

UNAUDITED INTERIM FINANCIAL STATEMENTS

For The Six Months Period Ended 30 June 2018

Company No.

731996

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ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

**UNAUDITED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018**

		2018			2017		
	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		5,160	-	5,160	4,039	-	4,039
Intangible assets		1,131	-	1,131	1,949	-	1,949
Investments:							
Available-for-sale	12(a)	153,120	75,735	228,855	166,336	67,909	234,245
Fair value through profit or loss	12(b)	2,930	410,448	410,448	3,045	429,529	429,529
Takaful receivables		-	3,875	3,875	-	3,217	3,217
Qardhul Hassan receivable		3,955	-	-	-	-	-
Retakaful assets	13	-	17,198	17,198	-	15,535	15,535
Other receivables		9,068	1,407	3,362	17,828	38	1,526
Current tax assets		-	2,321	2,321	-	1,200	1,200
Deferred tax assets		-	681	681	664	-	664
Cash and bank balances		20,304	79,771	100,075	16,019	78,269	94,288
Assets of a disposal group classified as held-for-sale :	15						
- Takaful Operator	15	-	-	-	84,233	-	79,398
- General Takaful Fund	15	-	-	-	-	-	435,795
TOTAL ASSETS		195,668	591,436	773,106	294,113	595,697	1,301,385

The Unaudited Interim Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017 and the accompanying notes attached to the unaudited interim financial statements.

ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

**UNAUDITED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018 (CONTINUED)**

		2018			2017		
	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
LIABILITIES							
Takaful contract liabilities	14	-	567,388	564,458	-	561,560	558,515
Takaful payables		-	4,011	4,011	-	3,494	3,494
Qardhul Hassan payable		-	21,606	-	-	17,651	-
Other payables		27,551	18,119	38,557	32,078	27,987	43,173
Expense liabilities		3,290	-	3,290	2,001	-	2,001
Current tax liabilities		491	1,458	1,949	1,035	753	1,788
Deferred tax liabilities		211	460	671	-	1,903	1,903
Liabilities of a disposal group classified as held-for-sale :							
- Takaful Operator	15	-	-	-	96,206	-	88,403
- General Takaful Fund	15	-	-	-	-	-	439,315
TOTAL LIABILITIES		31,543	613,042	612,936	131,320	613,348	1,138,592
SHAREHOLDERS' EQUITY							
Share capital		190,000	-	190,000	190,000	-	190,000
Retained earnings/ (accumulated losses)		(25,578)	(21,606)	(29,533)	(27,160)	(17,651)	(27,160)
Available-for-sale reserve		(297)	-	(297)	(47)	-	(47)
TOTAL LIABILITIES, PARTICIPANTS' FUNDS AND SHAREHOLDERS' EQUITY		164,125	(21,606)	160,170	162,793	(17,651)	162,793
		195,668	591,436	773,106	294,113	595,697	1,301,385

The Unaudited Interim Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017 and the accompanying notes attached to the unaudited interim financial statements.

ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

**UNAUDITED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

Note	2018			2017		
	Takaful Operator	Family Takaful Fund	Company	Takaful Operator	Family Takaful Fund	Company
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Continuing Operations						
Gross earned contributions	-	167,562	167,562	-	124,600	124,600
Contribution ceded to retakaful operators	-	(11,093)	(11,093)	-	(9,535)	(9,535)
Net earned contributions	-	156,469	156,469	-	115,065	115,065
Wakalah fee income	54,889	-	-	36,381	-	-
Surplus sharing from Family Takaful Fund	6,847	-	-	6,927	-	-
Investment income	3,420	9,738	13,158	2,779	8,431	11,210
Realised gains/(losses)	(16)	(2,064)	(2,080)	-	3,403	3,403
Fair value gains/(losses)	(115)	(27,344)	(27,459)	180	14,736	14,916
Other operating income – net	120	1,802	1,922	8,362	1,697	10,059
Other income	65,145	(17,868)	(14,459)	54,629	28,267	39,588
Total revenue	65,145	138,601	142,010	54,629	143,332	154,653
Gross benefits and claims paid	-	(78,677)	(78,677)	-	(69,269)	(69,269)
Claims ceded to retakaful operators	-	11,334	11,334	-	8,813	8,813
Gross change to contract liabilities	-	(13,755)	(13,755)	-	(29,140)	(29,140)
Change in contract liabilities ceded to retakaful operators	-	-	-	-	(176)	(176)
Net claims	-	(81,098)	(81,098)	-	(89,772)	(89,772)

The Unaudited Interim Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017 and the accompanying notes attached to the unaudited interim financial statements.

ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

**UNAUDITED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2018 (CONTINUED)**

	2018			2017		
	Takaful Operator	Family Takaful Fund	Company	Takaful Operator	Family Takaful Fund	Company
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Surplus sharing with Takaful Operator	-	(6,847)	-	-	(6,927)	-
Wakalah fee expenses	-	(54,889)	-	-	(36,381)	-
Fee and commission expenses	(38,835)	-	(38,835)	(34,908)	-	(34,908)
Management expenses	(23,135)	-	(23,135)	(26,913)	-	(26,913)
Write-back of allowance for impairment loss	-	-	-	-	-	-
Qardhul Hassan impairment	-	-	-	-	-	-
Other operating expenses	(15)	(1,262)	(1,277)	(22)	(9,421)	(9,443)
Expense liabilities	(1,288)	-	(1,288)	1,256	-	1,256
Other expenses	(63,273)	(62,998)	(64,535)	(60,587)	(52,729)	(70,008)
Zakat	-	-	-	-	-	-
Profit/(loss) before taxation	1,872	(5,495)	(3,623)	(5,958)	831	(5,127)
Tax (expense)/income attributable to participants	-	1,540	1,540	-	(2,056)	(2,056)
Profit/(loss) before taxation attributable to Takaful Operator	1,872	(3,955)	(2,083)	(5,958)	(1,225)	(7,183)
Taxation	(2,727)	1,540	(1,187)	(3,517)	(2,056)	(5,280)
Tax expense attributable to participants	-	(1,540)	(1,540)	-	2,056	2,056
Tax expense attributable to Takaful Operator	(2,727)	-	(2,727)	(3,517)	-	(3,224)
Net (loss)/profit for the financial year from continuing operations	(855)	(3,955)	(4,810)	(9,475)	(1,225)	(10,407)
Net (loss)/profit for the financial year from discontinued operations :						
- Takaful Operator	15	2,437	-	2,437	(4,125)	(4,125)
- General Takaful Fund	15	-	-	-	-	-
Net (loss)/profit for the financial year	1,582	(3,955)	(2,373)	(13,600)	(1,225)	(14,532)

The Unaudited Interim Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017 and the accompanying notes attached to the unaudited interim financial statements.

**UNAUDITED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2018 (CONTINUED)**

	2018			2017		
<u>Note</u>	Takaful Operator	Family Takaful Fund	Company	Takaful Operator	Family Takaful Fund	Company
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net (loss)/ profit for the financial year	1,582	(3,955)	(2,373)	(13,600)	(1,225)	(14,532)
Other comprehensive (loss)/income:						
<u>Items that may be subsequently reclassified to profit or loss:</u>						
Fair value changes on available-for-sale investment that may be reclassified to profit or loss:						
- Gross fair value changes	(324)	1,670	1,346	-	386	386
- Deferred tax	74	-	74	-	(31)	(31)
- Net fair value changes	(250)	1,670	1,420	-	355	355
Changes in Takaful contract liabilities arising from unrealised net fair value changes	-	(1,670)	(1,670)	-	(355)	(355)
Other comprehensive loss for the financial year, net of tax	(250)	-	(250)	-	-	-
Total comprehensive (loss)/ income for the financial year	1,332	(3,955)	(2,623)	(13,600)	(1,225)	(14,532)

The Unaudited Interim Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017 and the accompanying notes attached to the unaudited interim financial statements.

ZURICH TAKAFUL MALAYSIA BERHAD
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**UNAUDITED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018**

	Share capital	Non- distributable Available-for- sale reserve	Distributable Retained earnings	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2018	190,000	(47)	(27,160)	162,793
Issue of share capital during the financial Year	-	-	-	-
Net loss for the financial year	-	-	(2,373)	(2,373)
Other comprehensive income for the financial year	-	(250)	-	(250)
At 30 June 2018	190,000	(297)	(29,533)	160,170
At 1 January 2017	160,000	-	3,303	156,697
Issue of share capital during the financial Year	30,000	-	-	30,000
Net loss for the financial year	-	-	(14,532)	(14,532)
Other comprehensive income for the financial year	-	-	-	-
At 30 June 2017	190,000	-	(17,835)	172,165

The Unaudited Interim Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017 and the accompanying notes attached to the unaudited interim financial statements.

ZURICH TAKAFUL MALAYSIA BERHAD
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**UNAUDITED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

	<u>Note</u>	<u>2018</u>	<u>2017</u>
		RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operating activities	16	6,934	265,681
Distribution income received		5,302	4,926
Profit income received		11,757	10,085
Income tax paid		(5,681)	(3,448)
Net cash flows used in from operating activities		18,312	277,244
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible assets		-	(2,232)
Net cash flows used in investing activities		-	(2,232)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares		-	30,000
Proceeds from issuance of Subordinated Obligation		-	73,000
Net cash flows generated from financing activities		-	103,000
NET INCREASE IN CASH AND CASH EQUIVALENTS		18,312	378,012
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		94,288	55,679
Reduction in net liabilities from disposal of General business		(12,525)	-
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR		100,075	433,691
Cash and cash equivalents consist of:			
Cash and bank balances		100,075	55,679

The Unaudited Interim Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017 and the accompanying notes attached to the unaudited interim financial statements.

ZURICH TAKAFUL MALAYSIA BERHAD
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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The unaudited interim financial statements should be read in conjunction with the audited annual financial statements of the Company for the financial year ended 31 December 2017.

The explanatory notes attached to the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Company since the year ended 31 December 2017.

2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Company for the unaudited condensed interim financial statements are consistent with those adopted in the Company's audited financial statements for the financial year ended 31 December 2017, except for the adoption of the following with effective date 1 January 2018.

MFRS, Interpretations and amendments :

- Amendments to MFRS 4 – Applying MFRS 9 "Financial Instruments" with MFRS 4 "Insurance Contracts"
- MFRS 9 "Financial Instruments" will replace MFRS 139 "Financial Instruments : Recognition and Measurement"
- MFRS 15 "Revenue from contracts with customers" replaces MFRS 118 "Revenue" and MFRS 111 "Construction contracts" and related interpretations.

MFRS 9 "Financial Instruments" is effective from annual periods beginning 1 January 2018. However, the Amendments to MFRS 4 Insurance Contracts included certain provisions to allow the deferral of MFRS 9 to 2021 (i.e to be adopted at the same time for entities which are predominantly operating as an insurance business.

The Company's business activity is predominantly insurance and hence, qualifies for the temporary exemption approach. Consequently, management has decided to apply the temporary exemption from MFRS 9 from its annual period beginning 1 January 2018 and will adopt MFRS 9 for its annual period beginning 1 January 2021.

The adoption of the above mentioned standards, amendments and interpretations issued by Malaysian Accounting Standard Board ("MASB") in the current financial year did not have any material impact to the unaudited condensed interim financial statements of the Company.

3 AUDITORS REPORT ON PRECEDING FINANCIAL STATEMENTS

The auditors report on the unaudited financial statements of the preceding year does not contain any qualification.

4 SEASONAL OR CYCLICAL FACTORS

The Company's business operations are not significantly affected by any unusual seasonal or cyclical factors.

5 UNUSUAL ITEMS

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the current financial period under review.

ZURICH TAKAFUL MALAYSIA BERHAD
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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

6 CHANGE IN ACCOUNTING ESTIMATES

There were no material changes in basis used for accounting estimates for the current financial period to date.

7 SUBORDINATED OBLIGATION

On 29 June 2017, the Company received a subordinated obligation in the form of Mudharabah Financing of RM73,000,000 for a tenure of 5 years from Zurich Holdings Malaysia Berhad ("ZHMB"), a related party. Any profit arising from investments placed using this financing less agreed expenses will be shared between ZHMB and the Company based on a ratio of 60:40. The Company may redeem the subordinated obligation, subject to prior consent from Bank Negara Malaysia ("BNM").

The Company has obtained the approval from BNM to perform early redemption of the subordinated obligation on 4 June 2018, of which the entire principal of the Mudharabah Financing, along with ZHMB's share of profit has been refunded to ZHMB.

8 DIVIDEND PAYMENT

There was no dividend payment made during the current financial period under review.

9 SIGNIFICANT AND SUBSEQUENT EVENT

On 1 June 2018, the assets and liabilities of the General Takaful business and the assets of the Shareholders' fund relating to the General Takaful business was transferred to Zurich General Takaful Malaysia Berhad ("ZGTMB") in accordance with the Business Transfer Scheme between the Company and ZGTMB which was approved and confirmed by the High Court of Malaya on 28 April 2018 in accordance with IFSA. There are no material subsequent events from the end of the current financial period under review to the date of these unaudited interim financial statements.

10 CHANGES IN COMPOSITION OF THE COMPANY

The Company was underwriting Family takaful business and all classes of General takaful up to 31 May 2018. On 1 June 2018, the Company transferred its entire General takaful business to ZGTMB as a going concern pursuant to a Business Transfer Scheme ("the Scheme") approved by the High Court of Malaya on 28 April 2018 in accordance with IFSA.

11 CONTINGENT LIABILITIES

There are no contingent liabilities as at the date of this report since the date of the last annual statement of financial position.

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ZURICH TAKAFUL MALAYSIA BERHAD
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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

12 INVESTMENTS

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
<u>At 30 June 2018</u>			
Malaysian Government Securities / Government Investment Issues	8,083	-	8,083
Islamic debt securities, unquoted	145,037	175,903	302,080
Shariah-approved quoted equities	-	81,308	100,168
Investment-linked units	2,930	-	-
Unit trusts	-	228,972	228,972
Deposits with financial institutions	-	-	-
	<u>156,050</u>	<u>486,183</u>	<u>639,303</u>

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
<u>At 31 December 2017</u>			
Malaysian Government Securities / Government Investment Issues	8,117	-	8,117
Islamic debt securities, unquoted	158,219	148,580	306,799
Shariah-approved quoted equities	-	106,515	106,515
Investment-linked units	3,045	-	-
Unit trusts	-	242,343	242,343
Deposits with financial institutions	-	-	-
	<u>169,381</u>	<u>497,438</u>	<u>663,774</u>

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ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

12 INVESTMENTS (CONTINUED)

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

At 30 June 2018

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
Available-for-sale ("AFS")	153,120	75,735	228,855
Fair value through profit or loss ("FVTPL")	2,930	410,448	410,448
	<u>156,050</u>	<u>486,183</u>	<u>639,303</u>
The following investments mature after 12 months: AFS	<u>122,354</u>	<u>75,735</u>	<u>198,089</u>

At 31 December 2017

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
Available-for-sale ("AFS")	166,336	67,909	234,245
Fair value through profit or loss ("FVTPL")	3,045	429,529	429,529
	<u>169,381</u>	<u>497,438</u>	<u>663,774</u>
The following investments mature after 12 months: AFS	<u>133,004</u>	<u>67,909</u>	<u>200,913</u>

ZURICH TAKAFUL MALAYSIA BERHAD
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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

12 INVESTMENTS (CONTINUED)

(a) AFS investments

At 30 June 2018

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
Fair value:			
Malaysian Government Securities			
Government Investment Issue	8,083	-	8,083
Islamic debt-securities, unquoted	145,037	75,735	220,772
	<u>153,120</u>	<u>75,735</u>	<u>228,855</u>

At 31 December 2017

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
Fair value:			
Malaysian Government Securities			
Government Investment Issue	8,117	-	8,117
Islamic debt-securities, unquoted	158,219	67,909	226,128
	<u>166,336</u>	<u>67,909</u>	<u>234,245</u>

(b) FVTPL investments

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
<u>At 30 June 2018</u>			
Fair value at designation:			
Shariah-approved quoted equities	-	81,308	81,308
Islamic debt securities, unquoted	-	100,168	100,168
Investment-linked units	2,930	-	-
Unit trusts	-	228,972	228,972
	<u>2,930</u>	<u>410,448</u>	<u>410,448</u>

At 31 December 2017

	Takaful Operator RM'000	Family Takaful Fund RM'000	Company RM'000
Fair value at designation:			
Shariah-approved quoted equities	-	106,515	106,515
Islamic debt securities, unquoted	-	80,671	80,671
Investment-linked units	3,045	-	-
Unit trusts	-	242,343	242,343
	<u>3,045</u>	<u>429,529</u>	<u>429,529</u>

ZURICH TAKAFUL MALAYSIA BERHAD
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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

12 INVESTMENTS (CONTINUED)

(c) Fair values of investments

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.

- 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.

ZURICH TAKAFUL MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

12 INVESTMENTS (CONTINUED)

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
(i) <u>Takaful Operator</u>			
<u>At 30 June 2018</u>			
(a) FVTPL investments			
Investment-linked units	2,930	-	2,930
(b) AFS investments			
Malaysian Government Securities	-	8,083	8,083
Islamic debt securities, unquoted	-	145,037	145,037
	-	153,120	153,120
<u>At 31 December 2017</u>			
(a) FVTPL investments			
Investment-linked units	3,045	-	3,045
(b) AFS investments			
Malaysian Government Securities	-	8,117	8,117
Islamic debt securities, unquoted	-	158,219	158,219
	-	166,336	166,336

ZURICH TAKAFUL MALAYSIA BERHAD
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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

12 INVESTMENTS (CONTINUED)

(e) Fair values of investments (continued)

Recurring fair value measurements: (continued)

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
(ii) <u>Family Takaful fund</u>				
<u>At 30 June 2018</u>				
(a) FVTPL investments				
Islamic debt securities, unquoted	-	81,308	-	81,308
Shariah-approved quoted equities	100,168	-	-	100,168
Unit trusts	228,972	-	-	228,972
	<u>329,140</u>	<u>81,308</u>	<u>-</u>	<u>410,448</u>
(b) AFS investments				
Islamic debt securities, unquoted	-	75,735	-	75,735
	<u>-</u>	<u>75,735</u>	<u>-</u>	<u>75,735</u>
<u>At 31 December 2017</u>				
(a) FVTPL investments				
Islamic debt securities, unquoted	-	80,671	-	80,671
Shariah-approved quoted equities	106,513	-	2	106,515
Unit trusts	242,343	-	-	242,343
	<u>348,856</u>	<u>80,671</u>	<u>2</u>	<u>429,529</u>
(b) AFS investments				
Islamic debt securities, unquoted	-	67,909	-	67,909
	<u>-</u>	<u>67,909</u>	<u>-</u>	<u>67,909</u>

ZURICH TAKAFUL MALAYSIA BERHAD
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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

12 INVESTMENTS (CONTINUED)

(e) Fair values of investments (continued)

Recurring fair value measurements: (continued)

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
(iii) <u>Company</u>				
<u>At 30 June 2018</u>				
(a) FVTPL investments				
Islamic debt securities, unquoted	-	81,308	-	81,308
Shariah-approved quoted equities	100,168	-	-	100,168
Unit trusts	228,972	-	-	228,972
	<u>329,140</u>	<u>81,308</u>	<u>-</u>	<u>410,448</u>
(b) AFS investments				
Malaysian Government Securities	-	8,083	-	8,083
Islamic debt securities, unquoted	-	220,772	-	220,772
	<u>-</u>	<u>228,855</u>	<u>-</u>	<u>228,855</u>
<u>At 31 December 2017</u>				
(a) FVTPL investments				
Islamic debt securities, unquoted	-	80,671	-	80,671
Shariah-approved quoted equities	106,513	-	2	106,515
Unit trusts	242,343	-	-	242,343
	<u>348,856</u>	<u>80,671</u>	<u>2</u>	<u>429,529</u>
(b) AFS investments				
Malaysian Government Securities	-	5,089	-	5,089
Islamic debt securities, unquoted	-	229,156	-	229,156
	<u>-</u>	<u>234,245</u>	<u>-</u>	<u>234,245</u>
Discontinued Operations :				
(b) AFS investments				
Islamic debt securities, unquoted	-	159,692	-	159,692

13 RETAKAFUL ASSETS

RM'000

At 30 June 2018

Retakaful of Takaful contracts (Note 14)

- Family Takaful Fund

17,198

At 31 December 2017

Retakaful of Takaful contracts (Note 14)

- Family Takaful Fund

15,535

The carrying amount disclosed above in respect of retakaful of takaful contracts approximate fair values at the date of the statement of financial position.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

14 TAKAFUL CONTRACT LIABILITIES

	2018			2017		
	Gross	Retakaful	Net	Gross	Retakaful	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Family Takaful (Note 14(a))	567,388	(17,198)	550,190	561,560	(15,535)	546,025
General Takaful (Note 14(b))						
- Discontinued Operations (Note 15)	-	-	-	390,834	(188,794)	202,040
Total				952,394	(204,355)	748,065
Less: Net asset value of investment-linked units held by Takaful Operator	2,930	-	2,930	3,045	-	3,045
	<u>564,458</u>	<u>(17,198)</u>	<u>547,260</u>	<u>949,349</u>	<u>(204,355)</u>	<u>745,020</u>

(a) Family Takaful

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

	2018			2017		
	Gross	Retakaful	Net	Gross	Retakaful	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Certificateholders' liabilities	92,047	(14,248)	77,799	84,941	(13,567)	71,374
Net asset value attributable to unitholders	442,291	-	442,291	440,868	-	440,868
Actuarial liabilities	534,338	(14,248)	520,090	525,809	(13,567)	512,242
Unallocated surplus attributable to unitholders	9,263	-	9,263	16,857	-	16,857
Accumulated deficits of non-investment-linked funds	(21,606)	-	(21,606)	(17,651)	-	(17,651)
Qardhul Hassan	21,606	-	21,606	17,651	-	17,651
Claims liabilities	24,386	(2,950)	21,436	17,823	(1,968)	15,855
Available-for-sale fair value adjustment	(599)	-	(599)	1,071	-	1,071
	<u>567,388</u>	<u>(17,198)</u>	<u>550,190</u>	<u>561,560</u>	<u>(15,535)</u>	<u>546,025</u>

	Gross	Re-Takaful	Net
	RM'000	RM'000	RM'000
At 1 January 2017	493,391	(14,949)	478,442
Contributions received	277,687	(20,051)	257,636
Liabilities paid for death, maturities, surrenders, benefits and claims	(139,700)	18,630	(121,070)
Movement in claims liabilities	(5,102)	303	(4,799)
Experience variance on inforce Takaful certificates	1,314	(887)	427
Reserve on new policies	(5,660)	1,196	(4,464)
Miscellaneous	21,306	223	21,529
Fees deducted	(77,468)	-	(77,468)
Surplus distributed to Takaful Operator	(13,500)	-	(13,500)
Qardhul Hassan	8,917	-	8,917
Movement in AFS fair value adjustments			
- gross fair value changes	315	-	315
- deferred tax	60	-	60
Movement in AFS fair value adjustments	375	-	375
At 31 December 2017	<u>561,560</u>	<u>(15,535)</u>	<u>546,025</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

14 TAKAFUL CONTRACT LIABILITIES (CONTINUED)

(a) Family Takaful (continued)

	Gross RM'000	Re-Takaful RM'000	Net RM'000
At 1 January 2018	561,560	(15,535)	546,025
Contributions received	167,562	(11,093)	156,469
Liabilities paid for death, maturities, surrenders, benefits and claims	(78,677)	11,334	(67,343)
Movement in claims liabilities	(6,563)	982	(5,581)
Experience variance on inforce Takaful certificates	2,595	(297)	2,298
Reserve on new policies	(6,014)	978	(5,036)
Miscellaneous	(23,355)	(3,567)	(26,922)
Fees deducted	(45,158)	-	(45,158)
Surplus distributed to Takaful Operator	(6,847)	-	(6,847)
Qardhul Hassan	3,955	-	3,955
Movement in AFS fair value adjustments			
- gross fair value changes	(1,670)	-	(1,670)
- deferred tax	-	-	-
Movement in AFS fair value adjustments	(1,670)	-	(1,670)
At 30 June 2018	567,388	(17,198)	550,190

(b) General Takaful

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

	Discontinued Operations 2018			Discontinued Operations 2017		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Provision for claims	-	-	-	191,370	(115,525)	75,845
Provision for IBNR	-	-	-	49,353	(27,627)	21,726
Provision for adverse Deviation	-	-	-	24,982	(15,789)	9,193
Claim liabilities (i)	-	-	-	265,705	(158,941)	106,764
Unearned contribution reserves (ii)	-	-	-	114,678	(29,852)	84,825
Available-for-sale reserves fair value adjustment (iii)	-	-	-	142	-	142
Unallocated surplus (iv)	-	-	-	10,309	-	10,309
	-	-	-	390,834	(188,794)	202,040

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

15 ASSETS AND LIABILITIES OF A DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE

In accordance with the requirements of Islamic Financial Service Act 2013 ("IFSA"), a takaful operator that carries on both classes of family takaful and general takaful businesses must take steps to split the businesses under separate legal entities before 1 July 2018.

The assets and liabilities of the General Takaful business of the Company, and the assets and liabilities of the Takaful operator used to manage the General Takaful business have been presented as a disposal group classified as held-for-sale in the previous financial year following the approval by the Directors to dispose the business to another legal entity as required by the IFSA. Approval from BNM was obtained, and the disposal was completed on 1 June 2018.

Accordingly, the statement of financial position, statement of profit or loss, statement of comprehensive income and statement of cash flows of the General Takaful Fund and General Takaful Operator Fund have been classified as a disposal group or discontinued operations in previous financial year.

The consideration for the transfer of the assets and liabilities of the General takaful business as at 1 June 2018 was RM1.00. The General takaful business is transferred to Zurich General Takaful Malaysia Berhad ("ZGTMB") which is ultimately controlled by the same party of the Company.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

16 CASH FLOWS

	2018 RM'000	2017 RM'000
Net loss for the financial year	(2,623)	(14,532)
Adjustment for:		
Investment income	(13,158)	(14,569)
Realised gains from disposal of FVTPL and AFS investments	2,080	(3,403)
Fair value losses/(gains)	27,459	(14,916)
Purchase of FVTPL investments	(73,824)	(109,821)
Proceeds from sale of FVTPL investments	62,517	76,694
Purchase of AFS investments	(56,545)	-
Proceeds from sale and maturity of AFS investments	59,611	-
Non-cash items:		
Depreciation of property and equipment	649	980
Write-offs of property and equipment	-	5
Loss on disposal of property and equipment	16	-
Amortisation of intangible assets	590	529
(Write-back)/allowance for impairment loss	-	(421)
Tax expense attributable to Takaful Operator	2,727	4,107
Tax expense attributable to participants	(1,540)	3,495
Changes in working capital:		
Decrease / (increase) in loans and receivables	-	279,320
Decrease / (increase) in retakaful assets	(1,663)	17,848
(Increase) / decrease in Takaful receivables	(658)	(6,057)
Decrease in other receivables	(1,836)	(614)
Increase in Takaful contract liabilities	5,944	26,798
Decrease in Takaful payables	517	24,019
(Decrease) / increase in other payables	(4,617)	(2,464)
Increase/(decrease) in expense liabilities	1,288	(1,317)
Cash used in operating activities	6,934	265,681

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

17 CAPITAL AND OTHER COMMITMENTS

Capital expenditure and other commitments not provided for in the financial statements are as follows:

	2018 RM'000	2017 RM'000
Authorised and contracted for:		
- Office rental	1,782	1,717
- Office renovation	-	-
- Leasing of copier	155	240
	<u>1,937</u>	<u>1,957</u>

18 RISK MANAGEMENT FRAMEWORK

Capital Management

	2018 RM'000	2017 RM'000
<u>Tier 1 Capital</u>		
Paid-up capital	190,000	190,000
Reserves, including retained earnings	<u>(33,433)</u>	<u>(14,354)</u>
	156,567	175,646
<u>Tier 2 Capital</u>		
Available-for-sale reserve	(851)	1,166
Long term debt	-	73,000
Less:		
Deferred tax assets	-	(3,098)
Total Capital Available	<u>155,716</u>	<u>246,714</u>

