

# UNAUDITED INTERIM FINANCIAL STATEMENTS

For The Six Months Period Ended 30 June 2020

## About Zurich Takaful in Malaysia

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Zurich Takaful Malaysia Berhad (ZTMB) is one of Malaysia's leading family takaful operators. It is a member of Zurich Insurance Group and the sole provider of shariah-compliant family takaful products within Zurich. With more than a decade of Takaful market expertise, ZTMB offers protection, medical and health, savings as well as investments solutions to address its customers' needs at different life stages. Together with its dedicated employees, agency force, distributors and partners, supported by its nationwide branch network, ZTMB is committed to help its customers understand and protect themselves from risks.

Company No.  
200601012246 (731996-H)

**ZURICH TAKAFUL MALAYSIA BERHAD**  
(Incorporated in Malaysia)

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Company No.  
200601012246 (731996-H)

**ZURICH TAKAFUL MALAYSIA BERHAD**  
(Incorporated in Malaysia)

**UNAUDITED INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2020**

		2020			2019		
	<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
ASSETS							
Property and equipment		3,677	-	3,677	4,172	-	4,172
Intangible assets		2,464	-	2,464	2,576	-	2,576
Right-of-use assets		5,773	-	5,773	6,092	-	6,092
Investments	12	132,271	624,608	753,919	99,127	578,167	674,244
Takaful receivables		-	276	276	-	7,935	7,935
Qard receivable	13	15,004	-	-	14,670	-	-
Retakaful assets	14	-	25,505	25,505	-	25,343	25,343
Other receivables		17,437	2,696	8,131	32,062	3,343	8,959
Current tax assets		-	1,430	1,430	303	1,427	1,730
Deferred tax assets		-	3,184	3,184	-	-	-
Cash and bank balances		22,972	81,669	104,641	52,638	91,802	144,440
TOTAL ASSETS		199,598	739,368	909,000	211,640	708,017	875,491

*The Unaudited Interim Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2019 and the accompanying notes attached to the unaudited interim financial statements.*

Company No.  
200601012246 (731996-H)

**ZURICH TAKAFUL MALAYSIA BERHAD**  
(Incorporated in Malaysia)

**UNAUDITED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2020 (CONTINUED)**

	<u>Note</u>	<b>2020</b>			<b>2019</b>		
		<b>Takaful Operator</b>	<b>Family Takaful Fund</b>	<b>Company</b>	<b>Takaful Operator</b>	<b>Family Takaful Fund</b>	<b>Company</b>
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>LIABILITIES</b>							
Takaful contract liabilities	15	-	703,339	700,379	-	656,222	653,172
Takaful payables		-	5,751	5,751	-	297	297
Qard payable		-	32,655	-	-	32,321	-
Other payables		28,594	28,252	44,844	40,100	49,156	62,810
Lease liabilities		5,823	-	5,823	6,113	-	6,113
Expense liabilities		19,043	-	19,043	18,301	-	18,301
Current tax liabilities		1,263	1,656	2,919	-	1,974	1,974
Deferred tax liabilities		3,626	370	3,996	3,442	368	3,810
<b>TOTAL LIABILITIES</b>		<b>58,349</b>	<b>772,023</b>	<b>782,755</b>	<b>67,956</b>	<b>740,338</b>	<b>746,477</b>
<b>SHAREHOLDERS' EQUITY</b>							
Share capital		120,000	-	120,000	120,000	-	120,000
Retained earnings/ (accumulated losses)		19,377	(32,655)	4,373	22,536	(32,321)	7,866
Available-for-sale reserve		1,872	-	1,872	1,148	-	1,148
		141,249	(32,655)	126,245	143,684	(32,321)	129,014
<b>TOTAL LIABILITIES, PARTICIPANTS' FUNDS AND SHAREHOLDERS' EQUITY</b>		<b>199,598</b>	<b>739,368</b>	<b>909,000</b>	<b>211,640</b>	<b>708,017</b>	<b>875,491</b>

*The Unaudited Interim Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2019 and the accompanying notes attached to the unaudited interim financial statements.*

Company No.  
200601012246 (731996-H)

**ZURICH TAKAFUL MALAYSIA BERHAD**  
(Incorporated in Malaysia)

**UNAUDITED INTERIM STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

	2020			2019		
	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	-	187,859	187,859	-	199,054	199,054
Contribution ceded to retakaful operators	-	(18,768)	(18,768)	-	(14,154)	(14,154)
<b>Net earned contributions</b>	<b>-</b>	<b>169,091</b>	<b>169,091</b>	<b>-</b>	<b>184,900</b>	<b>184,900</b>
Wakalah fee income	71,939	-	-	70,304	-	-
Investment income	2,618	12,140	14,758	2,656	8,604	11,260
Realised gains	13	-	13	140	175	315
Fair value gains	-	-	-	200	21,764	21,964
Other operating income – net	99	1,546	1,645	190	1,484	1,674
<b>Other income</b>	<b>74,669</b>	<b>13,686</b>	<b>16,416</b>	<b>73,490</b>	<b>32,027</b>	<b>35,213</b>
<b>Total revenue</b>	<b>74,669</b>	<b>182,777</b>	<b>185,507</b>	<b>73,490</b>	<b>216,927</b>	<b>220,113</b>
Gross benefits and claims paid	-	(61,850)	(61,850)	-	(91,881)	(91,881)
Claims ceded to retakaful operators	-	10,412	10,412	-	16,941	16,941
Gross change to contract liabilities	-	(45,539)	(45,539)	-	(79,189)	(72,362)
Change in contract liabilities ceded to retakaful operators	-	1,996	1,996	-	11	11
<b>Net claims</b>	<b>-</b>	<b>(94,981)</b>	<b>(94,981)</b>	<b>-</b>	<b>(154,118)</b>	<b>(154,118)</b>

*The Unaudited Interim Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2019 and the accompanying notes attached to the unaudited interim financial statements.*

Company No.  
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**ZURICH TAKAFUL MALAYSIA BERHAD**  
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**UNAUDITED INTERIM STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2020 (CONTINUED)**

	2020			2019		
	Takaful Operator	Family Takaful Fund	Company	Takaful Operator	Family Takaful Fund	Company
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Wakalah fee expenses	-	(71,939)	-	-	(70,304)	-
Fee and commission expenses	(44,410)	-	(44,410)	(39,130)	-	(39,130)
Management expenses	(29,421)	-	(29,421)	(32,507)	-	(32,507)
Fair value losses	(90)	(19,779)	(19,869)	-	-	-
Impairment on right-of-use asset	(113)	-	(113)	(168)	-	(168)
Other operating expenses	(699)	-	(699)	(550)	-	(550)
Expense liabilities	(742)	-	(742)	(2,094)	-	(2,094)
<b>Other expenses</b>	<b>(75,475)</b>	<b>(91,718)</b>	<b>(95,254)</b>	<b>(74,449)</b>	<b>(70,304)</b>	<b>(74,447)</b>
<b>Loss before taxation</b>	<b>(806)</b>	<b>(3,922)</b>	<b>(4,728)</b>	<b>(959)</b>	<b>(7,495)</b>	<b>(8,454)</b>
Tax income/(expense) attributable to participants	-	3,588	3,588	-	(801)	(801)
<b>Loss before taxation attributable to Takaful Operator</b>	<b>(806)</b>	<b>(334)</b>	<b>(1,140)</b>	<b>(959)</b>	<b>(8,296)</b>	<b>(9,255)</b>
Taxation	(2,353)	3,588	1,235	(808)	(801)	(1,609)
Tax expense attributable to participants	-	(3,588)	(3,588)	-	801	801
Tax expense attributable to Takaful Operator	(2,353)	-	(2,353)	(808)	-	(808)
<b>Net loss for the financial period</b>	<b>(3,159)</b>	<b>(334)</b>	<b>(3,493)</b>	<b>(1,767)</b>	<b>(8,296)</b>	<b>(10,063)</b>

*The Unaudited Interim Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2019 and the accompanying notes attached to the unaudited interim financial statements.*

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**ZURICH TAKAFUL MALAYSIA BERHAD**  
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**UNAUDITED INTERIM STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2020 (CONTINUED)**

	30.06.2020			30.06.2019		
	Takaful Operator	Family Takaful Fund	Company	Takaful Operator	Family Takaful Fund	Company
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Net loss for the financial period</b>	<b>(3,159)</b>	<b>(334)</b>	<b>(3,493)</b>	<b>(1,767)</b>	<b>(8,296)</b>	<b>(10,063)</b>
<b>Other comprehensive (loss)/income:</b>						
<b><u>Items that may be subsequently reclassified to profit or loss:</u></b>						
Fair value changes on available-for-sale financial assets:						
- Gross fair value changes	953	3,708	4,661	879	4,170	5,049
- Deferred tax	(229)	(297)	(526)	(196)	(333)	(529)
- Net fair value changes	724	3,411	4,135	683	3,837	4,520
Changes in Takaful contract liabilities arising from unrealised net fair value changes	-	(3,411)	(3,411)	-	(3,837)	(3,837)
<b>Other comprehensive income for the financial period, net of tax</b>	<b>724</b>	<b>-</b>	<b>724</b>	<b>683</b>	<b>-</b>	<b>683</b>
<b>Total comprehensive loss for the financial period</b>	<b>(2,435)</b>	<b>(334)</b>	<b>(2,769)</b>	<b>(1,084)</b>	<b>(8,296)</b>	<b>(9,380)</b>

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**UNAUDITED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020**

	Share capital	Non- distributable Available- for- sale reserve	Distributable Retained earnings	Total
	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2020</b>	<b>120,000</b>	<b>1,148</b>	<b>7,866</b>	<b>129,014</b>
Net loss for the financial period	-	-	(3,493)	(3,493)
Other comprehensive income for the financial period	-	724	-	724
<b>At 30 June 2020</b>	<b>120,000</b>	<b>1,872</b>	<b>4,373</b>	<b>126,245</b>
<b>At 1 January 2019</b>	<b>190,000</b>	<b>168</b>	<b>(36,122)</b>	<b>154,046</b>
Reduction of capital	(90,000)	-	50,000	(40,000)
Net loss for the financial period	-	-	(10,063)	(10,063)
Other comprehensive loss for the financial period	-	683	-	683
<b>At 30 June 2019</b>	<b>100,000</b>	<b>851</b>	<b>3,815</b>	<b>104,666</b>

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**ZURICH TAKAFUL MALAYSIA BERHAD**  
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**UNAUDITED INTERIM STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

	<b>Note</b>	<b>6 months ended 30.6.2020 RM'000</b>	<b>6 months ended 30.6.2019 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash (used in)/generated in operating activities	16	(56,119)	343
Distribution income received		9,444	3,681
Profit income received		8,900	7,871
Interest expenses on lease liabilities		(113)	(168)
Income tax paid		(1,044)	(2,160)
<b>Net cash (outflows)/inflows from operating activities</b>		<b>(38,932)</b>	<b>9,567</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipment		-	(23)
Purchase of intangible assets		(94)	(379)
<b>Net cash flows used in investing activities</b>		<b>(94)</b>	<b>(402)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of lease liabilities		(773)	(784)
Reduction of capital		-	(90,000)
Utilisation of capital reduction against accumulated losses		-	50,000
<b>Net cash flows used in financing activities</b>		<b>(773)</b>	<b>(40,784)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(39,799)</b>	<b>(31,619)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR</b>		<b>144,440</b>	<b>114,931</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR</b>		<b>104,641</b>	<b>83,312</b>
<b>Cash and cash equivalents consist of:</b>			
Cash and bank balances		104,641	83,312

*The Unaudited Interim Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2019 and the accompanying notes attached to the unaudited interim financial statements.*

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

**1 BASIS OF PREPARATION**

The condensed interim financial statements of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") 134 Interim Financial Reporting, International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 2016 in Malaysia. The unaudited condensed interim financial statements should be read in conjunction with the audited annual financial statements of the Company for the financial year ended 31 December 2019, which were prepared in accordance with the MFRS and IFRS.

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 2019.

**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 2019, except for the adoption of the following:

<u>Description</u>	<u>Effective Date</u>
The Conceptual Framework for Financial Reporting	1 January 2020
Amendments to MFRS 3 - Definition of Business	1 January 2020
Amendments to MFRS 101 and MFRS 108 - Definition of Material	1 January 2020
Amendments to MFRS 16 – Covid 19 - Related Rent Concessions	1 January 2020

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 2023 (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 2023.

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 CHANGES IN ACCOUNTING POLICIES**

There were no changes in accounting policies for the financial period ended 30 June 2020.

**4 AUDITORS REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS**

The auditor's report on the audited financial statements for the financial year ended 31 December 2019 was not qualified.

Company No.  
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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)**

**5 SEASONAL OR CYCLICAL FACTORS**

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

**6 UNUSUAL ITEMS**

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

With the rapid development of COVID-19 outbreak in Malaysia, the Government issued a Movement Control Order ("MCO") beginning from 18 March 2020 until 31 March 2020. The MCO was subsequently extended to 3 May 2020. The MCO imposes limitation on movement of people, suspension of non-essential business operations, travel restrictions, and quarantine measures. The Government has also introduced various economic stimulus plans to assist the citizens and businesses.

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 ("RMC") from 10 June 2020 until 31 August 2020 with further relaxation on economic and social activities.

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

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

**7 CHANGE IN ACCOUNTING ESTIMATES**

There were no material changes in the basis used for accounting estimates for the financial period ended 30 June 2020.

**8 DIVIDEND PAYMENT**

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

**9 SIGNIFICANT EVENT FOR THE FINANCIAL PERIOD**

There is no significant event to the end of the period under review that has not been reported in the interim financial statements for the current financial period to date.

**10 CHANGES IN COMPOSITION OF THE COMPANY**

There were no changes in composition of the Company during the current financial period under review.

**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**

	<b>Takaful Operator</b>	<b>Family Takaful Fund</b>	<b>Company</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>At 30 June 2020</u>			
Malaysian Government Securities /			
Government Investment Issues	-	4,575	4,575
Islamic debt securities, unquoted	129,311	261,467	390,778
Shariah-approved quoted equities	-	117,368	117,368
Investment-linked units	2,960	-	-
Unit trusts	-	241,198	241,198
	<b>132,271</b>	<b>624,608</b>	<b>753,919</b>

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
	<b>99,127</b>	<b>578,167</b>	<b>674,244</b>

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

	<b>Takaful Operator</b>	<b>Family Takaful Fund</b>	<b>Company</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>At 30 June 2020</u>			
Available-for-sale ("AFS") Financial Assets	129,311	202,970	332,281
Fair value through profit or loss ("FVTPL")	2,960	421,638	421,638
	<b>132,271</b>	<b>624,608</b>	<b>753,919</b>

The following investments mature after 12 months:

AFS Financial Assets	108,821	202,970	311,791
FVTPL	-	60,503	60,503
	<b>108,821</b>	<b>263,473</b>	<b>372,294</b>

At 31 December 2019

Available-for-sale ("AFS") Financial Assets	96,077	156,468	252,545
Fair value through profit or loss ("FVTPL")	3,050	421,699	421,699
	<b>99,127</b>	<b>578,167</b>	<b>674,244</b>

The following investments mature after 12 months:

AFS Financial Assets	84,697	156,468	241,165
FVTPL	-	58,934	58,934
	<b>84,697</b>	<b>215,402</b>	<b>300,099</b>

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

**12 INVESTMENTS (CONTINUED)**

	<b>Takaful Operator</b>	<b>Family Takaful Fund</b>	<b>Company</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>At 30 June 2020</u>			
(a) AFS Financial Assets			
<u>At 30 June 2020</u>			
Fair value:			
Malaysian Government Securities			
Government Investment Issue	-	3,461	3,461
Islamic debt-securities, unquoted	129,311	199,509	328,820
	<u>129,311</u>	<u>202,970</u>	<u>332,281</u>
(b) FVTPL			
Fair value at designation:			
Malaysian Government Securities			
Government Investment Issue	-	1,113	1,113
Shariah-approved quoted equities	-	117,368	117,368
Islamic debt securities, unquoted	-	61,959	61,959
Investment-linked units	2,960	-	-
Unit trusts	-	241,198	241,198
	<u>2,960</u>	<u>421,638</u>	<u>421,638</u>
<u>At 31 December 2019</u>			
(a) AFS Financial Assets			
<u>At 31 December 2019</u>			
Fair value:			
Islamic debt-securities, unquoted	96,077	156,468	252,545
	<u>96,077</u>	<u>156,468</u>	<u>252,545</u>
(b) FVTPL			
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
	<u>3,050</u>	<u>421,699</u>	<u>421,699</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.

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)**

**12 INVESTMENTS (CONTINUED)**

(c) 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	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
<u>At 30 June 2020</u>				
(i) Takaful Operator				
(a) FVTPL				
Investment-linked units	2,960	-	-	2,960
(b) AFS Financial Assets				
Islamic debt securities, unquoted	-	129,311	-	129,311
	-	129,311	-	129,311
(ii) Family Takaful fund				
(a) FVTPL				
Malaysian Government Securities	-	1,113	-	1,113
Islamic debt securities, unquoted	-	61,959	-	61,959
Shariah-approved quoted equities	117,368	-	-	117,368
Unit trusts	241,198	-	-	241,198
	358,566	63,072	-	421,638
(b) AFS Financial Assets				
Malaysian Government Securities	-	3,461	-	3,461
Islamic debt securities, unquoted	-	199,509	-	199,509
	-	202,970	-	202,970
(iii) Company				
(a) FVTPL				
Malaysian Government Securities	-	1,113	-	1,113
Islamic debt securities, unquoted	-	61,959	-	61,959
Shariah-approved quoted equities	117,368	-	-	117,368
Unit trusts	241,198	-	-	241,198
	358,566	63,072	-	421,638
(b) AFS Financial Assets				
Malaysian Government Securities	-	3,461	-	3,461
Islamic debt securities, unquoted	-	328,820	-	328,820
	-	332,281	-	332,281



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**INVESTMENTS (CONTINUED)**

(c) Fair values of investments (continued)

Recurring fair value measurements: (continued)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<u>At 31 December 2019</u>				
(i) Takaful Operator				
(a) FVTPL				
Investment-linked units	3,050	-	-	3,050
(b) AFS Financial Assets				
Islamic debt securities, unquoted	-	96,077	-	96,077
	-	96,077	-	96,077
(ii) Family Takaful fund				
(a) FVTPL				
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 Financial Assets				
Islamic debt securities, unquoted	-	156,468	-	156,468
(iii) Company				
(a) FVTPL				
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 Financial Assets				
Malaysian Government Securities	-	-	-	-
Islamic debt securities, unquoted	-	252,545	-	252,545
	-	252,545	-	252,545

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)**

**13 QARD RECEIVABLE**

	<b>Takaful Operator</b>	
	<b>30.6.2020</b>	<b>31.12.2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Qard receivable	32,655	32,321
Less : Allowance for impairment loss	(17,651)	(17,651)
	<u>15,004</u>	<u>14,670</u>

Allowance for impairment loss represents the difference between the carrying amount of Qard receivable and its projected recoverable amount. As at 31 December 2019, 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.

**14 RETAKAFUL ASSETS**

	<b>30.6.2020</b>	<b>31.12.2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Retakaful of Takaful contracts (Note 15)		
- Family Takaful Fund	<u>25,505</u>	<u>25,343</u>

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)**

**15 TAKAFUL CONTRACT LIABILITIES**

	30.6.2020			31.12.2019		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Family Takaful Fund	703,339	(25,505)	677,834	656,222	(25,343)	630,879
Less: Net asset value of investment-linked units held by Takaful Operator Company	2,960	-	2,960	3,050	-	3,050
	700,379	(25,505)	674,874	653,172	(25,343)	627,829

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

	30.6.2020			31.12.2019		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Certificateholders' liabilities	200,455	(18,042)	182,413	180,589	(19,876)	160,713
Net asset value						
attributable to unitholders	435,734	-	435,734	429,755	-	429,755
Actuarial liabilities	636,189	(18,042)	618,147	610,344	(19,876)	590,468
Unallocated surplus						
attributable to unitholders	28,197	-	28,197	16,910	-	16,910
Accumulated deficits						
of non-investment- linked funds	(37,429)	-	(37,429)	(35,370)	-	(35,370)
Qard	32,655	-	32,655	32,321	-	32,321
Claims liabilities	33,998	(7,463)	26,535	25,700	(5,467)	20,233
Available-for-sale						
fair value adjustment	9,729	-	9,729	6,317	-	6,317
	703,339	(25,505)	677,834	656,222	(25,343)	630,879

	Gross RM'000	Retakaful RM'000	Net RM'000
At 1 January 2019	551,491	(19,144)	532,347
Contributions received	405,631	(32,212)	373,419
Liabilities paid for death, maturities, surrenders, benefits and claims	(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 policies	(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	6,109	-	6,109
- deferred tax	(488)	-	(488)
Movement in AFS fair value adjustments	5,621	-	5,621
At 31 December 2019	656,222	(25,343)	630,879

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**15 TAKAFUL CONTRACT LIABILITIES (CONTINUED)**

	<b>Gross</b>	<b>Retakaful</b>	<b>Net</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January 2020	656,222	(25,343)	630,879
Contributions received	187,859	(18,768)	169,091
Liabilities paid for death, maturities, surrenders, benefits and claims	(61,850)	10,413	(51,437)
Movement in claims liabilities	(8,299)	1,995	(6,304)
Experience variance on inforce Takaful certificates	1,467	(2,275)	(808)
Reserve on new policies	(14,775)	441	(14,334)
Miscellaneous	12,053	8,032	20,085
Fees deducted	(61,583)	-	(61,583)
Surplus distributed to Takaful Operator	-	-	-
Qardhul Hassan	334	-	334
Prior year surplus distributed to participant fund	(11,500)	-	(11,500)
Movement in AFS fair value adjustments:			
- gross fair value changes	3,708	-	3,708
- deferred tax	(297)	-	(297)
Movement in AFS fair value adjustments	3,411	-	3,411
At 30 June 2020	703,339	(25,505)	677,834

Any surplus arising during the financial period/year will only be distributed at year end as recommended by the Appointed Actuary.

**16 CASH FLOWS**

	<b>30.06.2020</b>	<b>30.6.2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Net loss for the financial period	(3,493)	(3,236)
<b>Adjustment for:</b>		
Investment income	(14,758)	(11,260)
Realised gains from disposal of FVTPL and AFS investments	(13)	(315)
Fair value losses/(gains)	19,869	(21,964)
Depreciation of property and equipment	494	639
Loss on disposal of property and equipment	-	-
Amortisation of intangible assets	207	246
Depreciation of right-of-use assets	805	761
Interest expenses on lease liabilities	113	168
Tax expense attributable to Takaful Operator	2,353	808
Tax (income)/expense attributable to participants	(3,588)	801
<b>Changes in working capital:</b>		
Decrease in financial assets at fair value through profit or loss	(19,895)	(25,479)
(Decrease)/increase in available-for-sale financial assets	(75,003)	4,700
Increase in retakaful assets	(162)	(993)
Decrease/(Increase) in Takaful receivables	7,659	(5,990)
Decrease in other receivables	836	419
Increase in Takaful contract liabilities	43,897	58,843
Increase/(decrease) in Takaful payables	5,453	(1,143)
(Decrease)/increase in other payables	(21,635)	1,244
Increase in expense liabilities	742	2,094
Cash (used in)/generated from operating activities	(56,119)	343

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**17 RISK MANAGEMENT FRAMEWORK**

Capital Management

	<b>30.6.2020</b>	<b>31.12.2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Tier 1 Capital</u>		
Paid-up capital	120,000	120,000
Reserves, including retained earnings	1,719	7,736
	<u>121,719</u>	<u>127,736</u>
<u>Tier 2 Capital</u>		
Available-for-sale reserve	9,123	5,732
Total Capital Available	<u>130,842</u>	<u>133,468</u>

**18 ADDITIONAL DISCLOSURE UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACT LIABILITIES**

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

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:

	<b>AAA to AA</b>	<b>A1 to A3</b>	<b>Not rated</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
30 June 2020				
AFS investments:				
Malaysian Government Securities	-	-	3,461	3,461
Islamic debt securities, unquoted	319,357	1,653	7,810	328,820
	<u>319,357</u>	<u>1,653</u>	<u>11,271</u>	<u>332,281</u>

- (b) Fair value / carrying amount:

	<b>Financial assets with SPPI cash flows</b>	<b>Other financial assets</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Fair value at 30 June 2020	332,281	560,191	892,472
Fair value changes during the financial period	4,661	(19,779)	(15,118)
Financial assets that do not have low credit risk:			
- Fair value/carrying amount at 30 June 2020 under MFRS 139	-	NA	NA

N/A – not applicable

**Zurich Takaful Malaysia Berhad**

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