	1,769	-	-	1,769
ROU Assets	3,221	-	-	3,221
Investments	139,554	228,768	473,923	839,145
Takaful receivable	-	640	-	640
Qard receivable	4,061	-	-	-
Retakaful assets	-	27,120	-	27,120
Other receivables	5,151	126	893	6,170
Current tax assets	-	2,184	-	2,184
Deferred tax assets	-	-	1,525	1,525
Cash and bank balances	81,990	49,557	27,560	159,107
Total assets	239,282	308,395	503,901	1,044,417
Equity, participants' fund and liabilities:				
Total equity	190,638	(21,712)	-	186,577
Takaful contract liabilities	-	257,667	504,363	758,930
Takaful payables	-	8,696	-	8,696
Qard payable	-	21,712	-	-
Lease liabilities	3,285	-	-	3,285
Other payables	42,637	16,122	700	59,459
Expense liabilities	19,898	-	-	19,898
Current tax liabilities	2,819	663	1,232	4,714
Deferred tax liabilities	2,001	857	-	2,858
Total liabilities	70,640	305,717	506,295	857,840
Total equity, participants' fund and liabilities	261,278	284,005	506,295	1,044,417
Inter-fund balances	21,996	(24,390)	2,394	-

29 TAKAFUL FUNDS (CONTINUED)

STATEMENT OF FINANCIAL POSITION BY FUNDS
AS AT 31 DECEMBER 2019

	Takaful Operator	Family Takaful Fund	Investment-linked Fund	Company
	RM'000	RM'000	RM'000	RM'000
Assets:				
Property and equipment	4,172	-	-	4,172
Intangible assets	2,576	-	-	2,576
ROU Assets	6,092	-	-	6,092
Investments	99,127	156,468	421,699	674,244
Takaful receivable	-	7,935	-	7,935
Qard receivable	14,670	-	-	-
Retakaful assets	-	25,343	-	25,343
Other receivables	5,616	2,217	1,126	8,959
Current tax assets	303	939	488	1,730
Cash and bank balances	52,638	76,020	15,782	144,440
Total assets	185,194	268,922	439,095	875,491
Equity, participants' fund and liabilities:				
Total equity	143,684	(32,321)	-	129,014
Takaful contract liabilities	-	226,467	429,755	653,172
Takaful payables	-	297	-	297
Qard payable	-	32,321	-	-
Lease liabilities	6,113	-	-	6,113
Other payables	40,100	21,592	1,118	62,810
Expense liabilities	18,301	-	-	18,301
Current tax liabilities	-	805	1,169	1,974
Deferred tax liabilities	3,442	73	295	3,810
Total liabilities	67,956	281,555	432,337	746,477
Total equity, participants' fund and liabilities	211,640	249,234	432,337	875,491
Inter-fund balances	26,446	(19,688)	(6,758)	-

29 TAKAFUL FUNDS (CONTINUED)

STATEMENT OF PROFIT OR LOSS BY FUNDS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Takaful Operator	Family Takaful Fund	Investment linked Fund	Elimination	Company
	RM'000	RM'000	RM'000	RM'000	RM'000
Gross earned contributions	-	311,566	99,634	-	411,200
Contributions ceded to retakaful operators	-	(39,945)	-	-	(39,945)
Net earned contributions	-	271,621	99,634	-	371,255
Wakalah fee income	144,906	-	-	(144,906)	-
Surplus sharing from Family Takaful fund	5,000	-	-	(5,000)	-
Investment income	5,414	9,398	11,893	-	26,705
Realised gains	12	90	-	-	102
Fair value gains	50	-	5,380	-	5,430
Other operating income-net	164	-	3,130	-	3,294
Other income	155,546	9,488	20,403	(149,906)	35,531
Total revenue	155,546	281,109	120,037	(149,906)	406,786
Gross benefits and claims paid	-	(113,086)	(40,780)	-	(153,866)
Claims ceded to retakaful Operators	-	23,730	-	-	23,730
Gross change to contract Liabilities	-	(34,854)	(74,608)	-	(109,462)
Change in contract liabilities ceded to retakaful operators	-	3,682	-	-	3,682
Net claims	-	(120,528)	(115,388)	-	(235,916)
Wakalah fee expenses		(138,987)	(5,919)	144,906	-
Fee and commission expenses	(93,101)	-	-	-	(93,101)
Management expenses	(70,768)	-	-	-	(70,768)
Finance cost	(147)	-	-	-	(147)
Other operating expenses	(1,243)	(755)	-	-	(1,998)
Expense liabilities	(1,597)	-	-	-	(1,597)
Other expenses	(166,856)	(139,742)	(5,919)	144,906	(167,611)
Total underwriting (loss)/surplus from operations	(11,310)	20,839	(1,270)	(5,000)	3,259
Surplus attributable to participants	-	(5,000)	-	-	(5,000)
Surplus attributable to Takaful Operator	-	(5,000)	-	5,000	-
(Loss)/profit before taxation	(11,310)	10,839	(1,270)	-	(1,741)
Zakat	-	-	-	-	-
Taxation	(2,777)	(230)	1,270		(1,737)
Net (loss)/profit for the financial year	(14,087)	10,609	-	-	(3,478)

ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29 TAKAFUL FUNDS (CONTINUED)

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

	Takaful Operator	Family Takaful Fund	Investment linked Fund	Elimination	Company
	RM'000	RM'000	RM'000	RM'000	RM'000
Gross earned contributions	-	335,616	70,015	-	405,631
Contributions ceded to retakaful operators	-	(32,212)	-	-	(32,212)
Net earned contributions	-	303,404	70,015	-	373,419
Wakalah fee income	150,903	-	-	(150,903)	-
Surplus sharing from Family Takaful fund	11,500	-	-	(11,500)	-
Investment income	4,993	7,578	11,155	-	23,726
Realised gains	249	661	-	-	910
Fair value gains	210	-	15,548	-	15,758
Other operating income-net	388	14	3052	-	3,454
Other income	168,243	8,253	29,755	(162,403)	43,848
Total revenue	168,243	311,657	99,770	(162,403)	417,267
Gross benefits and claims paid	-	(134,389)	(51,005)	-	(185,394)
Claims ceded to retakaful Operators	-	36,298	-	-	36,298
Gross change to contract Liabilities	-	(55,566)	(40,997)	-	(96,563)
Change in contract liabilities ceded to retakaful operators	-	650	-	-	650
Net claims	-	(153,007)	(92,002)	-	(245,009)
Wakalah fee expenses	-	(145,274)	(5,629)	150,903	-
Fee and commission expenses	(83,792)	-	-	-	(83,792)
Management expenses	(70,865)	-	-	-	(70,865)
Qard impairment	-	-	-	-	-
Finance cost	(225)	-	-	-	(225)
Other operating expenses	(1,302)	-	3	-	(1,299)
Expense liabilities	(5,453)	-	-	-	(5,453)
Other expenses	(161,637)	(145,274)	(5,626)	150,903	(161,634)
Total underwriting surplus from operations	6,606	13,376	2,142	(11,500)	10,624
Surplus attributable to participants	-	(11,500)	-	-	(11,500)
Surplus attributable to Takaful Operator	-	(11,500)	-	11,500	-
Profit/(loss) before taxation	6,606	(9,624)	2,142	-	(876)
Zakat	(164)	-	-	-	(164)
Taxation	(4,024)	1,245	(2,142)	-	(4,921)
Net profit/(loss) for the financial year	2,418	(8,379)	-	-	(5,961)

30 RISK MANAGEMENT FRAMEWORK

(a) Risk Governance

The risk governance structure within the Company aims to ensure effective management of the different types of risks while meeting the specific strategic objectives of the Company. The Company manages its obligations and pursues opportunities that involve an acceptable degree of risks, with the aim of achieving its business and operating objectives while fulfilling the expectations of all stakeholders. The Company's policy is to give consistent consideration to the balance of risks and commercial implications in order to support the achievement of stakeholder expectations.

The Company adopts three line of defense model approach to governance and enterprise risk management. The Company's risk governance and risk reporting requirements are incorporated in the Company's Risk Management Framework which acts as a foundation to a sound system of internal control, contributing to effective corporate governance and risk reporting requirements. The framework describes the risk management cycle of risk identification, analysis, and evaluation, treatment, monitoring and reporting. The key risks are reviewed on a regular basis and reported up the hierarchy as required.

The adoption of the framework is the responsibility of the Board with certain delegation of responsibilities to Risk Management and Sustainability Committee including oversight over technology-related matters and sustainability-related matters. The Company has established Senior Management Committees which act as bilateral communication platform in discharging obligations. The Committees include Risk and Control Committee, IT Steering Committee, Asset-Liability Management Investment Committee, Executive Committee and Management Committee. These committees comprising members of senior management team, and 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 Complliance in all its activities, and put in place a comprehensive control, monitoring and reporting procedures to manage and mitigate potential shariah non-compliance incidences.

(b) Regulatory Framework

The Company is required to comply with the Islamic Financial Services Act, 2013 any and other regulations, as applicable.

The Company is also subject to all Zurich Group's policies and standards. If there is any conflict with the local laws or regulations, the stricter rules will apply.

The Board exercises oversight on investments to safeguard the interests of participants and shareholders while ensuring compliance with Shariah.

(c) Capital Management

The Company's capital management policy is to create shareholder value, maintain a strong capital position to enable it meet its obligation to certificate holderss, well as regulatory requirements and make strategic investments for business growth.

The minimum Capital Adequacy Ratio ("CAR") under the RBC Framework for Takaful Operators regulated by BNM is 130% for each takaful operator. The Company complied with the minimum CAR as at 31 December 2020. The Total Available Capital of the Company as at 31 December 2020 was RM190,961,000 (2019: RM133,468,000).

30 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(c) Capital Management (continued)

	2020	2019
	RM'000	RM'000
Tier 1 Capital		
Paid-up capital	180,000	120,000
Reserves, including retained earnings	434	7,736
	180,434	127,736
Tier 2 Capital		
Available-for-sale reserve	10,527	5,732
Total Capital Available	190,961	133,468

31 TAKAFUL RISK

The Company accepts Takaful risk through its written Takaful contracts. The Company writes Family Takaful contracts (health, group family, mortgage and investment-linked).Takaful risk is the inherent uncertainty regarding the fluctuations in the timing, frequency and severity of insured events, relative to our expectations at the time of underwriting. It can also refer to fluctuations in the timing and amount of claim settlements. The Takaful risk appetite is defined through the review of portfolio size, underwriting criteria, product limits, retakaful arrangements, underwriting authorities, claims signing authorities, delegation of authorities, pricing adequacy, aggregate risks and loss scenarios.

(a) Family Takaful

Underwriting is managed through a dedicated underwriting department, with formal underwriting limits and appropriate training and development of underwriting staff. The underwriting policy is clearly documented, setting out risks which are unacceptable and the terms applicable for non-standard risks. Medical selection is part of the Company's underwriting procedures, whereby contributions are charged to reflect the health condition and family medical history of the applicants. Pricing is based on assumptions, such as mortality and persistency, which consider past experience and current trends. Contracts including specific risks and guarantees are tested for profitability according to predefined procedures before approval. Products are reviewed by the Management Committee on periodic basis to confirm, or otherwise, that pricing assumptions remain appropriate. Analysis is performed on earnings and liability movements to understand the source of any material variation in actual results from what was expected. This confirms the appropriateness of assumptions used in underwriting and pricing.

31 TAKAFUL RISK (CONTINUED)

(a) Family Takaful (continued)

The table below shows the concentration of Family Takaful contract liabilities, excluding AFS fair value adjustments, by type of contract.

	Gross RM'000	Retakaful RM'000	Net RM'000
31 December 2020			
Family Takaful contract liabilities:			
Endowment	576,113	(11,352)	564,761
Term	184,541	(15,768)	168,773
Total Family Takaful contract liabilities	760,654	(27,120)	733,534
31 December 2019			
Family Takaful contract liabilities:			
Endowment	459,906	(7,918)	451,988
Term	189,999	(17,425)	172,574
Total Family Takaful contract liabilities	649,905	(25,343)	624,562

Key assumptions

Material judgment is required in determining the liabilities and in the choice of assumptions. Assumptions used are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

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

a) Mortality rates

Assumption is based on industry standard table – M9903.

b) Morbidity rates

Assumption is mainly based on reinsurer rates.

c) Investment return

Assumptions at best estimate level are 6.5% per annum for Participant Investment Account ("PIA") on Investment-linked, 4.92% per annum for PIA on Non Investment-linked, 4.37% per annum for Participant Risk Investment Account ("PRIA") on Investment-linked and 4.35% per annum for PRIA on Non Investment-linked.

31 TAKAFUL RISK (CONTINUED)

(a) Family Takaful (continued)

Key assumptions (continued)

d) Expenses

Assumption varies by product type is as follows:-

	Fixed Renewal Expense	% of Contribution	ARE p.a.
IL	45	3.5%	3.0%
SPIL	25	-	-
OL Investment	35	2.0%	3.0%
OL Medical	45	4.0%	3.0%
Patina	28	2.5%	3.0%
CCB	28	2.5%	3.0%
TSG/ TSCX	15	2.0%	3.0%
MPP/ GMPP	15	-	-
GDT	15	-	-
TMC	35	1.5%	-

e) Lapse and surrender rates

Lapse rate varies by product and certificate year as follows:

Plan	Certificate Year (%)							
	1	2	3	4	5	6	7	8+
Takafulink Series	20	15	13	10	10	10	10	10
Takafulink Education	15	10	10	8	8	8	8	8
Takafulink Single-Invest	20	50	30	30	20	15	15	15
CancerCare	35	20	15	2	2	2	2	2
SmartMedic 100	65	65	25	25	25	25	25	25
SmartMedic 200	15	45	40	25	25	25	25	25
Medica2015	25	20	20	20	20	20	20	20
Takafulife 87&88	15	15	15	15	15	15	8	8
Takafulife 100&200	20	18	15	15	15	8	8	8
Term80	10	15	18	10	10	10	10	10
Term80 II	20	20	15	10	10	3.5	3.5	3.5
Takaful Senior Gold	20	20	20	20	20	10	10	10
Patina2016	45	35	30	30	5	5	5	5
Mortgage (MPP)	0.5	1	1	1.5	1.5	1.5	1.5	1.5

Lapse assumption for new products is based on pricing assumption.

f) Contribution holiday

Plan	Certificate Year (%)							
	1	2	3	4	5	6	7	8+
Investment-Linked	5	15	20	25	30	35	40	40
Ordinary Life Series	10	15	20	25	25	25	25	25

g) Discount rate

Discount rate used is the Government Investment Issue (“GII”) spot rate as at the date of statement of financial position.

31 TAKAFUL RISK (CONTINUED)

(a) Family Takaful (continued)

Sensitivities

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

		Impact on Family Takaful contract liabilities		
	Change in Assumptions	Gross	Net	(Loss)/profit before taxation
	%	RM'000	RM'000	RM'000
31 December 2020				
Mortality/morbidity	10%	19,239	10,494	(10,494)
Lapse and surrender rates	10%	33	290	(290)
Discount rate	10%	(13,626)	(12,524)	12,524
31 December 2019				
Mortality/morbidity	10%	14,067	7,244	(7,244)
Lapse and surrender rates	10%	109	325	(325)
Discount rate	10%	(11,649)	(10,631)	10,631

* The profits are before surplus sharing or Qard repayment.

There is minimal impact on the Family Takaful contract liabilities in relation to changes made to longevity and investment return assumptions.

32 FINANCIAL RISK

The Company's activities expose it to credit risk, liquidity risk and market risk. The Company's overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the Company's financial performance. The Board is responsible for setting the objectives and underlying principles of financial risk management for the Company and detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, and exposure limits in accordance with the objectives and underlying principles approved by the Board. The Board has established the Risk Management and Sustainability Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Board on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

32 FINANCIAL RISK (CONTINUED)

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The major classes of financial assets of the Company are investment in cash, Islamic private debt securities, and receivables, including amounts due from Takaful contracts and amounts due from retakaful in respect of payments already made to participants. For investments in Islamic private debt securities, a downgrade of credit rating or widening of credit spread may also incur financial loss. The Qard are not financial instruments, and hence these items are not exposed to credit risk.

For receivables, the Company adopts the policy of dealing only with customers of appropriate credit history. Debtor recoverability and risk concentration monitoring are part of credit risk management which is reviewed regularly. As the Company does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position.

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

The Company issues Investment-linked investment contracts. In the Investment-linked funds, the holders of these contracst bear the investment risks on the assets held in the Investment-linked funds as the contract benefits are directly linked to the value of the assets in the fund. Therefore, the Company has no material credit risk on Investment-linked financial assets.

Exposure to credit risk

The table below show the maximum exposure to credit risk for the components on the statement of financial position and items such as future commitments. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements.

	Takaful Operator	Family Takaful Fund	Investment-linked fund	Company
	RM'000	RM'000	RM'000	RM'000
2020				
AFS investments:				
Islamic debt securities, unquoted	136,454	228,768	-	365,222
FVTPL investments:				
Shariah-approved quoted equities*	-	-	141,432	141,432
Islamic debt securities, unquoted	-	-	63,985	63,985
Investment-linked units*	3,100	-	-	-
Unit trusts*	-	-	268,506	268,506
Retakaful assets#	-	27,120	-	27,120
Takaful receivables	-	640	-	640
Other receivables	27,147	126	893	6,170
Cash and bank balances	81,990	49,557	27,560	159,107
	248,691	306,211	502,376	1,032,182

* Not subject to credit risk
\# Retakaful assets exclude unearned contribution reserve

32 FINANCIAL RISK (CONTINUED)

Credit risk (continued)

Exposure to credit risk (continued)

	Takaful Operator	Family Takaful Fund	Investment-linked fund	Company
	RM'000	RM'000	RM'000	RM'000
2019				
AFS investments:				
Islamic debt securities, unquoted	96,077	156,468	-	252,545
FVTPL investments:				
Shariah-approved quoted equities*	-	-	114,460	114,460
Islamic debt securities, unquoted	-	-	62,706	62,706
Investment-linked units*	3,050	-	-	-
Unit trusts*	-	-	244,533	244,533
Retakaful assets#	-	25,343	-	25,343
Takaful receivables	-	7,935	-	7,935
Other receivables	32,062	2,217	1,126	8,959
Cash and bank balances	52,638	76,020	15,782	144,440
	183,827	267,983	438,607	860,921

* Not subject to credit risk
# Retakaful assets exclude unearned contribution reserve

32 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 RAM and/or 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.

	Neither past due nor impaired									
	AAA	AA	A	BBB	Not rated	Not subject to credit risk	Investment -linked fund	Past due but not impaired	Past due and impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2020										
AFS investments	163,684	189,272	1,020	-	11,246	-	-	-	-	365,222
FVTPL investments	-	-	-	-	-	-	473,923	-	-	473,923
Retakaful assets	-	27,120	-	-	-	-	-	-	-	27,120
Takaful receivables	-	-	-	-	640	-	-	-	-	640
Other receivables	-	-	-	-	5,277	-	893	-	-	6,170
Cash and bank balances	-	-	-	-	131,547	-	27,560	-	-	159,107
	163,684	216,392	1,020	-	148,710	-	502,376	-	-	1,032,182

32 FINANCIAL RISK (CONTINUED)

Credit Risk (continued)

Credit Exposure by Credit Rating (continued)

	Neither past due nor impaired									
	AAA	AA	A	BBB	Not rated	Not subject to credit risk	Investment -linked fund	Past due but not impaired	Past due and impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2019										
AFS investments	107,436	142,566	-	-	2,543	-	-	-	-	252,545
FVTPL investments	-	-	-	-	-	-	421,699	-	-	421,699
Retakaful assets	-	25,343	-	-	-	-	-	-	-	25,343
Takaful receivables	-	-	-	-	7,935	-	-	-	-	7,935
Other receivables	-	-	-	-	7,833	-	1,126	-	-	8,959
Cash and bank balances	-	-	-	-	128,658	-	15,782	-	-	144,440
	107,436	167,909	-	-	146,969	-	438,607	-	-	860,921

32 FINANCIAL RISK (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations from its financial and Takaful liabilities that are settled by delivering cash or another financial asset. The Company is exposed to calls on its available cash resources mainly from claims arising from takaful and investment contracts. Liquidity risk may arise from a number of potential areas, such as a duration mismatch between assets and liabilities and unexpectedly high levels of lapses/surrenders. The nature of the Company's exposures to liquidity risk and its objectives, policies and processes for managing liquidity risk have not changed significantly from the prior period.

The Company's approach to managing liquidity is to ensure, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. This involves projecting cash flows on a regular basis to predict cash outflows from Takaful and investment contracts over the short, medium and long term; which include purchases of assets with similar durations to its Takaful contracts; assets purchased by the Company to satisfy specified marketability requirements; and the Company maintains cash and liquid assets to meet daily calls on its Takaful contracts and other obligations.

Maturity profiles

The table below summarises the maturity profile of the financial assets and financial liabilities of the Company based on remaining undiscounted contractual obligations. All liabilities are presented on a contractual cash flow basis except for Takaful contract liabilities, the maturity profiles are determined based on the estimated timing of net cash outflows from the recognised Takaful liabilities.

Available-for-sale fair value adjustment, unearned contribution reserve and retakaful's share of unearned contribution have been excluded from the analysis as they are not contractual obligations.

Investment-linked fund liabilities are repayable or transferable upon notice by certificate holders and are disclosed separately under the "Investment-linked fund" column. Repayments which are subject to notice are treated as if such notice was to be given immediately.

32 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

Exposure to liquidity risk

	Carrying value	Up to a year	1 – 3 years	3 – 5 years	5 – 15 years	Over 15 years	No maturity date	Investment-linked fund	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2020									
AFS investments	365,222	36,757	94,356	86,027	206,383	25,788	-	-	449,311
FVTPL investments	473,923	6,045	16,999	11,197	43,822	2,756	-	409,938	490,757
Retakaful assets	27,120	14,918	23	38	2,183	9,958	-	-	27,120
Takaful receivables	640	640	-	-	-	-	-	-	640
Other receivables	6,170	5,277	-	-	-	-	-	893	6,170
Cash and bank balances	159,107	131,547	-	-	-	-	-	27,560	159,107
	1,032,182	195,184	111,378	97,262	252,388	38,502	-	438,391	1,133,105
Takaful contract liabilities	758,930	611,452	21,880	318	8,682	104,988	-	-	747,320
Takaful payables	8,696	8,696	-	-	-	-	-	-	8,696
Expense liabilities	19,898	6,902	1,682	16	1,005	10,293	-	-	19,898
Other payables	59,459	59,459	-	-	-	-	-	-	59,459
Lease liabilities	3,285	1,228	1,601	337	119	-	-	-	3,285
	850,268	687,737	25,163	671	9,806	115,281	-	-	838,658

32 FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

Exposure to liquidity risk (continued)

	Carrying value	Up to a year	1 – 3 years	3 – 5 years	5 – 15 years	Over 15 years	No maturity date	Investment-linked fund	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2019									
AFS investments	252,545	21,889	76,691	60,475	144,455	15,740	-	-	319,250
FVTPL investments	421,699	4,056	12,318	12,952	49,884	4,474	-	358,993	442,677
Retakaful assets	25,343	13,905	41	51	2,239	9,107	-	-	25,343
Takaful receivables	7,935	7,935	-	-	-	-	-	-	7,935
Other receivables	8,959	7,833	-	-	-	-	-	1,126	8,959
Cash and bank balances	144,440	128,658	-	-	-	-	-	15,782	144,440
	860,921	184,276	89,050	73,478	196,578	29,321	-	375,901	948,604
Takaful contract liabilities	653,172	504,623	32,539	228	8,117	79,054	-	-	624,561
Takaful payables	297	297	-	-	-	-	-	-	297
Expense liabilities	18,301	5,360	1,908	110	1,025	9,898	-	-	18,301
Other payables	62,810	62,810	-	-	-	-	-	-	62,810
Lease liabilities	6,113	1,513	3,399	855	346	-	-	-	6,113
	740,693	574,603	37,846	1,193	9,488	88,952	-	-	712,082

32 FINANCIAL RISK (CONTINUED)

Market risks

Market risk is the risk that changes in market prices, such as profit rates, foreign exchange rates and equity prices which will affect the value of the Company's assets, the amount of its liabilities and/or the Company's income. Market risk arises in the Company due to fluctuations in the value of liabilities and the value of investments held. The Company is exposed to market risk on all of its financial assets, including those held to back investment-linked contracts to the extent that the fees earned by the Company on these contracts are often dependent on the market value of the underlying portfolio.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The nature of the Company's exposures to market risks and its objectives, policies and processes for managing credit risk have not changed significantly from the prior period.

The Investment Committee manages and monitors market risks. The Committee's reports are tabled to the Board. For each of the major components of market risk the Company has policies and procedures in place which detail how each risk should be managed and monitored.

Profit rate risk

Profit rate risk arises primarily from the Company's investments. Changes in investment values attributable to profit rate changes are mitigated by corresponding and partially offsetting changes in the economic value of takaful provisions, investment contract liabilities. The Company manages its profit rate risk by matching, where possible, the duration and profile of assets and liabilities to minimise the impact of mismatches between the value of assets and liabilities from profit rate movements. The Company monitors its profit rate risk exposure through periodic reviews of the asset and liability position, as well as through stress testing by using duration and convexity measurements. The nature of the Company's exposures to profit rate risk and its objectives, policies and processes for managing profit rate risk have not changed significantly from the prior period.

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 (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).

32 FINANCIAL RISK (CONTINUED)

Market risks (continued)

Profit rate risk (continued)

	Changes in variables	Impact on profit before tax^ 2020 RM'000	Impact on profit before tax^ 2019 RM'000	Impact on equity* 2020 RM'000	Impact on equity* 2019 RM'000	Impact on Takaful contract liabilities* 2020 RM'000	Impact on Takaful contract liabilities* 2019 RM'000
Takaful Operator							
RM	+50 basis points	-	-	(137)	(400)	-	-
RM	-50 basis points	-	-	(216)	420	-	-
Family Takaful Fund							
RM	+50 basis points	-	-	-	-	(6,254)	(5,148)
RM	-50 basis points	-	-	-	-	6,792	5,587

^ Impact on Islamic money market instruments only.
* Impact on equity/Takaful contract liabilities reflects adjustments for tax, when applicable.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's primary transactions are carried out in Ringgit Malaysia ("RM"). Exposures to foreign currency risk are monitored on an on-going basis.

The Company has no significant exposure to currency risk.

Operational risks

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 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 structured risk assessment process.

32 FINANCIAL RISK (CONTINUED)

Market risks (continued)

Price risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate/profit yield risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting similar financial instruments traded in the market.

The equity investment portfolio of the Company is exposed to movements in equity markets. The Company monitors its equity price risk through stress testing. In addition, the Company monitors and manages the equity exposure against policies set and agreed by the Investment Committee. These policies include monitoring the equity exposure against benchmark set and single security exposure of the portfolio against the limits set.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax (due to changes in fair value of financial assets and liabilities whose changes in fair values are recorded in profit or loss) and equity (that reflects adjustments to profit before tax and changes in fair value of AFS financial assets). The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

		Impact on profit before tax		Impact on equity*	
Market Indices	Changes in	2020	2019	2020	2019
Takaful Operator	variables	RM'000	RM'000	RM'000	RM'000
Bursa Malaysia	15%	-	-	-	-
Bursa Malaysia	-15%	-	-	-	-

* Impact on equity reflects adjustments for tax, when applicable.

There is no impact to the Company's profit before taxation as the impact of changes in price risk to the equities securities of the Family Takaful fund and Investment-linked funds is retained in the Takaful contract liabilities.

The method used for deriving sensitivity information and significant variables did not change from previous year.

33 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 2023 (see Note 2(a)(i)).

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 interest 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:

	AAA	AA	A	Not rated	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2020					
AFS investments:					
Malaysian Government Securities/ Government Investment Issue	-	-	-	3,441	3,441
Islamic debt securities, unquoted	163,684	189,272	1,020	7,805	361,781
	163,684	189,272	1,020	11,246	365,222
31 December 2019					
AFS investments:					
Islamic debt securities, unquoted	107,436	142,566	-	2,543	252,545
	107,436	142,566	-	2,543	252,545

(b) Fair value / carrying amount:

	Financial assets with SPPI cash flows	Other financial assets	Total
	RM'000	RM'000	RM'000
2020			
Fair value at 31 December 2020	365,222	666,960	1,032,182
Fair value changes during the financial period	6,536	5,380	11,916
Financial assets that do not have low credit risk:			
- Fair value/carrying amount at 31 December 2020 under MFRS 139	-	N/A	N/A
2019			
Fair value at 31 December 2019	252,545	608,376	860,921
Fair value changes during the financial period	7,379	15,548	22,927
Financial assets that do not have low credit risk:			
- Fair value/carrying amount at 31 December 2019 under MFRS 139	-	N/A	N/A

34 SIGNIFICANT EVENT

In the first quarter 2020, COVID-19 was declared a pandemic. Globally, increasing measures were taken to contain it, and this led to significant volatility in the financial markets, resulting in an adverse impact on the global business and economic activity.

With the 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 3 May 2020. The MCO imposed limitation on movement of people, suspension of non-essential business operations, travel restrictions, and quarantine measures. The Government also introduced various economic stimulus plans to assist the citizens and businesses.

The Conditional Movement Control Order ("CMCO") was later introduced from 4 May 2020, of which majority of the economic and social activities were allowed, subject to the Standard Operating Procedures ("SOP") set for each sector. The CMCO was later extended to 9 June 2020, followed by the introduction of the Recovery Movement Control Order ("RMCO") from 10 June 2020 until 31 August 2020 with further relaxation on economic and social activities. CMCO was later re-introduced from 14 October 2020 to 6 December 2020 in light of the spike in Covid-19 cases within the country, followed by MCO from 13 Jan 2021 until 4 March 2021.

During 2020, Zurich Takaful Malaysia Berhad ensured that the Company continued to provide core Takaful services to its customers and took mitigation actions. 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 in the coming years. The Company will continue to monitor the situation and will take actions as needed to ensure it remains viable as a Company.

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