Notes to the financial statements - 31 March 2021

1. Corporate information

The Company is principally engaged in the underwriting of general reinsurance, general retakaful and family retakaful businesses.

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at 12th Floor, Bangunan Malaysian Re, No. 17, Lorong Dungun, Damansara Heights, 50490 Kuala Lumpur, Malaysia.

The holding and ultimate holding company is MNRB, a company incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad.

The number of employees in the Company at the end of the financial year was 177 (2020: 163). The employees of the holding company performed certain administrative functions of the Company during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 24 June 2021.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with MFRS, International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 2016 in Malaysia.

At the beginning of the current financial year, the Company had adopted the amendments to the MFRSs applicable for annual financial periods beginning on or after 1 January 2020, as described fully in Note 2.26.

The financial statements of the Company have been prepared under the historical cost convention, unless otherwise stated in the accounting policies.

As at the reporting date, the Company has met the minimum capital requirements as prescribed by the RBC and RBCT Frameworks issued by BNM.

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

2. Significant accounting policies (cont'd.)

2.1 Basis of preparation (cont'd.)

Retakaful operations and its funds

Under the concept of retakaful, participants make contributions to a pool which is managed by a third party with the overall aim of using the monies to aid fellow participants in times of need. Accordingly, as a retakaful operator, the Company manages the general and family retakaful funds in line with the principles of Wakalah (agency), which is the business model used by the Company. Under the Wakalah model, the retakaful operator is not a participant in the fund but manages the funds (including the relevant assets and liabilities) towards the purpose outlined above.

In accordance with the IFSA 2013, the assets and liabilities of the retakaful funds are segregated from those of the retakaful operator; a concept known as segregation of funds. However, in compliance with MFRS 10 *Consolidated Financial Statements*, the assets, liabilities, income and expenses of the retakaful funds are consolidated with those of the retakaful operator to represent the control possessed by the retakaful operator over the respective funds. Upon consolidation, the related interfund balances and transactions are eliminated in full.

The analysis by funds for the statement of financial position and the statements of comprehensive income of the general and family retakaful fund, general reinsurance fund and the shareholder's fund are presented in Note 41.

2.2 Accounting period

The Company adopts quarterly accounting periods ending on 31 March, 30 June, 30 September and 31 December, insofar as the underwriting income and outgo for Market Cessions business is concerned. This is to correspond with the ceding companies' accounting periods.

Underwriting income and outgo in respect of other business classes and all other income and expenditure are for the 12 months period ending on 31 March annually.

2.3 Investment in associate

An associate is a company in which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in the control or joint control over those policies.

The Company's investment in associate is measured at fair value through profit or loss in accordance with MFRS 9 as permitted by MFRS 127. The results of the associate are not equity accounted by virtue of the exemption described in Note 19.

On disposal of such investment, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

2. Significant accounting policies (cont'd.)

2.4 General reinsurance/retakaful underwriting results

The general reinsurance and retakaful underwriting results of the Company are determined for each class of business after taking into account premiums/contributions, retrocessions, movements in premium/contribution liabilities and claim liabilities and acquisition costs.

The general retakaful fund is maintained in accordance with the IFSA 2013 and consists of fair value reserves and any accumulated surplus/deficit. Any deficit will be made good by the shareholder's fund via a benevolent profit/interest-free loan or Qard.

(a) Premium and contribution recognition

Gross premiums/contributions are recognised in a financial period in respect of risks assumed during the particular financial period. Gross premiums/contributions include premium/contribution income in relation to inwards facultative business, inwards proportional treaty and inwards non-proportional treaty reinsurance/retakaful business.

Inwards facultative reinsurance premiums/retakaful contributions are recognised in the financial period in respect of the facultative risks assumed during the particular financial period following the individual risks' inception dates.

Inwards proportional treaty reinsurance premiums/retakaful contributions are recognised on the basis of periodic advices received from cedants given that the periodic advices reflect the individual underlying risks being incepted and reinsured at various inception dates of these risks and are contractually accounted for under the terms of the proportional reinsurance/retakaful treaty.

Premium/contribution income on inward non-proportional treaties, which cover losses occurring during a specified treaty period, are recognised based on the contractual premiums/contributions already established at the start of the treaty period under the terms and conditions of each contract.

(b) Premium and contribution liabilities

Premium/contribution liabilities represent the Company's future obligations on reinsurance/retakaful contracts as represented by premiums/contributions received for risks that have not yet expired. The movement in premium/contribution liabilities is released over the period of the reinsurance/retakaful contracts and is recognised as earned premium/contribution income.

2. Significant accounting policies (cont'd.)

2.4 General reinsurance/retakaful underwriting results (cont'd.)

(b) Premium and contribution liabilities (cont'd.)

In accordance with the valuation methods prescribed under the RBC/RBCT, premium/contribution liabilities are reported at the higher of the aggregate of the unearned premium reserves ("UPR")/unearned contribution reserves ("UCR") respectively for all lines of business or the best estimate value of the unexpired risk reserves ("URR") at the end of the financial year and a provision of risk margin for adverse deviation ("PRAD") calculated at 75% confidence level at the end of the financial year.

(i) Unexpired risk reserves ("URR")

The URR is a prospective estimate of the expected future payments arising from future events expected to be incurred under contracts in force as at the end of the financial year and also includes an allowance for expenses, including overheads and cost of reinsurance/retakaful, expected to be incurred during the unexpired period in administering these contracts and settling the relevant claims, and shall allow for expected future premium/contribution refunds.

URR is estimated via an actuarial valuation performed by the Appointed Actuary, using a mathematical method of estimation similar to incurred but not reported ("IBNR") claims.

(ii) Unearned premium reserves ("UPR") and unearned contribution reserves ("UCR")

The UPR/UCR represent the portion of the net premiums/contributions of reinsurance/retakaful contracts written that relate to the unexpired periods of the contracts at the end of the financial year. The methods of computation of the UPR/UCR are time-apportioned over the contracts' period as described below:

- For inward proportional treaty business, UPR/UCR is computed based on the 1/8th method commencing from the quarter corresponding to the reporting quarter of the treaty statement;
- For inward non-proportional treaty business, UPR/UCR is computed at 50% of the last quarter Minimum Deposit Premiums received; and
- For inward facultative policies, UPR/UCR is computed based on the 1/8th method commencing from the date of inception.

2. Significant accounting policies (cont'd.)

2.4 General reinsurance/retakaful underwriting results (cont'd.)

(c) Claim liabilities

The IBNR and Incurred But Not Enough Reserved ("IBNER") claims are estimated by the Appointed Actuary using standard actuarial methods for reserving which generally applies trending of claims development such as the chain ladder method and the additive loss ratio method, as well as a PRAD calculated at 75% confidence level at the end of the financial year. Where trends are not available or may not be suitable to explain future trend, the Expected Loss Ratio method is adopted.

(d) Liability adequacy test

At each reporting date, the Company reviews all insurance/takaful contract liabilities to ensure that the carrying amount of the liabilities is sufficient or adequate to cover the obligations of the Company, contractual or otherwise, with respect to reinsurance/retakaful contracts issued. In performing this review, the Company compares all contractual cash flows against the carrying value of insurance/takaful contract liabilities. Any deficiency is recognised in profit or loss.

The estimation of claim liabilities and premium/contribution liabilities performed at reporting date is part of the liability adequacy tests performed by the Company.

(e) Acquisition costs and commission expenses

The cost of acquiring and renewing reinsurance business net of income derived from ceding reinsurance premiums is recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

2.5 Family retakaful fund underwriting results

The family retakaful fund is maintained in accordance with the requirements of the IFSA 2013 and consists of fair value reserves and the accumulated surplus/deficit in the fund.

The surplus/deficit of family retakaful fund is determined by an annual actuarial valuation of the family retakaful fund. Any actuarial deficit in the family retakaful fund will be made good by the shareholder's fund via a Qard, a benevolent profit-free loan. Surplus distributable to the participants is determined after deducting benefits paid and payable, retrotakaful costs, changes in takaful contract liabilities, commission expenses, wakalah fee expenses and taxation. The surplus may be distributed to the shareholders and participants in accordance with the terms and conditions of the respective contracts or as prescribed by the GSC.

2. Significant accounting policies (cont'd.)

2.5 Family retakaful fund underwriting results (cont'd.)

Revenue of the family retakaful fund consists of gross retakaful contributions and investment income. Unearned revenue and receipts in advance are treated as liabilities in the statement of financial position.

(a) Contribution income recognition

Contributions are recognised in the financial period in respect of risks assumed during that particular financial period. Inward treaty retakaful contributions are recognised on the basis of statements received from ceding companies.

(b) Benefits payable and actuarial liabilities

Liabilities for benefits payable are recognised as advised by ceding companies. The actuarial liabilities of the family retakaful fund is the best estimate of the expenditure required together with related expenses less recoveries to settle the obligation at the end of the financial year. The estimation includes a PRAD at a 75% confidence level. The valuation of the actuarial liabilities is performed by a qualified actuary using a mathematical method of estimation based on, amongst others, actual claims development patterns.

(c) Liability adequacy test

At each reporting date, the Company reviews all takaful contract liabilities to ensure that the carrying amount of the liabilities is sufficient or adequate to cover the obligations of the fund, contractual or otherwise, with respect to retakaful contracts issued. In performing this review, the Company compares all contractual cash flows against the carrying value of takaful contract liabilities. Any deficiency will be recognised in profit or loss.

The estimation of actuarial liabilities performed at the reporting date is part of the liability adequacy tests performed by the Company.

(d) Commission expenses

Commission expenses, which are costs directly incurred in securing contributions on retakaful business, are recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

Commission expenses are borne by the family retakaful fund at an agreed percentage of the gross contribution.

2. Significant accounting policies (cont'd.)

2.6 Shareholder's fund

(a) Commission expenses

The cost of acquiring and renewing retakaful business net of income derived from ceding retakaful contributions is recognised as incurred and properly allocated to the periods in which it is probable that the expenses give rise to income.

(b) Expense liabilities of general retakaful fund

The expense liabilities of shareholder's fund consist of expense liabilities relating to the management of the general retakaful fund which are based on estimations performed by a qualified actuary. The expense liabilities are released over the term of the retakaful certificates and are recognised in profit or loss.

The expense liabilities are reported as the higher of the aggregate of the provision for Unearned Wakalah Fees ("UWF") and the best estimate value of Unexpired Expense Reserves ("UER") as at the end of the reporting date including a PRAD calculated at the 75% confidence level at the total fund level.

Unearned wakalah fees

The UWF represent the portion of wakalah fee income that relate to the unexpired periods of the contracts at the end of the financial year. In determining the UWF, the method used is consistent with the methods used in the calculation of the UCR of the general retakaful fund as disclosed in Note 2.4(b)(ii).

Unexpired expense reserves

The UER is determined based on the expected future expenses payable from the shareholder's fund in managing the general retakaful fund for the full contractual obligations of unexpired retakaful certificates as at the end of the reporting date. The expected future expenses are determined for certificate management expenses and claims handling expenses, including a PRAD calculated at a 75% confidence level. The method used to value the UER is consistent with the method used to value the URR of the general retakaful fund as disclosed in Note 2.4(b)(i).

2. Significant accounting policies (cont'd.)

2.6 Shareholder's fund (cont'd.)

(c) Expense liabilities of family retakaful fund

The valuation of expense liabilities in relation to contracts of the family retakaful fund is conducted separately by the Appointed Actuary in the shareholder's fund. The method used to value expense liabilities is consistent with the method used to value retakaful liabilities of the corresponding family retakaful contracts. In valuing the expense liabilities, the present value of expected future expenses payable by the shareholder's fund in managing the retakaful fund for the full contractual obligation of the retakaful contracts less any expected cash flows from future wakalah fee income, and any other income due to the shareholder's fund that can be determined with reasonable certainty, are taken into consideration. The estimation includes a PRAD at a 75% confidence level.

2.7 Property, plant and equipment and depreciation

(a) Recognition and measurement

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment are recognised as an asset, if, and only if, 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. Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses, whilst properties (which comprise land and buildings) are stated at revalued amount less subsequent accumulated depreciation and any impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

In respect of freehold land and buildings, valuations are performed with sufficient frequency to ensure that the carrying amount does not differ materially from the fair value of the freehold land and buildings at the reporting date.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. On disposal of property, plant and equipment, the difference between net proceeds and the carrying amount is recognised in profit or loss and the unutilised portion of the revaluation surplus on that item, if any, is transferred directly to retained profits.

2. Significant accounting policies (cont'd.)

2.7 Property, plant and equipment and depreciation (cont'd.)

(b) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(c) Depreciation

Freehold land has an unlimited useful life and therefore is not depreciated. Work in progress are also not depreciated as these assets are not available for use. When work in progress are completed and the asset is available for use, it is reclassified to the relevant category of property, plant and equipment and depreciation of the asset begins. During the period in which the assets is not yet available for use, it is tested for impairment annually. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over its estimated useful life at the following annual rates:

Building	3%
Computer equipment	10% to 33.3%
Furniture and fittings	10%
Office equipment	10% to 33.3%
Motor vehicles	20%

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

(d) Derecognition

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

2. Significant accounting policies (cont'd.)

2.8 Intangible assets

All intangible assets are initially recorded at cost. Subsequent to initial recognition, intangible assets are stated at cost less any accumulated amortisation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

On disposal of intangible assets, the difference between net proceeds and the carrying amount is recognised in profit or loss.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least annually at the end of each reporting period. Amortisation is charged to profit or loss.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite useful life is also reviewed annually to determine whether the useful life assessment continues to be supportable. During the period in which the assets is not yet available for use, it is tested for impairment annually.

(a) Software development in progress

Software development in progress represents development expenditure on software. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated impairment losses. Software development in progress are not amortised as these assets are not available for use. When development is complete and the asset is available for use, it is reclassified to computer software and amortisation of the asset begins. It is amortised over the period of expected future use.

(b) Computer software and licences

The useful lives of computer software and licences are considered to be finite because computer software and licences are susceptible to technological obsolescence.

The acquired computer software and licences are amortised at 10% to 33.3% using the straight-line method over their estimated useful lives. Impairment is assessed whenever there is indication of impairment. The amortisation period and method are also reviewed annually at the end of each reporting period.

2. Significant accounting policies (cont'd.)

2.9 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

(a) Classification of financial assets

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Company’s business model for managing them, as described in Notes 2.9(b) and 2.9(c). All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Financial assets are classified, at initial recognition, as financial assets measured at amortised cost (“AC”), fair value through other comprehensive income (“FVOCI”) and fair value through profit or loss (“FVTPL”).

In order for a financial asset to be classified and measured at AC or FVOCI, it needs to give rise to cash flows that are ‘solely payments of principal and interest' (“SPPI”) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Despite the above, the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and

- the Company may irrevocably designate a debt investment that meets the AC or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

2. Significant accounting policies (cont'd.)

2.9 Financial assets (cont'd.)

(a) Classification of financial assets (cont'd.)

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at AC (for debt instruments);
- Financial assets at FVOCI with recycling of cumulative gains and losses (for debt instruments);
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (for equity instruments); or
- Financial assets at FVTPL.

(i) Financial assets at AC

Debt instruments that meet the following conditions are measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest/profit method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The effective interest/profit method is a method of calculating the amortised cost of a debt instrument and of allocating interest/profit income over the relevant period. For financial assets other than purchased or originated credit impaired financial assets (i.e. assets that are credit impaired on initial recognition), the effective interest/profit rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest/profit rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit impaired financial assets, a credit adjusted effective interest/profit rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

2. Significant accounting policies (cont'd.)

2.9 Financial assets (cont'd.)

(a) Classification of financial assets (cont'd.)

(i) Financial assets at AC (cont'd.)

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation (using the effective interest/profit method) of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest/profit income is recognised using the effective interest/profit method for debt instruments measured subsequently at AC and at FVOCI. For financial assets other than purchased or originated credit impaired financial assets, interest/profit income is calculated by applying the effective interest/profit rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit impaired. For financial assets that have subsequently become credit impaired, interest/profit income is recognised by applying the effective interest/profit rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit impaired, interest/profit income is recognised by applying the effective interest/profit rate to the gross carrying amount of the financial asset.

For purchased or originated credit impaired financial assets, the Company recognises interest/profit income by applying the credit adjusted effective interest/profit rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit impaired.

(ii) Financial assets at FVOCI with recycling of cumulative gains and losses

Debt instruments that meet the following conditions are measured subsequently at FVOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest/profit on the principal amount outstanding.

2. Significant accounting policies (cont'd.)

2.9 Financial assets (cont'd.)

(a) Classification of financial assets (cont'd.)

(ii) Financial assets at FVOCI with recycling of cumulative gains and losses (cont'd.)

For debt instruments at FVOCI, interest/profit income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at AC. The remaining fair value changes are recognised in Other Comprehensive Income ("OCI"). Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

(iii) Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition

Upon initial recognition, the Company can make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in equity instrument within the scope of MFRS 9 *Financial Instruments* that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination. The classification is determined on an instrument-by-instrument basis.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the fair value reserve. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as investment income in profit or loss when the right to receive payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

2. Significant accounting policies (cont'd.)

2.9 Financial assets (cont'd.)

(a) Classification of financial assets (cont'd.)

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Company designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVOCI on initial recognition.

- Debt instruments that fail the SPPI test are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces an accounting mismatch that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Company has designated debt instruments under the Family Retakaful Fund as financial assets at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. Foreign exchange differences, profit and dividend income on financial assets at FVTPL are recognised separately in profit or loss as part of other expenses or other income and investment income respectively.

(b) Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Company holds financial assets to generate returns and provide a capital base to provide for settlement of claims as they arise. The Company considers the timing, amount and volatility of cash flow requirements to support insurance/takaful liability portfolios in determining the business model for the assets as well as the potential to maximise return for shareholders as well as for future business development.

2. Significant accounting policies (cont'd.)

2.9 Financial assets (cont'd.)

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

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios that is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported by and to the Company's key management personnel;

- How the Company is compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected;

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest/profit income, maintaining a particular interest/profit rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets; and

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The Company should assess its business models at each reporting period in order to determine whether the models have changed since the preceding period. Changes in business model are not expected to be frequent but should such an event take place, it must be:

- Determined by the Company's key management personnel as a result of external or internal changes;

- Significant to the Company's operations; and

- Demonstrable to external parties.

2. Significant accounting policies (cont'd.)

2.9 Financial assets (cont'd.)

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

A change in the business model will occur only when the Company begins or ceases to perform an activity that is significant to its operations. Changes in the objective(s) of the business model must be effected before the reclassification date.

(c) The SPPI Test

The Company assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

‘Principal’ for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation/accretion of the premium/discount).

The most significant elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. In assessing the SPPI test, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest/profit rate is set.

(d) Reclassifications

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line.

(e) Derecognition

A financial asset is derecognised when:

(i) the contractual right to receive cash flows from the asset has expired; or

(ii) the Company has transferred their right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either:

  (a) the Company has transferred substantially all the risks and rewards of the asset; or

  (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2. Significant accounting policies (cont'd.)

2.9 Financial assets (cont'd.)

(e) Derecognition (cont'd.)

The Company considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Company has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Company's continuing involvement, in which case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

When assessing whether or not to derecognise an instrument, amongst others, the Company considers the following factors:

- Change in currency of the debt instrument;
- Introduction of an equity feature;
- Change in counterparty; and
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original effective interest/profit rate, the Company records a modification gain or loss.

(f) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal 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 liabilities simultaneously.

2.10 Fair value measurement

The Company measures financial instruments such as financial assets at FVTPL, financial assets at FVOCI and non-financial assets such as self-occupied properties at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in Notes 20 and 40.

2. Significant accounting policies (cont'd.)

2.10 Fair value measurement (cont'd.)

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

(a) In the principal market for the asset or liability; or

(b) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Inputs that are based on observable market data, either directly or indirectly

Level 3 - Inputs that are not based on observable market data

An annual valuation is performed to reflect the fair value of the Company's self-occupied property. At the end of each financial year, accredited independent valuers having appropriate recognised professional qualification are appointed to perform the annual valuation. The valuation techniques used by the accredited independent valuers are verified to ensure that they are in accordance with the requirements of MFRS 13 *Fair Value Measurement* .

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The fair value hierarchy of assets that are measured at fair value and/or for which fair value are disclosed is presented in Note 40.

2. Significant accounting policies (cont'd.)

2.11 Impairment of assets

(a) Financial assets

The Company recognises an allowance for expected credit losses ("ECL") for all financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the appropriate effective interest/profit rate.

The ECL model applies to all financial assets held by the Company except for:

- Financial assets measured at FVTPL;
- Equity instruments; and
- Malaysian government securities ("MGS/GII") are considered low credit risk assets as the Malaysian federal government have strong capacity in repaying the instruments upon maturity. In addition, there is no past historical lost experiences arising from these government securities.

For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (12-month ECL). Credit exposures for which there have been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Company will generally be required to apply the 'three-bucket' approach based on the change in credit quality since initial recognition:

	Stage 1	Stage 2	Stage 3
	Performing	Non Performing	Non Performing
ECL Approach	12-month ECL	Lifetime ECL	Lifetime ECL
Criterion	No significant increase in credit risk	Credit risk increased	Credit-impaired assets
Recognition of interest/profit income	Gross carrying amount	Gross carrying amount	Net carrying amount

2. Significant accounting policies (cont'd.)

2.11 Impairment of assets (cont'd.)

(a) Financial assets (cont'd.)

Forward-looking information and ECL measurement

The amount of credit loss recognised is based on forward-looking estimates to reflect current and forecast economic conditions. The forward looking adjustment is interpreted as an adjustment to the expected future economic conditions, as indicated by different macroeconomic factors and/or expert experienced in credit judgement.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

- PD — The ***Probability of Default*** is an estimate of the likelihood of default over a given time horizon. It is estimated with consideration of economic scenarios and forward-looking information.
- EAD — The ***Exposure at Default*** is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest/profit, whether scheduled by contract or otherwise, and accrued interest from missed payments.
- LGD — The ***Loss Given Default*** is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive. It is usually expressed as a percentage of the EAD.

In its ECL models, the Company relies on a broad range of forward-looking information as economic inputs, such as Gross Domestic Product ("GDP"), inflation, currency rates and stock index.

(i) Debt instruments/sukuks at AC and FVOCI

In accordance with the 'three-bucket' approach, all newly purchased financial assets shall be classified in Stage 1, except for credit impaired financial assets. It will move from Stage 1 to Stage 2 when there is significant increase in credit risk ("SICR"), and Stage 2 to Stage 3 when there is an objective evidence of impairment. Financial assets which have experienced a SICR since initial recognition are classified as Stage 2, and are assigned a lifetime ECL.

2. Significant accounting policies (cont'd.)

2.11 Impairment of assets (cont'd.)

(a) Financial assets (cont'd.)

Forward-looking information and ECL measurement (cont'd.)

(i) Debt instruments/sukuks at AC and FVOCI (cont'd.)

The ECLs for debt instruments/sukuks at AC and at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI with a corresponding charge to profit or loss. The accumulated gain recognised in OCI is recycled to the profit or loss upon derecognition of the assets.

(ii) Insurance/takaful receivables

The impairment on insurance/takaful receivables is measured using the simplified approach at initial recognition and throughout its life at an amount equal to lifetime ECL. The ECL is calculated using a provision matrix based on historical data where the insurance/takaful receivables are grouped based on level of business segregation and different reinsurance/retakaful premium/contribution type's arrangement respectively. Impairment is calculated on the total outstanding balances including those balances aged from current to 12 months and above. Roll rates are applied on the outstanding balances in the ageing bucket which forms the base of the roll rate. Forward-looking factors are also considered during the calculation of ECL.

(b) Non-financial assets

The carrying amounts of non-financial assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit”). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

2. Significant accounting policies (cont'd.)

2.11 Impairment of assets (cont'd.)

(b) Non-financial assets (cont'd.)

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of the other assets in the unit (or groups of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the losses have decreased or no longer exist.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

(c) Write-offs

Financial assets are written-off either partially or in their entirety only when the Company has stopped pursuing the recovery. If the amount to be written-off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

2.12 Measurement and impairment of Qard

Any deficits in the retakaful funds are made good via a benevolent profit-free loan or Qard, granted by the shareholder's fund to the retakaful funds. The Qard is stated at cost less any impairment losses in the shareholder's funds and at cost in the retakaful funds.

The Qard shall be repaid from future surpluses of the retakaful funds.

The Qard is tested for impairment on an annual basis via an assessment of the estimated surpluses or cash flows from the retakaful funds to determine whether there is any objective evidence of impairment. If the Qard is impaired, an amount comprising the difference between its cost and its recoverable amount, less any impairment loss previously recognised, is recognised in profit or loss.

Impairment losses are subsequently reversed in profit or loss if objective evidence exists that the Qard is no longer impaired.

2. Significant accounting policies (cont'd.)

2.13 Share capital and dividend expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.14 Cash and cash equivalents

Cash and cash equivalents include cash in hand and at banks, excluding fixed and call deposits with licensed financial institutions, which have an insignificant risk of changes in value. The statement of cash flows has been prepared using the indirect method.

2.15 Product classification

Financial risk is the risk of a possible future change in one or more of a specified interest/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. Insurance/takaful risk is risk other than financial risk.

A reinsurance/retakaful contract is a contract under which the Company has accepted significant insurance/takaful risk from cedant by agreeing to compensate the cedant if a specified uncertain future event adversely affects the cedant. As a general guideline, the Company determines whether significant insurance/takaful risk has been accepted by comparing claims payable on the occurrence of the event with claims payable if the event had not occurred.

Conversely, investment contracts are those contracts that transfer financial risk with no significant insurance/takaful risk.

Once a contract has been classified as a reinsurance/retakaful contract, it remains a reinsurance/retakaful contract for the remainder of its life-time, even if the insurance/takaful risk reduces significantly during the period, unless all rights and obligations expire or are extinguished.

2.16 Insurance and takaful receivables

Insurance/takaful receivables are recognised when due and measured on initial recognition at the fair value of the consideration receivable. Subsequent to the initial recognition, insurance/takaful receivables are measured at amortised cost, using the effective interest/profit rate method.

2. Significant accounting policies (cont'd.)

2.16 Insurance and takaful receivables (cont'd.)

The Company recognises an allowance for ECL for insurance/takaful receivables and recognises the impairment loss in profit or loss. The basis for recognition of such impairment loss is as described in Note 2.11(a)(ii).

Insurance/takaful receivables are derecognised when the rights to receive cash flows from them have expired or transferred and the Company has also substantially transferred all risks and rewards of ownership.

2.17 Leases

(a) Classification

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(b) The Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities, representing the liability to make lease payments and right-of-use ("ROU") assets representing the right to use the underlying assets.

(i) Right-of-use assets

The Company recognises ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. ROU assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The ROU assets are also subject to impairment as disclosed under Note 2.11(b).

The ROU assets are presented as a separate line in the statement of financial position.

2. Significant accounting policies (cont'd.)

2.17 Leases (cont'd.)

(b) The Company as a lessee (cont'd.)

(ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed lease payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, these are discounted at the rate implicit in the lease. If this rate cannot be readily determined, the Company uses the incremental borrowing rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest/profit and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The Company did not make any such adjustments during the financial year.

The lease liability is presented as a separate line in the statement of financial position.

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

The Company applies the short-term lease recognition exemption to short-term leases of equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of equipment that are considered to be low value (i.e. laptops, personal computers, small items of office furniture and telephones). Lease payments on short-term leases and leases of low-value assets are recognised as expenses on a straight-line basis over the lease term.

2. Significant accounting policies (cont'd.)

2.17 Leases (cont'd.)

(c) The Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.18 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement,* are recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

(a) Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities held for trading include derivatives entered into by the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Company had not designated any financial liabilities as at FVTPL nor were there any financial liabilities held for trading during and at the end of the financial year.

(b) Other financial liabilities

The Company's other financial liabilities include borrowings, insurance/takaful payables and other payables.

Insurance/takaful and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest/profit method.

2. Significant accounting policies (cont'd.)

2.18 Financial liabilities (cont'd.)

(b) Other financial liabilities (cont'd.)

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. Gains or losses are recognised in the statement of comprehensive income.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the subsequent recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

2.19 Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of provision is the present value of the expenditure expected to be required to settle the obligation.

2.20 Income tax

Income tax on profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted as at the reporting date.

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

2. Significant accounting policies (cont'd.)

2.20 Income tax (cont'd.)

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the end of the financial year. Deferred tax is recognised in profit or loss, except when it arises from a transaction which is recognised directly in other comprehensive income, in which case the deferred tax is also charged or credited directly in other comprehensive income.

2.21 Employee benefits

(a) Short-term benefits

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

(b) Defined contribution plan

As required by law, the Company makes contributions to the national pension scheme, the Employees Provident Fund ("EPF"). The Company also makes additional contributions to the EPF for eligible employees by reference to their earnings. Such contributions are recognised as an expense in profit or loss as incurred.

2.22 Foreign currencies

(a) Functional and presentation currency

The Company's financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company’s functional currency.

(b) Foreign currency transactions

Transactions in foreign currencies are converted into Ringgit Malaysia at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the reporting date are translated into Ringgit Malaysia at rates of exchange ruling at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2. Significant accounting policies (cont'd.)

2.22 Foreign currencies (cont'd.)

(b) Foreign currency transactions (cont'd.)

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised directly in other comprehensive income.

The principal exchange rate for every unit of United States Dollar ruling at the reporting date is RM4.1459 (2020: RM4.3159).

2.23 Revenue recognition

Revenue is recognised at an amount that reflects the consideration to which the Company expects to be entitled when the performance obligation is satisfied. The following specific recognition criteria must also be met before revenue is recognised.

(a) Interest and profit income

Interest and profit income are recognised using the effective interest/profit method.

(b) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(c) Dividend income

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

(d) Wakalah fees

Wakalah fees are recognised as soon as the amount of contribution can be reliably measured in accordance with the principles of Shariah.

(e) Premiums and contributions income

Premiums/contributions are recognised in accordance with the policies stated in Notes 2.4(a) and 2.5(a).

2. Significant accounting policies (cont'd.)

2.23 Revenue recognition (cont'd.)

(f) Commission income

Commission income derived from reinsurance/retakaful operators in the course of cession of premiums/contributions to retrocessionaire/retakaful operators are recognised in profit or loss when they are incurred. Commission income is properly allocated to the relevant periods.

The method of recognition for commission income earned from retakaful operators is in accordance with the principle of Wakalah as approved by the Group Shariah Committee and as agreed between the Company and its retakaful operators.

2.24 Zakat

Zakat represents an obligatory amount payable by the Company to comply with the principles of Shariah. Zakat is computed using a method as recommended by the GSC and approved by the Board. Only the zakat that is attributable to the individual and corporate Muslim shareholders of the holding company was provided for in the financial statements. The zakat computation is reviewed by the GSC. The Board has the discretion to pay an additional sum above the obligatory amount payable.

2.25 Prior year reclassifications

Presentation of results of the Malaysian Aviation Pool ("MAP") and Malaysian Energy Risks Consortium ("MERIC") businesses (collectively referred to as the "Malaysian Market Pools")

The Company acts as the Manager for the Malaysian Market Pools by conducting the day to day operations including claims management, reinsurance arrangement and other secretarial functions as well as underwriting the business on behalf of the Malaysian Market Pools.

As the Company is also a member of the Malaysian Market Pools, a certain portion of the premiums underwritten or claims recognised by the Malaysian Market Pools also belongs to the Company.

Prior to 1 April 2020, the Company recognised its net share of the earned premiums by recognising the full gross earned premiums of the Malaysian Market Pools, whilst the earned premiums that belongs to the other members of the Malaysian Market Pools were recognised as the amount being ceded out. This method of recognition was performed similarly for claims whereby the Company recognised total claims of the Malaysian Market Pools on a gross basis and the portion that belongs to the other members were recognised as claims recoveries.

2. Significant accounting policies (cont'd.)

2.25 Prior year reclassifications (cont'd.)

Presentation of results of the Malaysian Aviation Pool ("MAP") and Malaysian Energy Risks Consortium ("MERIC") businesses (collectively referred to as the "Malaysian Market Pools") (cont'd.)

Beginning 1 April 2020, the Company has changed the recognition method to only recognise the net share of its participation in the Malaysian Market Pools as its earned written premium and incurred claims. This is to better reflect the net share of the earned premiums belonging to the Company as well as its contractual liabilities arising from the said premiums.

Arising from the above changes, the comparative figures have been restated to conform with current year's presentation in accordance with MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The reclassifications did not have any effect on the net profit for the year or the total equity of the Company.

The effects of the adjustments on the assets and liabilities on the statement of financial position of the Company as at 1 April 2019 and 31 March 2020 and on the components of profit or loss for the financial year ended 31 March 2020 are presented below:

(i) Profit or loss for the year ended 31 March 2020

	As previously stated RM'000	Adjustment RM'000	As restated RM'000
Gross earned premiums/contributions	1,231,934	(12,619)	1,219,315
Premiums/contributions ceded to reinsurers/retakaful operators	(102,315)	12,619	(89,696)
Net earned premiums/contributions	1,129,619	-	1,129,619
Fee and commission income	14,400	(1,009)	13,391
Gross claims paid	(791,619)	2,470	(789,149)
Claims ceded to reinsurers/retakaful operators	94,000	(2,470)	91,530
Gross change to contract liabilities	(2,534)	12,866	10,332
Change in contract liabilities ceded to reinsurers/retakaful operators	(63,169)	(12,866)	(76,035)
Net claims	(763,322)	-	(763,322)
Fee and commission expenses	(319,998)	1,009	(318,989)

2. Significant accounting policies (cont'd.)

2.25 Prior year reclassifications (cont'd.)

Presentation of results of the Malaysian Aviation Pool ("MAP") and Malaysian Energy Risks Consortium ("MERIC") businesses (collectively referred to as the "Malaysian Market Pools") (cont'd.)

(ii) Statement of Financial Position as at 1 April 2019

	As previously stated RM'000	Adjustment RM'000	As restated RM'000
Assets			
Reinsurance/retakaful assets	317,156	(58,282)	258,874
Liabilities			
Insurance/takaful contract liabilities	2,052,074	(58,282)	1,993,792

(iii) Statement of Financial Position as at 31 March 2020

	As previously stated RM'000	Adjustment RM'000	As restated RM'000
Assets			
Reinsurance/retakaful assets	251,306	(65,301)	186,005
Liabilities			
Insurance/takaful contract liabilities	2,136,310	(65,301)	2,071,009

(iv) Statement of Cash Flows as at 31 March 2020

	As previously stated RM'000	Adjustment RM'000	As restated RM'000
Cash flows from operating activities			
Decrease in reinsurance/retakaful assets	65,850	7,019	72,869
Decrease in claim liabilities	(3,362)	(12,866)	(16,228)
Increase in premium/contribution liabilities	72,430	5,847	78,277

2. Significant accounting policies (cont'd.)

2.26 Changes in accounting policies

The accounting policies adopted by the Company are consistent with those of the previous financial year except for the adoption of the following Amendments to MFRSs from the beginning of the current financial year, which are mandatory for annual periods beginning on or after 1 January 2020.

Description

Amendments to the Revised Conceptual Framework for Financial Reporting
Amendments to MFRS 3 *Definition of a Business*
Amendments to MFRS 101 and MFRS 108 *Definition of Material*
Amendments to MFRS 9, MFRS 139 and MFRS 7 *Interest Rate Benchmark Reform*
Amendments to MFRS 4 *Insurance Contracts (Extension of the Temporary Exemption from Applying MFRS 9)*

The adoption of the above pronouncements did not have any significant impact on the financial statements of the Company.

2.27 Standards issued but not yet effective

The Standards, Amendments to Standards and Annual Improvements to Standards that are issued but not yet effective up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these Standards, Amendments to Standards and Annual Improvements to Standards, if applicable, when they become effective:

Description	**Effective for annual periods beginning on or after**
Amendments to MFRS 16 *Leases Covid-19 Related Rent Concessions*	1 June 2020
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 *Interest Rate Benchmark Reform - Phase 2*	1 January 2021
Amendments to MFRS 16 *Leases Covid-19 Related Rent Concessions beyond 30 June 2021*	1 April 2021
Annual Improvements to MFRS Standards 2018−2020	
i) MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards*	
ii) MFRS 9 *Financial Instruments*	
iii) MFRS 16 *Leases*	
iv) MFRS 141 *Agriculture*	1 January 2022
Amendments to MFRS 3 *Business Combinations (Reference to Conceptual Framework)*	1 January 2022
Amendments to MFRS 116 *Property, Plant and Equipment*	1 January 2022

2. Significant accounting policies (cont'd.)

2.27 Standards issued but not yet effective (cont'd.)

Description	Effective for annual periods beginning on or after
Amendments to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*	1 January 2022
Amendments to MFRS 101 *Presentation of Financial Statements Classification of Liabilities as Current or Non-current*	1 January 2023
Amendments to MFRS 101 *Presentation of Financial Statements Disclosure of Accounting Policies*	1 January 2023
Amendments to MFRS 108 *Accounting Policies, Changes in* Accounting *Estimates and Errors - Definition of Accounting Estimates*	1 January 2023
MFRS 17 *Insurance Contracts*	1 January 2023
Amendments to MFRS 17 *Insurance Contracts*	1 January 2023
Amendments to MFRS 10 *Consolidated Financial Statements and MFRS 128 Investment in Associates and Joint Ventures*	To be announced by MASB

The Directors are of the opinion that the adoption of the above pronouncements are not expected to have a material impact on the financial statements of the Company in the period of initial application except for those discussed below:

MFRS 17 and Amendments to MFRS 17 *Insurance Contracts* ("MFRS 17")

MFRS 17 will replace MFRS 4 *Insurance Contracts* issued in 2005. MFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

The main features of the new accounting model for insurance contracts are as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured at every reporting period (the fulfilment cash flows);

- A Contractual Service Margin ("CSM") that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profitability of the insurance contracts to be recognised in the income statement over the service period (i.e., coverage period);

- The immediate recognition of the loss arising from onerous contracts in the income statement, with no CSM recognised on the balance sheet on initial recognition;

- Certain changes in the expected present value of future cash flows are adjusted against the CSM and consequently, recognised in the income statement over the remaining contractual service period;

2. Significant accounting policies (cont'd.)

2.27 Standards issued but not yet effective (cont'd.)

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

- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice;

- The presentation of insurance revenue and insurance service expenses in the income statement will be based on the concept of services provided and received during the period;

- Amounts that the cedants will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the income statement, but are recognised directly on the statement of financial position;

- Insurance service results (earned revenue less incurred claims and expenses) are presented separately from the insurance finance income or expense; and

- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

Based on the Amendments to MFRS 17, the standard is effective for reporting periods beginning on or after 1 January 2023, with the option to apply a full retrospective, modified retrospective or fair value approach on transition. Early application is permitted, as the Company have applied MFRS 9 and MFRS 15 before the date it first applies MFRS 17.

The Malaysian Accounting Standards Board subsequently issued a paper titled MFRS 17 Insurance Contracts: Definition and Scope for Takaful. The paper concluded that MFRS 17 is applicable to a Takaful contract because:

- MFRS 17 applies to those contracts that fall within the ‘insurance contract’ definition, regardless of their legal form or the legal form of the issuing entity. Accordingly, takaful contracts would fall within the scope of MFRS 17 because a takaful fund or entity is separate from the participants (takaful policyholders) and the fund or entity is accepting significant insurance risk from the participants in the same way that a mutual conventional insurer accepts significant insurance risk from its policyholders. As MFRS 17 deems that a mutual entity accepts insurance risk, it is considered that the mutuality aspect of takaful contracts is consistent with takaful entity also accepting insurance risk.

- In the context of MFRS 17, insurance risk is being transferred from participants (takaful policyholders) to another entity – either represented by the takaful fund or funds or the takaful operator as the entity managing the insurance business as a whole.

2. Significant accounting policies (cont'd.)

2.27 Standards issued but not yet effective (cont'd.)

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

- The acceptance of significant insurance risk need not be a direct, overt acceptance but may result from the presence of factors and circumstances indicating that insurance risk has been transferred. This is consistent with the objective of MFRS 17 that considers an entity's substantive rights and obligations when applying MFRS 17.

As a result of the above, the retakaful division of the Company has assessed the retakaful contracts issued and concluded that MFRS 17 is applicable to the contracts issued and held. Consequently, the Company has established a project team with the assistance from consultants to plan and manage the MNRB Group wide implementation of MFRS 17. The Company is in the midst of implementing the relevant systems solution, architecture and processes to ensure compliance to the said standard.

3. Significant accounting judgements and estimates

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Critical judgements made in applying accounting policies

Judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company has not applied any significant judgements in preparing the financial statements.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) General reinsurance/retakaful business (Note 24)

The principal uncertainty in the general reinsurance/retakaful business arises from the technical provisions which include the provisions of premium/contribution liabilities and claim liabilities. Premium/contribution liabilities are recorded as the higher of UPR/UCR or URR while claim liabilities mainly comprise provision for claims reported, IBNER and IBNR as well as a PRAD at 75% confidence level.

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

3.2 Key sources of estimation uncertainty (cont'd.)

(a) General reinsurance/retakaful business (Note 24) (cont'd.)

Generally, claim liabilities are determined based upon previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Particularly relevant is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions and economic conditions. It is certain that actual future premium/contribution and claim liabilities will not exactly develop as projected and may vary from the Company's projection.

The estimates of premium/contribution and claim liabilities are therefore sensitive to various factors and uncertainties. The establishment of technical provisions is an inherently uncertain process and, as a consequence of this uncertainty, the eventual settlement of premium/contribution and claim liabilities may vary from the initial estimates. The sensitivity of these assumptions and their impact to results and the equity position of the Company are disclosed in Note 36(d).

At each reporting date, the estimates of premium/contribution and claim liabilities are reassessed for adequacy by the Appointed Actuary and changes will be reflected as adjustments to these liabilities. The appointment of the Appointed Actuary is approved by BNM.

In setting provisions for claims, the Company relies on advice by the cedants and exercises discretion where the claim may develop more adversely than advised. An estimate will be made in the absence of a reported figure or in the event the loss is still preliminary and has not been fully assessed.

The estimates of the ultimate incurred claims are subject to a great deal of uncertainty in the early stages as claims are still being intimated and developed, particularly so for large and catastrophic claims. These uncertainties reduce over time as the claims develop and progress towards the ultimate cost.

The methodology used in the valuation of general reinsurance/retakaful liabilities involves a more granular segregation of the business of the Company into specific portfolios with the intention of achieving greater accuracy in the estimation process. For overseas business, the valuation of general reinsurance liabilities is performed based on territorial grouping of risks to better reflect the underwriting performance.

(b) Family retakaful business (Note 24)

For those contracts that cover risks related to disability, estimates are made based on recent past experience and emerging trends. However, epidemics as well as wide ranging changes to lifestyle, could result in significant changes to the expected future exposures. The policy for estimating these liabilities is set out in Note 37(c).

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

3.2 Key sources of estimation uncertainty (cont'd.)

(b) Family retakaful business (Note 24) (cont'd.)

All of this will give rise to estimation uncertainties on the projected ultimate liability of the family retakaful fund. At each reporting date, these estimates are reassessed for adequacy and changes will be reflected as adjustments to the liability by the Appointed Actuary. The appointment of the Appointed Actuary is approved by BNM. Note 37(c) provides sensitivity analysis of the valuation liabilities of the family retakaful fund for certain assumptions and the consequential effects to results and financial position of the fund.

(c) Expense liabilities (Note 25)

The expense liabilities of the shareholder's fund consist of expense liabilities of the general and family retakaful funds which are based on estimations performed by qualified actuaries. The estimation methods are explained in Notes 2.6(b) and 2.6(c). The qualified actuaries estimate the expected management expenses required to manage the general and family retakaful contracts less any expected cash flows from future wakalah fee income based on the qualified actuaries' assumptions and observations of the actual experiences. The estimates of expense liabilities are therefore sensitive to various factors and uncertainties.

The establishment of technical provisions is an inherently uncertain process and, as a consequence of this uncertainty, the eventual settlement of expense liabilities may vary from the initial estimates. At each reporting date, the estimates of expense liabilities are re-assessed for adequacy by the Appointed Actuaries and changes will be reflected as adjustments to these liabilities. The appointment of the Appointed Actuaries are approved by BNM.

4. Net earned premiums/contributions

	Note	2021 RM'000	2020 RM'000 (Restated)
(a) Gross earned premiums/ contributions			
Insurance/takaful contracts		1,428,829	1,297,592
Change in premium/contribution liabilities	24(ii)	(16,974)	(78,277)
		1,411,855	1,219,315
(b) Premiums/contributions ceded to reinsurers/retakaful operators			
Insurance/takaful contracts		(103,895)	(92,862)
Change in premium/contribution liabilities	24(ii)	(1,855)	3,166
		(105,750)	(89,696)
Net earned premiums/contributions		1,306,105	1,129,619

5. Investment income

	2021 RM'000	2020 RM'000
Financial assets at FVTPL:		
Designated upon initial recognition:		
Interest/profit income	346	608
Mandatorily measured:		
Interest/profit income	260	202
Dividend income:		
- quoted shares in Malaysia	6,824	6,477
- real estate investment trusts	542	891
- unit trust fund	-	641
Financial assets at FVOCI:		
Interest/profit income	60,502	65,361
Dividend income from unquoted shares in Malaysia	764	882

5. Investment income (cont'd.)

	2021 RM'000	2020 RM'000
Financial assets at amortised cost:		
Interest/profit income	29,933	37,665
Rental income from properties	4,056	4,395
Net amortisation of premiums on investments	(2,112)	(2,370)
Investment expenses	(788)	(600)
	100,327	114,152

6. Net realised gains

	2021 RM'000	2020 RM'000
Financial assets at FVTPL:		
Quoted shares in Malaysia:		
- Shariah approved equities	992	170
- Others	(2,203)	1,650
Real estate investment trusts	363	677
Unit trust fund	2,334	-
Financial assets at FVOCI:		
Realised gains on unquoted debt securities	3,823	7,479
Realised gains on government investment issues	2,031	18,644
	7,340	28,620

7. Net fair value gains/(losses)

	2021 RM'000	2020 RM'000
Fair value gains/(losses) on financial assets at FVTPL	30,598	(42,588)
Fair value losses on investment in associate (Note 19)	(915)	(393)
	29,683	(42,981)

8. Fee and commission income

	2021 RM'000	2020 RM'000 (Restated)
Reinsurance/retakaful commission	841	13,391
Wakalah fees from retakaful funds	16,242	9,267
	17,083	22,658
Elimination of wakalah fees for general and family retakaful funds (Note 41(a))	(16,242)	(9,267)
	841	13,391

9. Other operating revenue, net

	2021 RM'000	2020 RM'000
Foreign exchange gains, net	-	7,318
Foreign exchange gains arising from investment in associate (Note 19)	-	6,756
Reversal of impairment losses on insurance/takaful receivables (Note 38(a))	-	1,313
Management fees from:		
Holding company	742	-
Fellow subsidiaries	123	-
Interest income on premium reserve and staff loans	135	1,409
Other operating revenue	4,734	2,759
	5,734	19,555

10. Fee and commission expenses

	2021 RM'000	2020 RM'000 (Restated)
Commission/brokerage fees	332,251	318,989
Wakalah fees expenses for general and family retakaful funds	16,242	9,267
	348,493	328,256
Elimination of wakalah fees expenses for general and family retakaful funds (Note 41(a))	(16,242)	(9,267)
	332,251	318,989

11. Management expenses

	2021 RM'000	2020 RM'000
Salaries, bonus and other related costs	20,874	18,370
President & CEO's, Directors' and GSC members' remuneration excluding benefits-in-kind (Note 12)	2,115	2,390
Pension costs - EPF	2,877	2,396
Social security costs	142	129
Retirement benefits	-	59
Short-term accumulating compensated absences	8	9
Auditors' remuneration:		
- statutory audit and audit related	726	553
- regulatory-related	32	32
- other services	42	25
Depreciation of property, plant and equipment (Note 17)	2,686	2,734
Amortisation of intangible assets (Note 18)	1,190	1,172
Tax on premiums	1,694	1,151
Expenses relating to leases of low-value assets	200	188
Marketing and promotional costs	410	1,973
Professional and legal fees	5,182	4,563
Contributions and donations	498	428
Management fees to holding company	19,692	20,041
Management fees to fellow subsidiary	3,318	3,580
Other management expenses	15,400	13,536
	77,086	73,329

12. President & CEO's, Directors' and GSC members' remuneration

	2021 RM'000	2020 RM'000
President & CEO and Executive directors of the Company:		
President & CEO:		
Salary and bonus	1,174	1,329
Pension costs - EPF	200	203
Benefits-in-kind	25	122
Others	15	8
	1,414	1,662

12. President & CEO, Directors' and GSC members' remuneration (cont'd.)

President & CEO and Executive directors of the Company: (cont'd.)

	2021 RM'000	2020 RM'000
Executive directors:		
Fees	61	94
Allowances	10	19
	71	113
	1,485	1,775
Non-executive directors of the Company:		
Fees	464	525
Allowances	110	121
	574	646
GSC members:		
Fees	58	67
Allowances	23	24
	81	91
Total President & CEO's, Directors' and GSC members' remuneration excluding benefits-in-kind	2,115	2,390

The number of directors of the Company, whose total remuneration during the financial year fell within the following bands, is analysed below:

	Number of directors 2021	2020
President & CEO and Executive directors:		
RM100,000 and below	2	-
RM100,001 to RM150,000	-	1
RM1,000,001 to RM1,500,000	1	-
RM1,500,001 to RM2,000,000	-	1
Non-executive directors:		
RM1 to RM50,000	-	1
RM50,001 to RM100,000	1	2
RM100,001 to RM150,000	-	1
RM150,001 to RM200,000	3	2

12. President & CEO's, Directors' and GSC members' remuneration (cont'd.)

2021	Salary and bonus RM'000	Fees RM'000	Pension cost RM'000	Benefits-in-kind RM'000	Allowances/ others RM'000	Total RM'000
President & CEO:						
Zainudin Ishak	1,174	-	200	25	15	1,414
Executive directors:						
Zaharudin Daud (Appointed with effect from 23 November 2020)*	-	-	-	-	-	-
Mohd Din Merican (Resigned with effect from 23 November 2020)	-	61	-	-	10	71
	-	61	-	-	10	71

* The Executive Director, Zaharudin Daud is not entitled to receive any Directors remuneration.

	Salary and bonus RM'000	Fees RM'000	Pension cost RM'000	Benefits-in-kind RM'000	Allowances/ others RM'000	Total RM'000
Non-executive directors:						
George Oommen	-	136	-	-	29	165
Datin Zaimah Zakaria	-	146	-	-	39	185
Khalid Sufat	-	124	-	-	31	155
Mustaffa Ahmad (Resigned with effect from 22 September 2020)	-	58	-	-	11	69
	-	464	-	-	110	574
Total Directors' remuneration	-	525	-	-	120	645
GSC members:						
Prof. Dato' Dr. Ahmad Hidayat Buang	-	12	-	-	5	17
Assoc. Prof. Dr. Said Bouheraoua	-	11	-	-	5	16
Dr. Shamsiah Mohamad (Appointed with effect from 3 November 2020)	-	4	-	-	2	6
Shahrir Sofian (Appointed with effect from 3 November 2020)	-	4	-	-	2	6
Sahibus Samahah Datuk Dr. Luqman Haji Abdullah (Appointed with effect from 3 November 2020)	-	4	-	-	1	5
Datuk Nik Moustpha bin Nik Hassan (Resigned with effect from 3 November 2020)	-	6	-	-	2	8

12. President & CEO's, Directors' and GSC members' remuneration (cont'd.)

2021 (cont'd.)	Salary and bonus RM'000	Fees RM'000	Pension cost RM'000	Benefits-in-kind RM'000	Allowances/ others RM'000	Total RM'000
GSC members (cont'd.) :						
Assoc. Prof. Dr. Syed Musa bin Syed Jaafar Alhabshi (Resigned with effect from 3 November 2020)	-	6	-	-	2	8
Assistant Prof. Dr. Muhammad Naim bin Omar (Resigned with effect from 3 November 2020)	-	6	-	-	2	8
Assoc. Prof. Dr. Mohamed Fairooz bin Abdul Khir (Resigned with effect from 25 September 2020)	-	5	-	-	2	7
Total GSC members' remuneration	-	58	-	-	23	81
Total President & CEO, Directors' and GSC members' remuneration	1,174	583	200	25	158	2,140
2020						
President & CEO:						
Zainudin Ishak	1,329	-	203	122	8	1,662
Executive director:						
Mohd Din Merican	-	94	-	-	19	113
Non-executive directors:						
George Oommen	-	113	-	-	24	137
Mustaffa Ahmad	-	133	-	-	31	164
Datin Zaimah Zakaria	-	136	-	-	32	168
Khalid Sufat (Appointed with effect from 1 October 2019)	-	60	-	-	11	71
Arul Sothy Mylvaganam (Resigned with effect from 1 October 2019)	-	61	-	-	15	76
Md Adnan Md Zain (Resigned with effect from 1 June 2019)	-	22	-	-	8	30
	-	525	-	-	121	646
Total Directors' remuneration	-	619	-	-	140	759

12. President & CEO, Directors' and GSC members' remuneration (cont'd.)

2020 (cont'd.)	Salary and bonus RM'000	Fees RM'000	Pension cost RM'000	Benefits-in-kind RM'000	Allowances/ others RM'000	Total RM'000
GSC members:						
Prof. Dato' Dr. Ahmad Hidayat Buang	-	12	-	-	4	16
Datuk Nik Moustpha Nik Hassan	-	11	-	-	4	15
Assoc. Prof. Dr. Syed Musa Syed Jaafar Alhabshi	-	11	-	-	4	15
Assoc. Prof. Dr. Said Bouheraoua	-	11	-	-	4	15
Assistant Prof. Dr. Muhammad Naim Omar	-	11	-	-	4	15
Assoc. Prof. Dr. Mohamed Fairooz Abdul Khir	-	11	-	-	4	15
Total GSC members' remuneration	-	67	-	-	24	91
Total President & CEO's, Directors' and GSC members' remuneration	1,329	686	203	122	172	2,512

13. Other operating expenses

	2021 RM'000	2020 RM'000
Impairment losses on insurance/takaful receivables (Note 38(a))	362	-
Foreign exchange losses arising from investment in associate (Note 19)	4,749	-
Foreign exchange losses, net	2,896	-
Impairment losses on financial assets at:		
FVOCI	105	508
Amortised cost	32	-
Others	223	1,324
	8,367	1,832

14. Change in expense liabilities

	2021 RM'000	2020 RM'000
Increase/(decrease) in expense liabilities for general and family retakaful funds (Note 25)	1,379	(687)

15. Tax borne by participants

	2021 RM'000	2020 RM'000
Malaysian income tax:		
Tax expense for the year	688	1,360
Deferred tax:		
Relating to origination and reversal of temporary differences (Note 22)	(8)	82
	680	1,442

Income tax and deferred tax for the general and family retakaful funds of the Company are calculated at the preferential tax rate of 8% (2020: 8%) of the estimated assessable profit for the year.

16. Taxation

	2021 RM'000	2020 RM'000
Malaysian income tax:		
Tax expense for the year	9,917	11,141
Over provision of tax in previous years	(592)	(190)
	9,325	10,951
Deferred tax:		
Relating to origination and reversal of temporary differences (Note 22)	1,657	(3,301)
	10,982	7,650

Income tax is calculated at the Malaysian statutory tax rate of 8% (2020: 8%) of the estimated assessable profit for the year.

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

	2021 RM'000	2020 RM'000
Profit before zakat and taxation	144,241	104,079
Taxation at Malaysian statutory tax rate of 8%	11,539	8,327
Taxation at Malaysian statutory tax rate of 24%	217	1,337
Income not subject to tax	(634)	(2,045)
Expenses not deductible for tax purposes	452	221
Over provision of tax in previous years	(592)	(190)
Tax expense for the year recognised in profit or loss	10,982	7,650

17. Property, plant and equipment

2021	Freehold land RM'000	Building RM'000	Computer equipment RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Valuation/Cost						
At 1 April 2020	36,800	77,577	184	11,583	607	126,751
Additions	-	211	810	31	7	1,059
Revaluation surplus	-	1,316	-	-	-	1,316
Elimination of accumulated depreciation on revaluation	-	(2,316)	-	-	-	(2,316)
At 31 March 2021	36,800	76,788	994	11,614	614	126,810
Accumulated depreciation						
At 1 April 2020	-	-	183	10,373	389	10,945
Charge for the year (Note 11)	-	2,316	23	278	69	2,686
Elimination of accumulated depreciation on revaluation	-	(2,316)	-	-	-	(2,316)
At 31 March 2021	-	-	206	10,651	458	11,315
Net carrying amount						
At 31 March 2021	36,800	76,788	788	963	156	115,495

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

2020	Freehold land RM'000	Building RM'000	Computer equipment RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Valuation/Cost						
At 1 April 2019	36,800	77,499	263	11,533	607	126,702
Additions	-	1,368	18	50	-	1,436
Disposals	-	-	(97)	-	-	(97)
Revaluation surplus	-	1,042	-	-	-	1,042
Elimination of accumulated depreciation on revaluation	-	(2,332)	-	-	-	(2,332)
At 31 March 2020	36,800	77,577	184	11,583	607	126,751
Accumulated depreciation						
At 1 April 2019	-	-	260	10,062	318	10,640
Charge for the year (Note 11)	-	2,332	20	311	71	2,734
Disposals	-	-	(97)	-	-	(97)
Elimination of accumulated depreciation on revaluation	-	(2,332)	-	-	-	(2,332)
At 31 March 2020	-	-	183	10,373	389	10,945
Net carrying amount						
At 31 March 2020	36,800	77,577	1	1,210	218	115,806

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

Revaluation of freehold land and building

Freehold land and building have been revalued based on a valuation performed by an accredited independent valuer having an appropriate recognised professional qualification using the income approach. The valuation is based on the valuation date of 31 March 2021.

The income approach entails the determination of the probable gross annual rental the property is capable of producing and deducting therefrom the outgoings to arrive at the annual net income. Description of the fair value hierarchy for freehold land and building and the significant inputs used in the valuation are provided in Note 40.

If the freehold land and building were measured using the cost model, the carrying amounts would be as follows:

	Freehold land RM'000	Building RM'000	Total RM'000
Cost			
At 1 April 2019	15,596	80,909	96,505
Additions	-	1,368	1,368
At 31 March 2020	15,596	82,277	97,873
Additions	-	211	211
At 31 March 2021	15,596	82,488	98,084
Accumulated depreciation			
At 1 April 2019	-	32,549	32,549
Charge for the year	-	2,332	2,332
At 31 March 2020	-	34,881	34,881
Charge for the year	-	2,316	2,316
At 31 March 2021	-	37,197	37,197
Net carrying amount			
At 31 March 2020	15,596	47,396	62,992
At 31 March 2021	15,596	45,291	60,887

18. Intangible assets

	Software development in progress RM'000	Computer software and licences RM'000	Total RM'000
2021			
Cost			
At 1 April 2020	1	21,527	21,528
Additions	2,760	197	2,957
Transferred to computer software and licences	(218)	218	-
At 31 March 2021	2,543	21,942	24,485
Accumulated amortisation			
At 1 April 2020	-	15,483	15,483
Amortisation for the year (Note 11)	-	1,190	1,190
At 31 March 2021	-	16,673	16,673
Net carrying amount			
At 31 March 2021	2,543	5,269	7,812
2020			
Cost			
At 1 April 2019	420	20,898	21,318
Additions	196	14	210
Transferred to computer software and licences	(615)	615	-
At 31 March 2020	1	21,527	21,528
Accumulated amortisation			
At 1 April 2019	-	14,311	14,311
Amortisation for the year (Note 11)	-	1,172	1,172
At 31 March 2020	-	15,483	15,483
Net carrying amount			
At 31 March 2020	1	6,044	6,045

19. Investment in associate

	2021 RM'000	2020 RM'000
At beginning of the year	121,932	115,569
Fair value losses (Note 7)	(915)	(393)
Foreign exchange (losses)/gains (Note 13/9)	(4,749)	6,756
At end of the year	116,268	121,932

Description of the fair value hierarchy for investment in associate and the significant inputs used in the valuation are provided in Note 40.

The associate is Labuan Reinsurance (L) Ltd., a company incorporated in the Federal Territory of Labuan, Malaysia. The Company's proportion of ownership interest and voting power in its associate is 20% (2020: 20%). The associate is principally engaged in the underwriting of all classes of general reinsurance and general retakaful business pursuant to a licence given by the Labuan Financial Services Authority under the Labuan Financial Services and Securities Act, 2010. Its financial year end is 31 December.

The results of the associate are not equity accounted with those of the Company as the holding company, MNRB, produces financial statements that are available for public use and which complies with the relevant MFRSs and IFRSs. The summarised financial information of the associate as at 31 March 2021 and 2020 are as follows:

	2021 RM'000	2020 RM'000
Assets and liabilities		
Current assets	2,410,569	2,629,178
Non-current assets	69,599	76,309
Total assets	2,480,168	2,705,487
Current liabilities	285,529	320,537
Non-current liabilities	1,538,636	1,732,932
Total liabilities	1,824,165	2,053,469
Equity	656,003	652,018
Results		
Revenue	627,715	665,894
Profit/(loss) for the year	70,442	(51,979)

20. Financial and other assets

The following tables summarise the carrying values of financial and other assets of the Company other than cash and bank balances and insurance/takaful receivables:

	2021 RM'000	2020 RM'000
Financial assets at FVTPL (a)	223,411	197,568
Financial assets at FVOCI (b)	1,467,229	1,607,001
Financial assets at amortised cost and other assets (c)	1,703,148	1,330,760
	3,393,788	3,135,329
Malaysian government securities	155,329	145,670
Government investment issues	204,075	289,893
Unquoted corporate debt securities	1,048,715	1,119,053
Islamic commercial paper	64,797	-
Commercial paper	54,820	-
Equity securities:		
Unquoted shares in Malaysia	84,670	84,447
Quoted shares in Malaysia	159,879	152,602
Unquoted perpetual bond in Malaysia	4,950	-
Real estate investment trusts	10,555	12,904
Unit trust fund	22,467	-
Fixed and call deposits	338,588	350,653
Islamic investment accounts	1,142,396	863,541
Other receivables and prepayments	102,547	116,566
	3,393,788	3,135,329

The Company's financial assets are summarised by categories as follows:

	2021 RM'000	2020 RM'000
(a) Financial assets at FVTPL		
At fair value:		
(i) Designated upon initial recognition:		
Unquoted corporate debt securities	1,162	2,190
Government investment issues	4,929	11,944
(ii) Mandatorily measured:		
Quoted shares in Malaysia:		
Shariah approved equities	62,575	66,152
Others	97,304	86,450
Unquoted perpetual bond in Malaysia	4,950	-
Unquoted corporate debt securities	19,469	17,928
Real estate investment trusts	10,555	12,904
Unit trust fund	22,467	-
	223,411	197,568

20. Financial and other assets (cont'd.)

(b) Financial assets at FVOCI

	2021 RM'000	2020 RM'000
Unquoted corporate debt securities	1,028,084	1,098,935
Government investment issues	199,146	277,949
Malaysian government securities	155,329	145,670
Unquoted shares in Malaysia (i)	84,605	84,382
Golf club membership	65	65
	1,467,229	1,607,001

(i) Equity instruments designated at FVOCI include investments in equity shares of non-listed companies in Malaysia. The Company holds non-controlling interests (between 4% and 9%) in these companies. These investments were irrevocably designated at FVOCI as the Company considers these investments to be strategic in nature.

The pertinent information of the investments in unquoted shares in Malaysia are as follows:

	Financial Park (Labuan) Sdn. Bhd. RM'000	Malaysian Rating Corporation Berhad RM'000	Total RM'000
Fair value			
As at 1 April 2019	81,896	2,262	84,158
Movement during the year	118	106	224
As at 31 March 2020	82,014	2,368	84,382
Movement during the year	148	75	223
As at 31 March 2021	82,162	2,443	84,605

Disclosures on expected credit losses recognised for financial assets at FVOCI are disclosed in Note 38(a).

20. Financial and other assets (cont'd.)

(c) Financial assets at amortised cost and other assets

	2021 RM'000	2020 RM'000
At amortised cost:		
Fixed and call deposits with licensed:		
Commercial banks	77,313	121,384
Foreign banks	261,275	229,269
Islamic investment accounts with licensed:		
Islamic banks	1,007,329	773,059
Development bank	135,067	90,482
Islamic commercial paper	64,797	-
Commercial paper	54,820	-
Secured staff loans:		
Receivable within 12 months	266	53
Receivable after 12 months	1,043	1,392
Amount due from Insurance Pool accounts	9,864	29,716
Income due and accrued	26,322	32,629
Due from Lloyds' syndicate*	44,985	36,971
Due from Holding company**	6,375	3,258
Sundry receivables***	13,336	10,902
	1,702,792	1,329,115
Other assets:		
Prepayments	356	557
Other receivables	-	1,088
	356	1,645
	1,703,148	1,330,760

All items above, other than prepayments and other receivables, are financial assets measured at amortised cost. The carrying amounts disclosed above approximate fair values due to their relatively short-term nature.

* These amounts represent the Company's share, through its investment, of the assets and liabilities held through a Lloyds' syndicate. The Company has no control over the disposition of the assets and liabilities at Lloyds'.

** The amounts due from the holding company is unsecured, interest-free and repayable upon demand.

20. Financial and other assets (cont'd.)

(c) Financial assets and amortised cost and other assets (cont'd.)

*** The sundry receivables include amounts due from the Retakaful Division which were eliminated to arrive at the Company level balances as disclosed under Note 41(b). The amounts eliminated were as follows:

	2021 RM'000	2020 RM'000
Seed capital of the Retakaful Division	87,384	87,384
Qard due from the Retakaful Division, net of impairment	6,450	8,274
Amount due from Retakaful Division#	88,572	81,256
	182,406	176,914

\# The amount due from the Retakaful Division is unsecured, profit-free and repayable upon demand.

(d) Average effective interest/profit rates

The average effective interest/profit rates for each class of interest/profit-bearing investment and placements with licensed financial institutions, at net carrying amounts are as below:

	2021 %	2020 %
Debt securities	4.2	4.4
Loan receivables	3.0	3.0
Deposits with financial institutions	2.2	3.3

21. Insurance/takaful receivables

	2021 RM'000	2020 RM'000
Due from brokers and ceding companies	382,051	312,426
Allowance for impairment losses	(4,124)	(3,762)
	377,927	308,664

Offsetting insurance/takaful receivables and payables

	2021 RM'000	2020 RM'000
Gross amounts of recognised insurance/takaful receivables	810,456	805,846
Less: Gross amounts of recognised insurance/takaful payables set off in the statement of financial position	(428,405)	(493,420)
Net amounts of recognised insurance/takaful receivables	382,051	312,426

Included in the gross amounts due from brokers and ceding companies are balances amounting to RM35,271 (2020: RM1,845,374) and RM3,443,335 (2020: nil) due from an associate, Labuan Reinsurance (L) Ltd., as well as from a fellow subsidiary, Takaful IKHLAS General, respectively. The amounts receivable are subject to settlement terms stipulated in the reinsurance/retakaful contracts.

The carrying amount disclosed above approximates fair value due to its relatively short-term nature.

Disclosures on the movement of the allowance for impairment losses on insurance/takaful receivables are presented in Note 38(a).

22. Deferred taxation

	2021 RM'000	2020 RM'000
At beginning of the year	1,295	3,888
Recognised in:		
Participants' fund (Note 15)	(8)	82
Profit or loss (Note 16)	1,657	(3,301)
Other comprehensive income	17	626
At end of the year	2,961	1,295

22. Deferred taxation (cont'd.)

Presented after appropriate offsetting as follows:

	2021 RM'000	2020 RM'000
Deferred tax liabilities	6,677	6,235
Deferred tax assets	(3,716)	(4,940)
	2,961	1,295

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities

	Premium/ contri- bution liabilities RM'000	FVOCI RM'000	Accelerated capital allowances RM'000	Revalua- tion of land and buildings RM'000	Total RM'000
At 1 April 2019	(98)	1,855	531	3,211	5,499
Recognised in:					
Participants' fund	-	35	-	-	35
Profit or loss	199	-	(124)	-	75
Other comprehensive income	-	543	-	83	626
At 31 March 2020	101	2,433	407	3,294	6,235
Recognised in:					
Participants' fund	-	6	-	-	6
Profit or loss	422	-	(3)	-	419
Other comprehensive income	-	(115)	-	132	17
At 31 March 2021	523	2,324	404	3,426	6,677

22. Deferred taxation (cont'd.)

Deferred tax assets

	Fair value of financial assets at FVTPL RM'000	Expense liabilities RM'000	Others RM'000	Total RM'000
At 1 April 2019	(1,229)	(197)	(185)	(1,611)
Recognised in:				
Participants' fund	19	-	28	47
Profit or loss	(3,380)	55	(51)	(3,376)
At 31 March 2020	(4,590)	(142)	(208)	(4,940)
Recognised in:				
Participants' fund	(4)	-	(10)	(14)
Profit or loss	2,308	(111)	(959)	1,238
At 31 March 2021	(2,286)	(253)	(1,177)	(3,716)

23. Borrowing

	2021 RM'000	2020 RM'000
At amortised cost:		
Medium Term Notes ("MTN")	1,000	1,000
At fair value:		
Medium Term Notes ("MTN")	1,009	1,007

On 1 September 2015, the Company issued RM1,000,000 nominal value subordinated medium term notes ("MTN") which qualifies as Tier-2 capital under the RBC Framework issued by BNM. The subordinated MTN carries a tenure of ten (10) years from issue date on a 10-year, non-callable 5-year basis with an interest rate of 4.95% per annum payable semi-annually in arrears.

24. Insurance/takaful contract liabilities

	2021		
	Gross RM'000	**Reinsurance/ retakaful RM'000**	**Net RM'000**
Claim liabilities (i)	1,995,112	(169,991)	1,825,121
Premium/contribution liabilities (ii)	311,782	(7,835)	303,947
Participants' fund (iii)	19,556	-	19,556
	2,326,450	(177,826)	2,148,624

	2020 (restated)		
	Gross RM'000	**Reinsurance/ retakaful RM'000**	**Net RM'000**
Claim liabilities (i)	1,764,150	(176,315)	1,587,835
Premium/contribution liabilities (ii)	294,808	(9,690)	285,118
Participants' fund (iii)	12,051	-	12,051
	2,071,009	(186,005)	1,885,004

	2019 (restated)		
	Gross RM'000	**Reinsurance/ retakaful RM'000**	**Net RM'000**
Claim liabilities (i)	1,780,378	(252,350)	1,528,028
Premium/contribution liabilities (ii)	216,531	(6,524)	210,007
Participants' fund (iii)	(3,117)	-	(3,117)
	1,993,792	(258,874)	1,734,918

24. Insurance/takaful contract liabilities (cont'd.)

	2021			2020 (restated)		
	Gross RM'000	Reinsurance/ retakaful RM'000	Net RM'000	Gross RM'000	Reinsurance/ retakaful RM'000	Net RM'000
i. Claim liabilities						
At beginning of the year, as previously stated	1,826,738	(238,903)	1,587,835	1,830,100	(302,072)	1,528,028
Effect of prior year reclassifications (Note 2.25)	(62,588)	62,588	-	(49,722)	49,722	-
At beginning of the year, as restated	1,764,150	(176,315)	1,587,835	1,780,378	(252,350)	1,528,028
Adjustment to claims incurred:						
- Outstanding reserves for current underwriting year	307,696	(230)	307,466	310,087	(83)	310,004
- Movements in outstanding reserve from prior underwriting years	501,562	(29,838)	471,724	418,944	(11,024)	407,920
- Movements in IBNR and PRAD	105,089	(4,591)	100,498	43,890	(4,388)	39,502
- Claims paid during the year	(683,385)	40,983	(642,402)	(789,149)	91,530	(697,619)
At end of year	1,995,112	(169,991)	1,825,121	1,764,150	(176,315)	1,587,835
ii. Premium/contribution liabilities						
At beginning of the year, as previously stated	297,521	(12,403)	285,118	225,091	(15,084)	210,007
Effect of prior year reclassifications (Note 2.25)	(2,713)	2,713	-	(8,560)	8,560	-
At beginning of the year, as restated	294,808	(9,690)	285,118	216,531	(6,524)	210,007
Premiums/contributions written during the year	1,428,829	(103,895)	1,324,934	1,297,592	(86,472)	1,211,120
Premiums/contributions earned during the year	(1,411,855)	105,750	(1,306,105)	(1,219,315)	83,306	(1,136,009)
At end of year	311,782	(7,835)	303,947	294,808	(9,690)	285,118

24. Insurance/takaful contract liabilities (cont'd.)

iii. Participants' fund

	2021 RM'000	2020 RM'000
Accumulated surplus/(deficit)		
At beginning of year	11,781	(2,997)
Net surplus of the general/family retakaful fund (Note 41(a))	7,444	14,778
At end of year	19,225	11,781
Fair value reserve		
At beginning of year	270	(120)
Net gains on fair value changes	67	425
Deferred tax on fair value changes (Note 22)	(6)	(35)
At end of year	331	270
Total	19,556	12,051

In accordance to Section 95 of the IFSA 2013, when the retakaful funds are in deficit, the retakaful operator shall provide Qard or other forms of financial support to the retakaful funds from the shareholder's fund for an amount and on such terms and conditions as may be specified by BNM.

The accumulated surplus/(deficit) includes Qard due from the Retakaful Division which was eliminated in order to arrive at the Company level balances as disclosed under Note 41(b).

In order to arrive at the Company level balances, the gross change in contract liabilities had included elimination of the net surplus from the general and family retakaful funds as disclosed under Note 41(a).

25. Expense liabilities

	2021 RM'000	2020 RM'000
At beginning of the year	1,780	2,467
Wakalah fee received during the year	16,242	9,267
Wakalah fee earned during the year	(14,863)	(9,954)
Movement in unearned wakalah fees (Note 14)	1,379	(687)
At end of the year	3,159	1,780

26. Insurance/takaful payables

	2021 RM'000	2020 RM'000
Due to brokers and retrocessionaires	113,852	112,978

<u>Offsetting insurance/takaful receivables and payables</u>

	2021 RM'000	2020 RM'000
Gross amounts of recognised insurance/takaful payables	542,257	606,398
Less: Gross amounts of recognised insurance/takaful receivables set off in the statement of financial position	(428,405)	(493,420)
Net amounts of recognised insurance/takaful payables	113,852	112,978

Included in the gross amounts due to brokers and retrocessionaires as at 31 March 2021 are balances amounting to RM242,209 (2020: RM276,513) and RM619,413 (2020: RM189,219) due to the Company's associate, Labuan Reinsurance (L) Ltd. and its fellow subsidiary, Takaful IKHLAS General, respectively. The amounts payable are subject to settlement terms stipulated in the reinsurance/retakaful contracts.

The carrying amount disclosed above approximates fair value due to its relatively short-term nature.

27. Other payables and provisions

	2021 RM'000	2020 RM'000
Due to fellow subsidiaries*	1,357	353
Provisions	5,886	4,464
Sundry payables and accruals**	5,733	4,273
	12,976	9,090

27. Other payables and provisions (cont'd.)

* The amounts due to fellow subsidiaries are unsecured, interest-free and repayable upon demand.

** The sundry payables and accruals include amounts owing by the Retakaful Division which were eliminated to arrive at the Company level balances as disclosed under Note 41(b). The amounts eliminated were the following:

	2021 RM'000	2020 RM'000
Seed capital of the Retakaful Division	87,384	87,384
Amount owing by Retakaful Division#	88,572	81,256
	175,956	168,640

\# The amount owing by the Retakaful Division is unsecured, profit-free and repayable upon demand.

The carrying amounts disclosed above approximate fair value due to their relatively short term nature.

28. Share capital

	Number of ordinary shares		Amount	
	2021 '000	2020 '000	2021 RM'000	2020 RM'000
Authorised	1,000,000	1,000,000	1,000,000	1,000,000
Issued and fully paid	663,106	663,106	663,106	663,106

29. Merger deficit

	2021 RM'000	2020 RM'000
Merger deficit	(9,618)	(9,618)

Merger deficit represents the difference between the consideration given and the carrying value of the net asset value of the general and family retakaful businesses transferred from a fellow subsidiary, Sinar Seroja Berhad on 1 December 2017.

30. Earnings per share

Basic and diluted earnings per share is calculated by dividing the net profit for the year by the number of ordinary shares in issue during the year as follows:

	2021 RM'000	2020 RM'000
Net profit for the year (RM'000)	133,139	96,370
Number of ordinary shares in issue ('000)	663,106	663,106
Basic and diluted earnings per share (sen)	20.08	14.53

There were no dilutive effects in the current and prior year.

31. Dividend

The dividends paid by the Company were as follows:

	2021 RM'000	2020 RM'000
Dividends declared and paid during the year:		
Final single-tier dividend of 5.28% (2020: 5.25%)	35,000	35,000

32. Lease

The Company as a lessor

The Company has entered into non-cancellable operating lease agreements on its portfolio of self-occupied property. These leases have remaining non-cancellable lease terms of 1 to 3 years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

The future minimum lease payments receivable under non-cancellable operating leases contracted for as at the reporting date but not recognised as receivables, are as follows:

	2021 RM'000	2020 RM'000
Within 1 year	2,050	3,685
After 1 year and not more than 5 years	1,458	3,508
	3,508	7,193

33. Capital commitments

	2021 RM'000	2020 RM'000
Capital expenditure		
Approved and contracted for:		
Property, plant and equipment	4,314	312
Intangible assets	328	-
	4,642	312
Approved but not contracted for:		
Property, plant and equipment	923	3
Intangible assets	2,104	1,157
	3,027	1,160

34. Significant related party disclosures

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

34. Significant related party disclosures (cont'd.)

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel include all Directors of the Company, GSC members, and certain members of senior management of the Company.

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

	2021 RM'000	2020 RM'000
Income/(expenses):		
Transactions with Labuan Reinsurance (L) Ltd., an associate:		
Reinsurance inward (net of claims)	818	898
Transactions with Takaful IKHLAS Family, a fellow subsidiary:		
Gross contribution paid for takaful cover	(256)	(20)
Rental income from property	184	92
Transactions with Takaful IKHLAS General, a fellow subsidiary:		
Gross contribution paid for takaful cover	(88)	(109)
Retakaful inward (net of claims)	9,361	4,071
Transactions with MNRB Holdings Berhad, the holding company:		
Management fees expenses	(19,692)	(20,041)
Management fees income	742	-
Interest paid	(44)	(50)
Rental income from property	1,102	1,236
Transactions with MMIP Services Sdn. Bhd., a fellow subsidiary:		
Rental income from property	288	288
Management fees	108	-
Transactions with Malaysian Re (Dubai) Ltd., a fellow subsidiary:		
Management fees for marketing activities	(3,318)	(3,580)
Management fees income	15	-

The Directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties. Balances with related parties as at 31 March 2021 are as disclosed in Notes 20, 21, 26 and 27.

34. Significant related party disclosures (cont'd.)

Details of the compensation granted to key management personnel are as follows:

	2021 RM'000	2020 RM'000
Non-executive directors' remuneration (Note 12):		
Fees	464	525
Meeting allowances	110	121
GSC members' remuneration (Note 12):		
Fees	58	67
Meeting allowances	23	24
President & CEO's remuneration (Note 12):		
Salaries and bonus	1,174	1,329
Pension costs - EPF	200	203
Benefits-in-kind	25	122
Others	15	8
Executive directors' remuneration (Note 12):		
Fees	61	94
Meeting allowances	10	19
Other key management personnel:		
Salaries and bonus	3,801	3,631
Pension costs - EPF	646	597
Social security cost	9	7
Allowances	565	827
	7,161	7,574

35. Risk management framework

The Company adopts a Group ERM Framework which was established to provide a set of guidelines for implementing risk management throughout the MNRB Group ("the Group"). It encompasses the Group's risk management:

(i) strategy, by having appropriate risk management objectives, policy and appetite;

(ii) architecture, by setting up risk management roles and responsibilities, communication and reporting structure; and

(iii) protocols, by describing the procedures, methodologies, tools and techniques for risk management.

35. Risk management framework (cont'd.)

An enterprise risk management process is adopted to systematically identify, analyse and evaluate various risks posed by the rapidly changing business environment, and to establish and implement an appropriate system of internal controls to manage these risks and opportunities while ensuring full and effective control, particularly over the Company's significant strategic, financial, organisational and compliance matters.

The Group ERM Framework aims to serve as a guide for the effective management of risks throughout the Company. The Framework is intended to provide guidance to the Company in performing its risk management roles and responsibilities and ultimately aims to support the achievement of the Company's strategic and financial objectives.

The primary objectives of the Group ERM Framework are as follows:

(i) provides a single point of reference for managing risks in a systematic and structured way;

(ii) embeds the risk management process and ensure it is an integral part of the planning process at a strategic and operational level;

(iii) facilitates effective risk oversight through a clear internal risk governance structure and responsibilities;

(iv) aligns the Group's risk management practices with its sustainability principles;

(v) helps create a risk awareness culture from a strategic, operational and individual perspective; and

(vi) standardises risk terminologies across the Group to facilitate a consistent and uniform approach in managing risk.

In pursuit of the above objectives, it is the Company's policy to adhere to, and comply with, all relevant governance and regulatory requirements and implement best practices with regard to risk management principles. The Company also aims to uphold high standards of business practices in all its activities.

(a) Risk management governance

The Risk Management governance structure is as follows:

(i) The Board had established a dedicated Board Committee known as the RMCB to oversee the implementation of the Group ERM Framework;

35. Risk management framework (cont'd.)

(a) Risk management governance (cont'd.)

The Risk Management governance structure is as follows (cont'd.):

(ii) The Audit Committee was established to complement the role of the Board by providing independent assessments of the adequacy and reliability of the risk management process, and compliance with the risk policies and regulatory guidelines. The Audit Committee is assisted by an independent Internal Audit Department in performing its role;

(iii) The Group Management Risk & Compliance Committee ("GMRCC"), which comprises the MNRB Group President & Group Chief Executive Officer, the President & Chief Executive Officers and selected members of Senior Management from MNRB Holdings Berhad and its main operating subsidiaries (Malaysian Reinsurance Berhad, Takaful Ikhlas Family Berhad and Takaful Ikhlas General Berhad), implements the risk management processes, provides assurance to the Board that the processes have been carried out effectively and inculcates a risk management culture on an enterprise-wide basis;

(iv) The Group Chief Risk Officer (“GCRO”) and Risk Management Department ("RMD") establish the infrastructure and provide oversight over the risk management process in the Company through the adoption of the Group ERM Framework; and

(v) At the operational level, the implementation of the risk management processes in the day to day operations of the Company is facilitated by the Business Risk Management Department, the Heads of Department and supported by the embedded risk managers of each department, guided by various components of the Group ERM Framework.

The Board had also established a dedicated Investment Committee to further oversee risks associated with investments and asset allocation strategies. Further, the Company has established an Investment Policy to ensure proper risk management by investing in low-risk assets, deposits with licensed financial institutions, debt securities and other marketable securities.

The Company's investment strategy is focused towards capital preservation, income optimisation and liquidity management.

35. Risk management framework (cont'd.)

(a) Risk management governance (cont'd.)

The Company had also put in place the following policies to ensure proper risk management:

(i) Underwriting Policy where the Company's underwriting strategy is to have an acceptable mix and spread in the business portfolios by:

- observing underwriting guidelines and limits; and
- applying prudential standards in the assessment of security of its key retrocessionaires/retrotakaful providers (“counterparties”).

In this respect, the Company complies with the relevant regulatory guidelines in the underwriting of risks.

(ii) Claims Reserving Policy where claim liabilities are determined based on historical claims trends, existing knowledge of events, terms and conditions of contracts and assessment of circumstances. Past experience with similar events, historical claims development trends, legislative changes, judicial decisions and economic conditions, are particularly relevant in claims reserving.

(b) Capital management objectives, policies and approach

The Internal Capital Adequacy Assessment Process (“ICAAP”) Policy sets out the overall process where the Company ensures adequate capital is available to meet its capital requirements on an ongoing basis in line with BNM Guidelines on Internal Capital Adequacy Assessment for Insurers, Internal Capital Adequacy Assessment for Takaful Operators, RBC and RBCT Frameworks and BNM's Policy Document on Stress Testing.

The Capital Management Plan ("CMP") is designed and implemented to ensure an effective management of the Company's capital and maximise the Company's value by optimising capital structure and enhancing capital efficiency.

Under the CMP, the Company measures and monitors its capital position mainly via the Capital Adequacy Ratio ("CAR").

The CMP identifies certain trigger points of the CAR position and further describes a set of corrective action plans that will be implemented towards maintaining an adequate level of capital. It is intended that capital will be utilised more efficiently in a controlled manner so that the Company will be able to manage its capital position above the internal target.

The ICAAP Policy also requires the Company to set an Individual Target Capital Level ("ITCL") based on its business strategies, risk profiles and risk management practices. The Company’s prevailing ITCL is above the minimum regulatory capital requirements outlined under the RBC and RBCT Frameworks.

35. Risk management framework (cont'd.)

(b) Capital management objectives, policies and approach (cont'd.)

Capital management objectives

The main objective of capital management is to monitor and maintain, at all times, an appropriate level of capital which is commensurate with the Company's business operations and the resultant risk profile.

The key objective of the CMP is for appropriate action plans to be taken by the Board and management of the Company when any of the CMP’s internal targets is triggered. This includes remedial actions that must be undertaken by the Company's Board and management to improve the capital position.

Capital management policies

The key capital management policies are as follows:

(i) Ensure the Company has adequate capital, expressed as the CAR, to support its business objectives; and

(ii) Establish the responsibility of management and the Board in developing an internal capital adequacy assessment process and setting capital targets which commensurate with its business operations and the resultant risk profile and control environment.

Approach to capital management

The Company conducts stress tests in compliance with BNM’s Policy Document on Stress Testing. The impact of the adverse scenarios on the capital position of the Company is assessed on a quarterly basis, focusing on short to medium term views.

(c) Regulatory framework

The Company is required to comply with the FSA 2013, and the IFSA 2013, the Companies Act 2016 and any other relevant Acts, and as applicable, Policy Documents issued by BNM from time to time.

In line with the RBC and RBCT Frameworks' requirements on capital adequacy, the Company actively manages its capital by taking into account the potential impact of business exposure on its business strategies, risk profiles and overall resilience.

35. Risk management framework (cont'd.)

(c) Regulatory framework (cont'd.)

The total capital available of the Company as at 31 March 2021, as prescribed and reported under the RBC and RBCT Frameworks, is provided below:

	2021 RM'000	2020 RM'000
Eligible Tier 1 Capital		
Share capital	663,106	663,106
Retained profits	1,056,497	958,385
Valuation deficit maintained in the retakaful funds	(62,668)	(70,140)
	1,656,935	1,551,351
Eligible Tier 2 Capital		
Revaluation reserve	49,202	48,018
Fair value reserve	60,935	61,999
Subordinated term debt and Qard	69,397	72,508
General reserves (merger deficit)	(9,618)	(9,618)
	169,916	172,907
Deductions	(83,193)	(52,602)
Total Capital Available	1,743,658	1,671,656

(d) Asset-liability management ("ALM") framework

The main risk that the Company faces due to the nature of its investments and liabilities is the mismatch of assets to liabilities (investment risks). The Company manages these positions within the ALM framework to achieve long-term investment returns in excess of its obligations. The principal technique identified is to match assets to the liabilities arising from reinsurance and retakaful contracts. Amongst the mechanism to manage the ALM framework is the assessment and monitoring of the investment portfolio duration against the liability duration for specific risks, as well as investing in foreign currencies denominated fixed income securities to match its foreign currency denominated liabilities.

An Asset-Liability Committee ("ALCO") has been established to manage and monitor asset-liability mismatch risks. The ALCO ultimately reports to the Board through the Investment Committee.

36. Underwriting risk of general reinsurance/retakaful

(a) Nature of risk

The Company principally underwrites general reinsurance and retakaful contracts by the following main classes of business: Fire, Motor, Marine, and Miscellaneous. Risks under these contracts usually cover a twelve-month duration other than some long-term contracts such as construction contracts which may cover up to 3 years or more. The most significant risk arises from adverse development of claims and occurrence of new catastrophe losses. These risks vary significantly in relation to the economic conditions and territories from which the risks are underwritten.

The above risks are mitigated by diversification across the Company's business portfolio to ensure a balanced mix and spread of business. Diversification through the implementation of underwriting strategies reduces the volatility of losses and improves the overall portfolio experience. The losses are further mitigated by ensuring that the Company’s retrocession/retrotakaful arrangements are effective and adequate. Clear underwriting guidelines as approved by the Board are used to ensure all risks are written in accordance with the approved limits and catastrophe aggregates are managed within the capacity of the retrocession programmes. Pricing tool ensures the risks exposures are adequately priced.

The Company's retrocession/retrotakaful programmes are reviewed annually by the Retrocession Committee and GMRCC and subsequently, as delegated by the Board, recommended to the RMCB for approval. Prudent standards are applied in the selection of the Company's key retrocessionaires/retrotakaful providers.

Stress testing is performed on a quarterly basis. The purpose of the stress testing is to test the solvency and financial viability of the general reinsurance/retakaful business under the various scenarios according to regulatory guidelines, simulating drastic changes in major parameters such as new business volume, claims experience and investment environment.

(b) Concentration of risk by type of business

The table below measures the concentration of insurance/takaful exposure by the main classes of business, by local and overseas risks and by reinsurance and retakaful:

Insurance/takaful contract liabilities	**Gross RM'000**	**Re-insurance/ retakaful RM'000**	**Net RM'000**
2021			
Fire	1,008,256	(125,343)	882,913
Motor	454,431	(5,585)	448,846
Marine	258,088	(14,079)	244,009
Miscellaneous	576,389	(25,261)	551,128
	2,297,164	(170,268)	2,126,896

36. Underwriting risk of general reinsurance/retakaful (cont'd.)

(b) Concentration of risk by type of business (cont'd.)

Insurance/takaful contract liabilities	Gross RM'000	Re-insurance/ retakaful RM'000	Net RM'000
2021 (cont'd.)			
Local	1,302,584	(141,055)	1,161,529
Overseas	994,580	(29,213)	965,367
	2,297,164	(170,268)	2,126,896
Reinsurance	2,223,260	(166,968)	2,056,292
Retakaful	73,904	(3,300)	70,604
	2,297,164	(170,268)	2,126,896
2020 (Restated)			
Fire	840,078	(97,822)	742,256
Motor	422,721	(4,033)	418,688
Marine	258,046	(45,214)	212,832
Miscellaneous	524,621	(31,546)	493,075
	2,045,466	(178,615)	1,866,851
Local	1,123,075	(117,211)	1,005,864
Overseas	922,391	(61,404)	860,987
	2,045,466	(178,615)	1,866,851
Reinsurance	1,989,123	(174,903)	1,814,220
Retakaful	56,343	(3,712)	52,631
	2,045,466	(178,615)	1,866,851

(c) Reserving risk

The Company's claim liabilities, and consequently some of the inputs used in determining its premium/contribution liabilities and expense liabilities, are based upon previous claims experience, existing knowledge of events, the terms and conditions of relevant policies and interpretation of circumstances. Upon notification of a claim by its cedants or receipt of notification of market loss events, the Company sets aside reserves to meet the expected ultimate loss arising from these claims. These claim reserves are updated periodically for further developments via advice from cedants and any updates on market loss events.

36. Underwriting risk of general reinsurance/retakaful (cont'd.)

(c) Reserving risk (cont'd.)

At each reporting date, the Company performs a test on the adequacy of its liabilities that is certified by the Appointed Actuary for the purpose of ensuring that claim and premium liabilities are objectively assessed and adequately provided for. Any deficiency is recognised in the statement of comprehensive income.

(d) Impact on liabilities, profit and equity

Key assumptions

Liabilities are determined based upon previous claims experience, existing knowledge of events, the terms and conditions of relevant contracts and interpretation of circumstances. Particularly relevant are past experiences with similar cases, historical claims development trends, legislative changes, judicial decisions and economic conditions.

The inherent uncertainties in estimating liabilities can arise from a variety of factors such as the range and quality of data available, underlying assumptions made and random volatility in future experience.

Sensitivity analysis

The insurance/takaful contract liabilities of the Company are sensitive to various key factors which are both internal and external. External factors to which the Company is sensitive to include:

(i) Claims practices of ceding companies;
(ii) Frequency and severity of claims incurred by cedants;
(iii) Changes in premium/contribution rates in insurance/takaful;
(iv) Changes in reinsurance/retakaful markets; and
(v) Legislative and regulatory changes.

The sensitivity analysis was applied to the ultimate loss ratio of the Company by increasing or decreasing the said ratio by 5%. The increase/(decrease) was applied to the earned exposure in the last 2 years, where the uncertainty of the ultimate loss is higher as claim is at an early stage of development. The table below shows the impact on the Company's gross and net claim liabilities, profit before zakat and taxation and equity should the ultimate loss ratio be increased/(decreased) by 5%:

36. Underwriting risk of general reinsurance/retakaful (cont'd.)

(d) Impact on liabilities, profit and equity (cont'd.)

Sensitivity analysis (cont'd.)

2021

Increase 5%	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax * RM'000	Impact on equity ** RM'000
	<------- Increase ------->		<------ Decrease ------>	
Fire	50,161	49,110	(47,230)	(43,452)
Marine	14,124	13,826	(13,397)	(12,325)
Motor	25,019	24,495	(24,495)	(22,535)
Miscellaneous	30,827	30,176	(29,146)	(26,814)
	120,131	117,607	(114,268)	(105,126)

Decrease 5%	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax * RM'000	Impact on equity ** RM'000
	<------- Decrease ------->		<------ Increase ------>	
Fire	(50,146)	(49,110)	47,230	43,452
Marine	(14,123)	(13,826)	13,397	12,325
Motor	(25,011)	(24,495)	24,495	22,535
Miscellaneous	(30,821)	(30,176)	29,146	26,814
	(120,101)	(117,607)	114,268	105,126

2020 (Restated)

Increase 5%	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax * RM'000	Impact on equity ** RM'000
	<------- Increase ------->		<------ Decrease ------>	
Fire	42,104	41,885	(40,308)	(37,083)
Marine	12,337	12,273	(11,826)	(10,880)
Motor	22,816	22,697	(22,697)	(20,882)
Miscellaneous	27,935	27,791	(26,751)	(24,611)
	105,192	104,646	(101,582)	(93,456)

36. Underwriting risk of general reinsurance/retakaful (cont'd.)

(d) Impact on liabilities, profit and equity (cont'd.)

Sensitivity analysis (cont'd.)

2020 (Restated) (cont'd.)

Decrease 5%	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax * RM'000	Impact on equity ** RM'000
	<------- Decrease ------->		<------ Increase ------>	
Fire	(42,104)	(41,885)	40,308	37,083
Marine	(12,337)	(12,273)	11,826	10,880
Motor	(22,816)	(22,697)	22,697	20,882
Miscellaneous	(27,935)	(27,791)	26,751	24,611
	(105,192)	(104,646)	101,582	93,456

* The impact on profit before tax has included consideration of the impact on estimated reinstatement premium receivables.

** The impact on equity reflects the impact after tax of 8% (2020: 8%).

This analysis assumes that other factors relevant, but not significant, to the valuation of claim liabilities remain constant.

The method used for deriving sensitivity information has been updated from the previous year. The change in the sensitivity methodology was to better reflect the impact on the recent two (2) years exposures as compared to recent two (2) underwriting year exposures. The latter exposure mainly impacts the previous underwriting year (i.e: underwriting year 2020) because the booking and earning of premiums for recent underwriting year (i.e: underwriting year 2021) is minimal. Prior year's comparative has been restated to enhance comparability with the current year's approach.

(e) Claims development table

The following tables show the estimate of cumulative ultimate incurred claims, including both claims provisions and IBNR for each successive underwriting year at each financial year end, along with cumulative claim payments to-date.

In setting provisions for claims, the Company gives consideration to the probability and magnitude of future experience at best estimate level with a degree of caution in setting reserves when there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience for an underwriting year is the greatest when the claim is at an early stage of development.

The ultimate liability projection for Underwriting Year ("UWY") 2021 will only be available once the Company has completed underwriting its business for the period from 1 January 2021 to 31 December 2021.

36. Underwriting risk of general reinsurance/retakaful (cont'd.)

(e) Claims development table (cont'd.)

Gross general reinsurance/retakaful claim liabilities for 2021:

Underwriting year	Before 2013 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	Subtotal RM'000
At the end of underwriting year		772,304	703,952	707,937	684,259	782,335	849,676	942,403	1,005,332	
One year later		797,653	722,287	762,054	824,967	707,863	960,687	909,028	-	
Two years later		832,394	729,885	816,207	786,520	692,333	903,133	-	-	
Three years later		913,605	734,344	805,460	791,266	692,481	-	-	-	
Four years later		964,398	723,221	822,505	778,764	-	-	-	-	
Five years later		951,669	801,843	823,647	-	-	-	-	-	
Six years later		989,444	799,548	-	-	-	-	-	-	
Seven years later		943,350	-	-	-	-	-	-	-	
Current estimate of booked ultimate claims incurred (a)	**5,860,744**	**942,295**	**795,796**	**820,028**	**772,317**	**684,453**	**894,483**	**858,662**	**584,558**	
At the end of underwriting year		91,977	50,464	48,141	50,779	47,943	105,412	72,520	63,937	
One year later		465,417	394,520	467,060	369,591	395,792	542,781	388,690	-	
Two years later		627,254	521,806	593,458	550,347	516,091	689,938	-	-	
Three years later		741,303	577,362	667,552	640,952	563,218	-	-	-	
Four years later		819,399	618,482	724,810	670,036	-	-	-	-	
Five years later		848,750	684,641	741,602	-	-	-	-	-	
Six years later		908,137	696,148	-	-	-	-	-	-	
Seven years later		879,659	-	-	-	-	-	-	-	
Cumulative payments to-date (b)	**5,764,133**	**879,659**	**696,148**	**741,602**	**670,036**	**563,218**	**689,938**	**388,690**	**63,937**	
Expected claim liabilities (a) - (b)	96,611	62,636	99,648	78,426	102,281	121,235	204,545	469,972	520,621	1,755,975
Other portfolios										79,790
Best estimate of claim liabilities										1,835,765
Claim handling expenses										13,375
Fund PRAD at 75% confidence interval										136,242
Gross general reinsurance/retakaful claim liabilities										1,985,382

36. Underwriting risk of general reinsurance/retakaful (cont'd.)

(e) Claims development table (cont'd.)

Net general reinsurance/retakaful claim liabilities for 2021:

Underwriting year	Before 2013 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	Subtotal RM'000
At the end of underwriting year		745,438	705,370	703,964	863,017	783,471	851,093	926,223	998,304	
One year later		763,552	712,346	877,687	823,576	707,596	939,331	900,746	-	
Two years later		794,351	763,018	817,079	785,839	689,271	878,022	-	-	
Three years later		844,810	734,168	806,237	791,205	691,601	-	-	-	
Four years later		883,611	723,955	823,471	778,759	-	-	-	-	
Five years later		868,517	801,563	823,650	-	-	-	-	-	
Six years later		905,640	799,699	-	-	-	-	-	-	
Seven years later		913,380	-	-	-	-	-	-	-	
Current estimate of booked ultimate claims incurred (a)	**5,757,698**	**912,326**	**795,797**	**820,030**	**772,317**	**683,477**	**869,270**	**851,361**	**582,442**	
At the end of underwriting year		66,414	50,464	48,141	50,779	47,943	105,412	72,432	63,606	
One year later		446,728	394,520	467,060	369,591	395,792	539,287	384,880	-	
Two years later		607,074	521,806	593,458	550,347	516,091	669,253	-	-	
Three years later		689,440	577,362	667,555	640,952	563,218	-	-	-	
Four years later		761,309	618,482	724,812	670,036	-	-	-	-	
Five years later		792,241	684,641	741,604	-	-	-	-	-	
Six years later		851,276	696,148	-	-	-	-	-	-	
Seven years later		857,681	-	-	-	-	-	-	-	
Cumulative payments to-date (b)	**5,663,156**	**857,681**	**696,148**	**741,604**	**670,036**	**563,218**	**669,253**	**384,880**	**63,606**	
Expected claim liabilities (a) - (b)	94,542	54,645	99,649	78,426	102,281	120,259	200,017	466,481	518,836	1,735,136

Other portfolios	80,955
Best estimate of claim liabilities	1,816,091
Claim handling expenses	13,375
Fund PRAD at 75% confidence interval	120,397
Less: Retrocession recoveries	(126,914)
Net general reinsurance/retakaful claim liabilities	1,822,949

36. Underwriting risk of general reinsurance/retakaful (cont'd.)

(e) Claims development table (cont'd.)

Gross general reinsurance/retakaful claim liabilities for 2020 (restated) :

Underwriting year	**Before 2012 RM'000**	**2012 RM'000**	**2013 RM'000**	**2014 RM'000**	**2015 RM'000**	**2016 RM'000**	**2017 RM'000**	**2018 RM'000**	**2019 RM'000**	**Subtotal RM'000**
At the end of underwriting year		655,703	772,304	703,952	707,937	684,259	782,335	849,676	942,403	
One year later		680,268	797,653	722,287	762,054	824,967	707,863	960,687	-	
Two years later		676,313	832,394	729,885	816,207	786,520	692,333	-	-	
Three years later		712,520	913,605	734,344	805,460	791,266	-	-	-	
Four years later		727,313	964,398	723,221	822,505	-	-	-	-	
Five years later		794,583	951,669	801,843	-	-	-	-	-	
Six years later		772,786	989,444	-	-	-	-	-	-	
Seven years later		781,338	-	-	-	-	-	-	-	
Current estimate of booked ultimate claims incurred (a)	**5,095,004**	**780,950**	**987,498**	**798,074**	**817,802**	**781,802**	**676,249**	**906,122**	**580,324**	
At the end of underwriting year		48,197	91,977	50,464	48,141	50,779	47,943	105,412	72,520	
One year later		335,713	465,417	394,520	467,060	369,591	395,780	542,781	-	
Two years later		481,940	627,254	521,806	593,458	550,347	516,091	-	-	
Three years later		577,642	741,303	577,362	667,552	640,952	-	-	-	
Four years later		621,481	819,399	618,482	724,810	-	-	-	-	
Five years later		675,172	848,750	684,641	-	-	-	-	-	
Six years later		715,312	908,137	-	-	-	-	-	-	
Seven years later		745,101	-	-	-	-	-	-	-	
Cumulative payments to-date (b)	**5,021,265**	**745,101**	**908,137**	**684,641**	**724,810**	**640,952**	**516,091**	**542,781**	**72,520**	
Expected claim liabilities (a) - (b)	73,739	35,849	79,361	113,433	92,992	140,850	160,158	363,341	507,804	1,567,527
Other portfolios										51,484
Best estimate of claim liabilities										1,619,011
Claim handling expenses										10,196
Fund PRAD at 75% confidence interval										121,451
Gross general reinsurance/retakaful claim liabilities										1,750,658

36. Underwriting of general reinsurance/retakaful (cont'd.)

(e) Claims development table (cont'd.)

Net general reinsurance/retakaful claim liabilities for 2020:

Underwriting year	Before 2012 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	Subtotal RM'000
At the end of underwriting year		646,500	745,438	705,370	703,964	863,017	783,471	851,093	926,223	
One year later		679,991	763,552	712,346	877,687	823,576	707,596	939,331	-	
Two years later		674,963	794,351	763,018	817,079	785,839	689,271	-	-	
Three years later		709,217	844,810	734,168	806,237	791,205	-	-	-	
Four years later		753,532	883,611	723,955	823,471	-	-	-	-	
Five years later		773,005	868,517	801,563	-	-	-	-	-	
Six years later		768,254	905,640	-	-	-	-	-	-	
Seven years later		777,147	-	-	-	-	-	-	-	
Current estimate of booked ultimate claims incurred (a)	**4,995,181**	**776,503**	**903,749**	**798,074**	**817,804**	**781,802**	**676,249**	**895,636**	**579,025**	
At the end of underwriting year		47,742	66,414	50,464	48,141	50,779	47,943	105,412	72,432	
One year later		333,140	446,728	394,520	467,060	369,591	395,792	539,287	-	
Two years later		478,500	607,074	521,806	593,458	550,347	516,091	-	-	
Three years later		574,004	689,440	577,362	667,555	640,952	-	-	-	
Four years later		618,991	761,309	618,482	724,812	-	-	-	-	
Five years later		671,610	792,241	684,641	-	-	-	-	-	
Six years later		711,549	851,276	-	-	-	-	-	-	
Seven years later		741,206	-	-	-	-	-	-	-	
Cumulative payments to-date (b)	**4,923,383**	**741,206**	**851,276**	**684,641**	**724,812**	**640,952**	**516,091**	**539,287**	**72,432**	
Expected claim liabilities (a) - (b)	71,798	35,297	52,473	113,433	92,992	140,850	160,158	356,349	506,593	1,529,943

	RM'000
Other portfolios	52,342
Best estimate of claim liabilities	1,582,285
Claim handling expenses	10,196
Fund PRAD at 75% confidence interval	104,890
Less: Retrocession recoveries	(115,638)
Net general reinsurance/retakaful claim liabilities	1,581,733

37. Underwriting risk of family retakaful

(a) Nature of risk

The family retakaful business of the Company principally consists of Individual Family Retakaful Plans and Group Family Retakaful Plans, covering mortality, morbidity and health, which includes critical illnesses risks and medical related risks.

The actual experience of the underwritten risks is reviewed periodically to ensure that appropriate policies, guidelines and limits put in place to manage these risks remain adequate and appropriate.

Family retakaful underwriting risk relates to the pricing and loss ratios arising from family retakaful products. The risks arise when actual claims experience is different from the assumptions used in setting the yearly renewable rates for retakaful products. Deviations in actual claims experience compared to the assumptions used may be due to deviations in actual underwritten risks experience.

The underwritten risks are further managed through retrotakaful arrangements.

(b) Concentration of takaful contract liabilities

The business of the family retakaful fund is derived from Malaysia and Brunei. These liabilities are run-off business transferred from Sinar Seroja Berhad.

The table below sets out the concentration of takaful exposure by types of business and by local and overseas exposures:

	Gross RM'000	Retakaful RM'000	Net RM'000
2021			
Family Individual	9,346	(7,558)	1,788
Family Group	384	-	384
	9,730	(7,558)	2,172
Local	9,309	(7,473)	1,836
Overseas	421	(85)	336
	9,730	(7,558)	2,172

37. Underwriting risk of family retakaful (cont'd.)

(b) Concentration of takaful contract liabilities (cont'd.)

	Gross RM'000	Retakaful RM'000	Net RM'000
2020			
Family Individual	10,473	(7,390)	3,083
Family Group	3,019	-	3,019
	13,492	(7,390)	6,102
Local	11,319	(6,752)	4,567
Overseas	2,173	(638)	1,535
	13,492	(7,390)	6,102

(c) Impact on liabilities, profit and equity

Key assumptions

Material judgement is required in determining the liabilities and the choice of assumptions. Assumptions used are based on past experience, current internal data, external market indices and benchmarks 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.

Sensitivity analysis

The family retakaful fund's claim liabilities are sensitive to changes in loss ratios.

Due to limited information, the sensitivity analysis was applied to the ultimate loss ratio of the family retakaful fund by increasing/(decreasing) the said ratio by 20%. The table below shows the impact on the family retakaful fund’s gross and net liabilities, surplus/(deficit) before tax and family retakaful fund should the ultimate loss ratio be increased/(decreased) by 20%:

37. Underwriting risk of family retakaful (cont'd.)

(c) Impact on liabilities, profit and equity (cont'd.)

	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on surplus/ (deficit) before tax RM'000	Impact on family retakaful fund* RM'000
		<- Decrease/(increase)->		<- Increase/(decrease)->	
2021					
Loss ratio	-20%	4,195	998	998	918
Loss ratio	+20%	(20,766)	(9,835)	(9,835)	(9,048)
2020					
Loss ratio	-20%	6,495	4,028	4,028	3,706
Loss ratio	+20%	(25,623)	(16,351)	(16,351)	(15,043)

* The impact on the family retakaful fund reflects the impact after tax of 8% (2020: 8%).

38. Financial risk

Transactions in financial instruments may result in the Company assuming financial risks. These include credit risk, liquidity risk and market risk. This note presents information about the Company’s exposure to each of the above risks and the Company’s objectives, policies and processes for measuring and managing such risks.

(a) Credit risk

Credit risk is the risk of a counterparty failing to perform its obligations.

Credit risk includes the following major elements:

(i) Investment credit risk which is the risk of financial loss arising from a change in the value of an investment. This is linked to the creditworthiness and the expected ability of the issuer and/or financial institution (“counterparty”) to make timely payment of profit and/or principal. Any adverse situation faced by the counterparty may result in rating downgrades and default which may impact the value as well as liquidity of the investments;

(ii) A derivative counterparty risk which is the risk of financial loss arising from a derivative counterparty’s default, or the deterioration of the derivative counterparty’s financial position. As at the reporting date, the Company did not transact in derivatives and was not exposed to this risk; and

38. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

Credit risk includes the following major elements (cont'd.):

(iii) Reinsurance/retakaful counterparty risk which is the risk of financial loss arising from the default or deterioration of the solvency position of the counterparties.

The Company is exposed to reinsurance/retakaful counterparty risks of three different types:

(i) as a result of recoveries owing from the counterparties for claims/benefits;

(ii) from amounts due from ceding companies; and

(iii) as a result of reserves held by the counterparties which would have to be met by the Company in the event of default.

Management of credit risk

In order to manage and mitigate credit risk, the following policies and procedures were set in place:

(i) Investment policies prescribe the minimum credit rating for fixed income securities that may be held. In addition, the policies are further aimed at investing in a diverse portfolio of fixed income securities in order to reduce the potential impact that may arise from individual companies defaulting;

(ii) Counterparty limits are set for investments and cash deposits to ensure that there is no concentration of credit risk;

(iii) The Company's investment portfolio is managed to ensure diversification and focuses on high quality investment grade fixed income securities and equity with good fundamentals; and

(iv) To mitigate reinsurance/retakaful counterparty risk, the Company will give due consideration to the credit quality of the counterparties. To facilitate this process, a list of acceptable counterparties based on their rating is maintained. The Company regularly reviews the financial security of its counterparties.

Credit exposure by credit rating

The table below provides information regarding the credit risk exposures of the Company by classifying financial and insurance/takaful assets according to the credit ratings of counterparties. The reinsurers'/retakaful operators' share of unearned premium/contribution reserves have been excluded from the analysis as they are not contractual obligations.

38. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

Credit exposure by credit rating (cont'd.)

2021	Government guaranteed RM'000	AAA/P1 to BBB RM'000	Not subject to credit risk RM'000	Not rated RM'000	Total RM'000
Financial assets at FVTPL					
Designated upon initial recognition:					
Unquoted corporate debt securities	-	1,162	-	-	1,162
Government investment issues	4,929	-	-	-	4,929
Mandatorily measured:					
Quoted shares in Malaysia:					
Shariah approved equities	-	-	62,575	-	62,575
Others	-	-	97,304	-	97,304
Unquoted perpetual bond in Malaysia	-	4,950	-	-	4,950
Unquoted corporate debt securities	-	19,469	-	-	19,469
Real estate investment trusts	-	-	10,555	-	10,555
Unit trust fund	-	-	22,467	-	22,467
Financial assets at FVOCI					
Unquoted corporate debt securities	289,203	738,881	-	-	1,028,084
Government investment issues	199,146	-	-	-	199,146
Malaysian government securities	155,329	-	-	-	155,329
Unquoted shares in Malaysia	-	-	84,605	-	84,605
Golf club membership	-	-	65	-	65
Financial assets at amortised cost					
Fixed and call deposits with licensed:					
Commercial banks	-	77,313	-	-	77,313
Foreign banks	-	261,275	-	-	261,275

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38. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

Credit exposure by credit rating (cont'd.)

2021 (cont'd.)	Government guaranteed RM'000	AAA/P1 to BBB RM'000	Not subject to credit risk RM'000	Not rated RM'000	Total RM'000
Financial assets at amortised cost (cont'd.)					
Islamic investment accounts with licensed:					
Islamic banks	-	1,007,329	-	-	1,007,329
Development bank	-	135,067	-	-	135,067
Islamic commercial paper	-	64,797	-	-	64,797
Commercial paper	-	54,820	-	-	54,820
Secured staff loans:					
Receivable within 12 months	-	-	-	266	266
Receivable after 12 months	-	-	-	1,043	1,043
Amount due from Insurance Pool accounts	-	-	-	9,864	9,864
Income due and accrued	6,322	18,562	-	1,438	26,322
Due from Lloyds' Syndicate	-	44,985	-	-	44,985
Due from holding company	-	6,375	-	-	6,375
Sundry receivables	-	-	-	13,336	13,336
Reinsurance/retakaful assets*	-	161,945	-	8,046	169,991
Insurance/takaful receivables*	-	139,812	-	238,115	377,927
Cash and bank balances	-	61,691	-	-	61,691
Financial and insurance/takaful assets	654,929	2,798,433	277,571	272,108	4,003,041

* Non-rated balances primarily relate to balances due/recoverable from local insurers and/or takaful operators licensed under the FSA and IFSA 2013 respectively.

38. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

<u>Credit exposure by credit rating (cont'd.)</u>

	Government guaranteed RM'000	AAA to BBB RM'000	Not subject to credit risk RM'000	Not rated RM'000	Total RM'000
2020 (Restated)					
Financial assets at FVTPL					
Designated upon initial recognition:					
Unquoted corporate debt securities	-	2,190	-	-	2,190
Government investment issues	11,944	-	-	-	11,944
Mandatorily measured:					
Quoted shares in Malaysia:					
Shariah approved equities	-	-	66,152	-	66,152
Others	-	-	86,450	-	86,450
Unquoted corporate debt securities	-	17,928	-	-	17,928
Real estate investment trusts	-	-	12,904	-	12,904
Financial assets at FVOCI					
Unquoted corporate debt securities	306,892	792,043			1,098,935
Government investment issues	277,949	-	-	-	277,949
Malaysian government securities	145,670	-	-	-	145,670
Unquoted shares in Malaysia	-	-	84,382	-	84,382
Golf club membership	-	-	65	-	65
At amortised cost					
Fixed and call deposits with licensed:					
Commercial banks	-	121,384	-	-	121,384
Foreign banks	-	229,269	-	-	229,269

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38. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

Credit exposure by credit rating (cont'd.)

	Government guaranteed RM'000	AAA to BBB RM'000	Not subject to credit risk RM'000	Not rated RM'000	Total RM'000
2020 (Restated) (cont'd.)					
At amortised cost (cont'd.)					
Islamic investment accounts with licensed:					
Islamic banks	-	773,059	-	-	773,059
Development banks	-	90,482	-	-	90,482
Secured staff loans:					
Receivable within 12 months	-	-	-	53	53
Receivable after 12 months	-	-	-	1,392	1,392
Amount due from insurance Pool accounts	-	-	-	29,716	29,716
Income due and accrued	7,299	24,977	-	353	32,629
Due from Lloyds' Syndicate	-	36,971	-	-	36,971
Due from holding company	-	3,258	-	-	3,258
Sundry receivables	-	-	-	10,902	10,902
Reinsurance/retakaful assets *	-	159,231	-	17,084	176,315
Insurance/takaful receivables *	-	113,320	-	195,344	308,664
Cash and bank balances	-	15,807	-	-	15,807
Financial and insurance/takaful assets	749,754	2,379,919	249,953	254,844	3,634,470

* Non-rated balances primarily relate to balances due/recoverable from local insurers and/or takaful operators licensed under the FSA and IFSA 2013 respectively.

38. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

Investment assets - Reconciliation of allowance account

Significant increase in credit risk ("SICR")

The Company applies the General Approach or the ‘three-bucket’ approach which is based on the change in credit quality of financial instruments since initial recognition to assess the impairment for investment assets. In particular, recognition of ECL is dependent on which of the three stages a particular financial instrument is assigned to. Assets move through the three stages as credit quality changes and the stages dictate how the Company measures impairment losses and applies the effective interest rate (“EIR”) method with a forward-looking element to compute the ECL.

The Company has considered both quantitative and qualitative parameters in the assessment of credit risk status from the initial recognition of the securities and at the reporting date.

Expected credit loss ("ECL")

The Company assesses the possible default events within 12 months for the calculation of the 12-month ECL in Stage 1. A newly purchased or originated financial assets will be subject to ECL upon recognition in Stage 1.

To estimate the lifetime ECL for financial instruments classified in Stage 2, the Company is required to estimate the probability of default occurring in the 12 months after the reporting date and in each subsequent year throughout the expected life of the financial instruments.

The financial assets are credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial assets have occurred.

As at the reporting date, all financial assets at amortised cost held by the Company are classified as Stage 1. The credit rating of these financial assets at amortised cost are as disclosed above in Note 38(a).

The following table shows the carrying value of the Company's financial assets measured at AC and the expected credit loss amount recognised.

	2021 RM'000	2020 RM'000
Total carrying amount of financial assets at AC	1,702,792	1,329,115
Total ECL recognised on financial assets at AC	32	-

38. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

Investment assets - Reconciliation of allowance account (cont'd.)

Expected credit loss ("ECL")(cont'd.)

The following table shows the fair value of the Company's financial assets measured at FVOCI measured by credit risk and the expected credit loss amount recognised.

	2021 RM'000	2020 RM'000
Financial investments at FVOCI		
Government guaranteed	643,678	730,511
AAA to BBB	738,881	792,043
Total carrying amount	1,382,559	1,522,554
Total ECL recognised on financial investments at FVOCI	639	534

As at the reporting date, all financial investments measured at FVOCI held by the Company is classified as Stage 1.

Movements in allowances for impairment losses for financial investments measured at FVOCI and AC are as follows:

	RM'000
Balance as at 1 April 2020	26
Net adjustment of loss allowances	508
Balance as at 31 March 2020	534
Net adjustment of loss allowances	137
Balance as at 31 March 2021	671

Other financial assets - Reconciliation of allowance account

Other financial assets consist of reinsurance/retakaful assets, insurance/takaful receivables and other receivables.

38. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

<u>**Other financial assets - Reconciliation of allowance account (cont'd.)**</u>

Definition of default

The Company considers a financial asset to be in default by assessing the following criteria:

(i) Quantitative criteria

Insurance/takaful receivables are considered to be in default when the counterparty fails to make contractual payments within 24 months when they fall due, which is derived based on the Company's historical information. For reinsurance/retakaful deposits placed, balances aged more than 18 months are deemed to be credit impaired.

(ii) Qualitative criteria

Default occurs when the counterparty is in bankruptcy or has indications of potentially significant financial difficulty such as lawsuits or similar actions that threaten the financial viability of the counterparty.

The criteria above have been applied to all financial instruments held by the Company and are consistent with the definition of default used for credit risk management purposes. The default definition has been applied consistently to model the PD, LGD and EAD throughout the Company's expected loss calculations.

Incorporation of forward-looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Company has performed historical analyses and identified key economic variables impacting credit risk and expected credit losses for each portfolio.

The sensitivity of the ECL to the economic variable assumptions affecting the calculation of ECL was not material to the Company for the year ended 31 March 2021 and 31 March 2020.

38. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

Other financial assets - Reconciliation of allowance account (cont'd.)

Expected credit loss

Set out below is the information about the credit risk exposure on the Company's insurance/takaful receivables using a provision matrix:

		Months past due					
	Not due RM'000	1 to 6 months RM'000	7 to 12 months RM'000	13 to 18 months RM'000	19 to 24 months RM'000	More than 24 months RM'000	Total RM'000
31 March 2021							
ECL rate	0.09%	0.43%	2.57%	21.80%	7.24%	27.72%	
Gross carrying amount	253,775	99,479	16,492	1,743	1,299	9,263	382,051
Allowance for ECL	226	432	424	380	94	2,568	4,124
31 March 2020							
ECL rate	0.07%	0.14%	1.19%	12.45%	15.58%	22.44%	
Gross carrying amount	173,282	102,468	20,147	3,881	950	11,698	312,426
Allowance for ECL	124	142	240	483	148	2,625	3,762

38. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

Other financial assets - Reconciliation of allowance account (cont'd.)

Expected credit loss (cont'd.)

The following table shows the movement in gross insurance/takaful receivables and the loss allowances recognised for credit impaired receivables.

	Not credit impaired RM'000	Credit impaired RM'000	Total RM'000
Gross carrying amounts			
2021			
As at 1 April 2020	301,436	10,990	312,426
Increase/(decrease) during the year	72,771	(3,146)	69,625
As at 31 March 2021	374,207	7,844	382,051
2020			
As at 1 April 2019	283,150	10,812	293,962
Increase during the year	18,286	178	18,464
As at 31 March 2020	301,436	10,990	312,426
Allowance for ECL			
2021			
As at 1 April 2020	1,065	2,697	3,762
Net increase/(reversal) during the year	437	(75)	362
As at 31 March 2021	1,502	2,622	4,124
2020			
As at 1 April 2019	515	4,560	5,075
Net increase/(reversal) during the year	550	(1,863)	(1,313)
As at 31 March 2020	1,065	2,697	3,762

38. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

Other financial assets - Reconciliation of allowance account (cont'd.)

Expected credit loss (cont'd.)

Movements in allowances for impairment losses for insurance/takaful receivables by individual and collective allowances are as follows:

	Individually impaired RM'000	Collectively impaired RM'000	Total RM'000
2021			
As at 1 April 2020	1,700	2,062	3,762
(Reversal)/increase of impairment losses during the year	(76)	438	362
As at 31 March 2021	1,624	2,500	4,124
2020			
As at 1 April 2019	3,389	1,686	5,075
(Reversal)/increase of impairment losses during the year	(1,689)	376	(1,313)
As at 31 March 2020	1,700	2,062	3,762

(b) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources available to meet its payment obligations without incurring material additional costs.

The Company assesses its liquidity risk by ensuring the following:

(i) the Company is able to meet its payment obligations under normal and stressed operating environments without suffering any loss;

(ii) additions/withdrawals from the Company’s investment funds are managed efficiently; and

(iii) appropriate measures are in place to respond to liquidity risk.

38. Financial risk (cont'd.)

(b) Liquidity risk (cont'd.)

As part of its liquidity management strategy, the Company has in place processes capable of measuring and reporting on:

(i) daily cash flows;

(ii) minimum liquidity holdings;

(iii) the composition and market values of the Company’s investment portfolios, including liquid holdings; and

(iv) the Company’s reinsurance/retakaful funds.

In order to manage the liquidity of the reinsurance/retakaful funds, the investment mandate requires that a certain proportion of the reinsurance/retakaful funds is maintained as liquid assets.

Maturity profiles

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

For insurance/takaful contract liabilities and reinsurance/retakaful assets, maturity profiles are determined based on the estimated timing of net cash outflows from the recognised insurance/takaful liabilities. The reinsurers'/retakaful operators' share of expense liabilities, unearned premium reserves and unearned contribution reserves have been excluded from the analysis as they are not contractual obligations.

38. Financial risk (cont'd.)

(b) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)

2021	Carrying value RM'000	Up to 1 year RM'000	1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
Financial assets at FVTPL						
Designated upon initial recognition:						
Unquoted corporate debt securities	1,162	66	1,159	-	-	1,225
Government investment issues	4,929	178	4,911	-	-	5,089
Mandatorily measured:						
Quoted shares in Malaysia:						
Shariah approved equities	62,575	-	-	-	62,575	62,575
Others	97,304	-	-	-	97,304	97,304
Unquoted perpetual bond in Malaysia	4,950	-	-	-	5,000	5,000
Unquoted corporate debt securities	19,469	266	1,928	46,844	-	49,038
Real estate investment trusts	10,555	-	-	-	10,555	10,555
Unit trust fund	22,467	-	-	-	22,467	22,467
Financial assets at FVOCI						
Unquoted corporate debt securities	1,028,084	324,557	532,466	297,481	-	1,154,504
Government investment issues	199,146	7,562	93,674	132,008	-	233,244
Malaysian government securities	155,329	5,872	51,294	136,591	-	193,757
Unquoted shares in Malaysia	84,605	-	-	-	84,605	84,605
Golf club membership	65	-	-	-	65	65

38. Financial risk (cont'd.)

(b) Liquidity risk (cont'd.)

<u>**Maturity profiles (cont'd.)**</u>

	Carrying value RM'000	Up to 1 year RM'000	1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
2021 (cont'd.)						
Financial assets at amortised cost						
Fixed and call deposits with licensed:						
Commercial banks	77,313	76,347	-	-	-	76,347
Foreign banks	261,275	260,688	-	-	-	260,688
Islamic investment accounts with licensed:						
Islamic banks	1,007,329	1,015,264	-	-	-	1,015,264
Development bank	135,067	136,584	-	-	-	136,584
Islamic Commercial Paper	64,797	65,000	-	-	-	65,000
Commercial Paper	54,820	55,000	-	-	-	55,000
Secured staff loans:						
Receivable within 12 months	266	267	-	-	-	267
Receivable after 12 months	1,043	-	987	63	-	1,050
Due from insurance Pool accounts	9,864	9,864	-	-	-	9,864
Income due and accrued	26,322	26,322	-	-	-	26,322
Due from Lloyds' syndicate	44,985	-	44,985	-	-	44,985
Due from holding company	6,375	6,375	-	-	-	6,375
Sundry receivables	13,336	13,336	-	-	-	13,336

38. Financial risk (cont'd.)

(b) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)

	Carrying value RM'000	Up to 1 year RM'000	1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
2021 (cont'd.)						
Reinsurance/retakaful assets	169,991	56,808	102,419	10,764	-	169,991
Insurance/takaful receivables	377,927	377,927	-	-	-	377,927
Cash and bank balances	61,691	61,691	-	-	-	61,691
Financial and insurance/takaful assets	4,003,041	2,499,974	833,823	623,751	282,571	4,240,119
Borrowing	(1,000)	(50)	(1,169)	-	-	(1,219)
Insurance/takaful contract liabilities	(2,014,668)	(628,237)	(1,252,283)	(134,148)	-	(2,014,668)
Insurance/takaful payables	(113,852)	(113,852)	-	-	-	(113,852)
Other payables (excluding provisions)	(7,090)	(7,090)	-	-	-	(7,090)
Financial and insurance/takaful liabilities	(2,136,610)	(749,229)	(1,253,452)	(134,148)	-	(2,136,829)
Surplus/(deficit)	1,866,431	1,750,745	(419,629)	489,603	282,571	2,103,290

38. Financial risk (cont'd.)

(b) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)

2020 (Restated)	Carrying value RM'000	Up to 1 year RM'000	1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
Financial assets at FVTPL						
Designated upon initial recognition:						
Unquoted corporate debt securities	2,190	109	2,245	-	-	2,354
Government investment issues	11,944	7,240	5,089	-	-	12,329
Mandatorily measured:						
Quoted shares in Malaysia:						
Shariah approved equities	66,152	-	-	-	66,152	66,152
Others	86,450	-	-	-	86,450	86,450
Unquoted corporate debt securities	17,928	201	1,658	47,380	-	49,239
Real estate investment trusts	12,904	-	-	-	12,904	12,904
Financial assets at FVOCI						
Unquoted corporate debt securities	1,098,935	303,128	610,961	338,508	-	1,252,597
Government investment issues	277,949	81,864	87,522	153,386	-	322,772
Malaysian government securities	145,670	5,600	41,183	140,514	-	187,297
Unquoted shares in Malaysia	84,382	-	-	-	84,382	84,382
Golf club membership	65	-	-	-	65	65

38. Financial risk (cont'd.)

(b) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)

	Carrying value RM'000	Up to 1 year RM'000	1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
2020 (Restated) (cont'd.)						
Financial assets at amortised cost						
Fixed and call deposits with licensed:						
Commercial banks	121,384	117,925	-	-	-	117,925
Foreign banks	229,269	193,617	40,803	-	-	234,420
Islamic investment accounts with licensed:						
Islamic banks	773,059	778,544	-	-	-	778,544
Development bank	90,482	91,954	-	-	-	91,954
Secured staff loans:						
Receivable within 12 months	53	53	-	-	-	53
Receivable after 12 months	1,392	-	1,241	165	-	1,406
Due from insurance Pool accounts	29,716	29,716	-	-	-	29,716
Due from Lloyds' syndicate	36,971	-	36,971	-	-	36,971
Income due and accrued	32,629	32,629	-	-	-	32,629

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38. Financial risk (cont'd.)

(b) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)

	Carrying value RM'000	Up to 1 year RM'000	1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
2020 (Restated) (cont'd.)						
Financial assets at amortised cost (cont'd.)						
Due from Holding company	3,258	3,258	-	-	-	3,258
Sundry receivables	10,902	10,902	-	-	-	10,902
Reinsurance/retakaful assets	176,315	64,615	98,706	12,994	-	176,315
Insurance/takaful receivables	308,664	308,664	-	-	-	308,664
Cash and bank balances	15,807	15,807	-	-	-	15,807
Financial and insurance/takaful assets	3,634,470	2,045,826	926,379	692,947	249,953	3,915,105
Borrowing	(1,000)	(50)	(198)	(1,021)	-	(1,269)
Insurance/takaful contract liabilities	(1,776,201)	(617,714)	(1,023,446)	(135,041)	-	(1,776,201)
Insurance/takaful payables	(112,978)	(112,978)	-	-	-	(112,978)
Other payables (excluding provisions)	(4,626)	(4,626)	-	-	-	(4,626)
Financial and insurance/takaful liabilities	(1,894,805)	(735,368)	(1,023,644)	(136,062)	-	(1,895,074)
Surplus/(deficit)	1,739,665	1,310,458	(97,265)	556,885	249,953	2,020,031

38. Financial risk (cont'd.)

(c) Market risk

Market risk is the risk of loss arising from a change in the values of, or the income from, financial assets. A risk of loss also arises from volatility in asset prices, interest/profit rates, or foreign currency exchange rates. Market risk includes the following elements:

(i) Equity price risk which is the risk of fluctuations in the fair value or future cash flows of a financial instrument arising from stock market dynamics impacting equity prices;

(ii) Foreign exchange risk which is the risk of fluctuations in the fair value or future cash flows of a financial instrument arising from a movement of or volatility in exchange rates; and

(iii) Interest/profit rate risk which is the risk of fluctuations in the fair value or future cash flows of a financial instrument arising from variability in interest/profit rates.

Equity price risk

Equity price risk is the risk that the fair value or future cash flows of a financial instrument fluctuates because of changes in market prices (other than those arising from interest rate/profit rate 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 Company's equity risk exposures relate to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices.

The equity price risk policy requires the Company to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each sector, market and issuer, having regard also to such limits as stipulated by BNM. The Company complied with such limits as stipulated by BNM during the financial year and had no significant concentration of equity price risk.

<u>Sensitivity analysis</u>

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 and equity (inclusive of the impact on other comprehensive income). The correlation of variables have a significant effect in determining the ultimate impact on price risk. Additionally, changes in variables are considered individually. It should be noted that movements in these variables are non-linear.

38. Financial risk (cont'd.)

(c) Market risk (cont'd.)

Equity price risk (cont'd.)

	Changes in variable	Impact on profit before tax RM'000	Impact on equity* RM'000
		<--Increase/(decrease)-->	
2021			
Price/NAV	+5%	9,645	13,104
Price/NAV	-5%	(9,645)	(13,104)
2020			
Price/NAV	+5%	8,275	11,832
Price/NAV	-5%	(8,275)	(11,832)

* The impact on equity reflects adjustments for tax at 8% (2020: 8%), where applicable.

Foreign exchange risk/currency risk

Currency risk is the risk that the fair value or future cash flows of financial assets and/or liabilities will fluctuate because of movements in foreign currency exchange rates.

The Company’s primary transactions are carried out in Ringgit Malaysia (RM) and its exposure to foreign exchange risk arises principally because of its foreign currency denominated underwriting revenues (such as premiums/contributions) and expenses (such as claims/benefits and commission expenses).

The Company has a foreign exchange risk management plan in place and is continuously enhancing its risk mitigation measures. The management’s Asset & Liability Committee convenes regular meetings to discuss and deliberate on foreign exchange related issues including hedging strategy to reduce unhedged foreign exchange, as well as other measures to mitigate foreign exchange risk.

<u>Sensitivity analysis</u>

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on gross and net claim liabilities, profit before zakat and taxation and equity. The sensitivity analysis was applied to the Company’s gross and net claim liabilities in foreign currencies, while the impact on profit before zakat and taxation and equity includes the hedging effect from the backing assets held in the respective foreign currencies.

38. Financial risk (cont'd.)

(c) Market risk (cont'd.)

Foreign exchange risk/currency risk (cont'd.)

	Changes in variable	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity * RM'000
		<- Increase/(decrease) ->		<- (Decrease)/increase->	
2021					
Foreign currency	+5%	42,358	41,512	(5,475)	(5,037)
Foreign currency	-5%	(42,358)	(41,512)	5,475	5,037
2020					
Foreign currency	+5%	39,035	36,432	(4,772)	(4,390)
Foreign currency	-5%	(39,035)	(36,432)	4,772	4,390

* The impact on equity reflects adjustments for tax at 8% (2020: 8%), where applicable.

The method used in performing the sensitivity analysis was consistent with the prior year.

Interest/profit rate risk

The Company is exposed to interest/profit rate risk as follows:

i) fair values of fixed interest/profit-bearing assets would move inversely to changes in interest/profit rates; and

ii) future cash flows of variable interest/profit-bearing assets would move in direct proportion to changes in rates. However, the Company does not have floating rate assets or liabilities on its book.

The earnings of the Company are affected by changes in market interest/profit rates due to the impact such changes have on interest/profit income from cash and cash equivalents, including investments in fixed/Islamic deposits. The value of the Company's fixed income portfolio is inversely related to interest/profit rates and hence is the source of portfolio volatility.

38. Financial risk (cont'd.)

(c) Market risk (cont'd.)

Interest/profit rate risk (cont'd.)

The Company manages its interest/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 interest/profit rate movements.

The nature of the Company's exposure to interest/profit rate risk and its objectives, policies and processes for managing interest/profit rate risk have not changed significantly from the previous financial year.

Sensitivity analysis

A change of 25 basis points ("bp") in interest/profit rates at the reporting date would have (decreased)/increased the fair values of the Company's fixed income investment by the amounts shown below.

	Changes in variable	Impact on profit before tax RM'000 (Decrease)/ increase	Impact on equity* RM'000 (Decrease)/ increase
2021			
Interest/profit rates	+25 bp	(937)	(12,492)
Interest/profit rates	-25 bp	937	12,492
2020			
Interest/profit rates	+25 bp	(849)	(14,070)
Interest/profit rates	-25 bp	849	14,070

* The impact on equity reflects adjustments for tax at 8% (2020: 8%), where applicable.

39. Other risks

(a) Operational risk

Operational risk is the risk of loss resulting from inadequate or ineffective or failed internal resources (people, processes and systems), or from external events. Operational risk is inherent in all activities of the Company, and can transverse multiple activities including outsourcing. It includes a wide spectrum of heterogeneous risks such as fraud, bribery and corruption, physical damage, business disruption, transaction failures, legal and regulatory breaches, pandemic outbreak as well as employee health and safety hazards. Operational risk may result in direct financial losses and indirect financial losses due to reputational damage. The Company cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to minimise risks to an acceptable level. Controls include effective segregation of duties, access controls, system validation, enhanced authorisation and reconciliation procedures, continuous staff education and appropriate assessment processes, and engagement of internal audit for assurance.

(b) Compliance risk

Compliance risk is the risk of legal or regulatory sanctions, financial loss or reputational damage, which the Company may suffer as a result of its failure to comply with legal and regulatory requirements applicable to its activities.

The Company monitors all compliance aspects in observing regulatory requirements. In this respect, it adopts the Group Compliance Management Framework and other relevant internal policies and procedures to ensure compliance with all applicable laws and guidelines issued by the regulatory authorities.

(c) Shariah risk

Shariah non-compliance risk refers to the risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage, which the Company may suffer arising from failure to comply with:

(i) The rulings of the Shariah Advisory Council of Bank Negara Malaysia (“SAC-BNM”);

(ii) Standards on Shariah matters issued by BNM pursuant to section 29(1) of the IFSA and section 33E(1) of the Development Financial Institutions Act (“DFIA”) 2002;

(iii) The rulings and standards of the Shariah Advisory Council of Securities Commission Malaysia (“SAC-SC”); or

(iv) Decisions or advices of the GSC.

The Company mitigates such risk by initiating, monitoring and adhering to a robust Group Shariah Risk Management Framework (“SRM Framework”).

The Group SRM Framework is guided by the Shariah Governance Framework issued by BNM.

39. Other risks (cont'd.)

(d) Property investment risk

Property investment risk is the risk associated with the Company's investment in property or real estate for own occupancy, investment or rental purpose. Operational manuals are put in place to describe the responsibilities in relation to the management of the properties.

The financial risk arising from a delinquent or loss of tenants are managed at the outset through careful selection of properties with high tenancy including tenants with long term tenancies, screening of new tenants' credit worthiness and financial standing as well as ensuring that the properties and facilities are continuously maintained and upgraded.

The Company has no significant exposure to property risk.

40. Fair values of assets and liabilities

MFRS 7 *Financial Instruments: Disclosures* ("MFRS 7") requires the classification of financial instruments measured at fair value according to a hierarchy that reflects the significance of inputs used in making the measurements, in particular, whether the inputs used are observable or unobservable. MFRS 13 *Fair Value Measurement* requires similar disclosure requirements as MFRS 7, but extends to include all assets and liabilities measured at fair value and/or for which fair values are disclosed. The following levels of hierarchy are used for determining and disclosing the fair value of the Company's assets and liability:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Inputs that are based on observable market data, either directly or indirectly

Level 3 - Inputs that are not based on observable market data

The fair values of the Company's assets and liabilities are determined as follows:

(i) The carrying amounts of financial assets and financial liabilities, such as assets at amortised cost, insurance/takaful receivables, cash and bank balances, insurance/ takaful payables and other payables, are reasonable approximations of their fair values due to the relatively short term maturity of these balances;

(ii) The fair values of quoted equities are based on quoted market prices as at the reporting date;

(iii) The fair values of Malaysian government securities, government investment issues, unquoted corporate debt securities and borrowing are based on indicative market prices;

40. Fair values of assets and liabilities (cont'd.)

The fair values of the Company's assets and liabilities are determined as follows (cont'd.):

(iv) The fair values of investments in mutual funds, unit trust funds and real estate investment trusts which are not controlled by the Company are valued based on the net asset values of the underlying funds as at the reporting date;

(v) Freehold land and buildings have been revalued based on valuations performed by an accredited independent valuer having an appropriate recognised professional qualification. The valuations are based on the income approach. In arriving at the fair value of the assets, the valuer had also taken into consideration the future developments in terms of infrastructure in the vicinity of the properties;

(vi) Investment in associate is valued using the dividend stream based on a 5 years cashflow projection followed by a terminal value projection for periods beyond the 5 years projection. The assumptions used in the cash flows projections are based on the latest unaudited management accounts, three years projections of profit or loss and latest actuarial valuation report from the associate company; and

(vii) The fair value of unquoted shares in Malaysia is derived using the net assets of the invested companies.

Description of significant unobservable inputs:

	Significant unobservable inputs	Range
2021		
Property, plant and equipment		
Freehold land and building	Yield/Rental per square foot	6.25%/RM4.50
Investment in associate	Cash flow projection of dividend stream	Not applicable
Unquoted shares in Malaysia	Net assets	Not applicable
2020		
Property, plant and equipment		
Freehold land and building	Yield/Rental per square foot	6.25%/RM4.50
Investment in associate	Cash flow projection of dividend stream	Not applicable
Unquoted shares in Malaysia	Net assets	Not applicable

40. Fair values of assets and liabilities (cont'd.)

A significant increase or decrease in the unobservable inputs used in the valuation would result in a correspondingly higher or lower fair value.

There have been no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial year.

The reconciliations from beginning to ending balances for freehold land and building, investment in associate and unquoted equity which are classified under Level 3 of the fair value hierarchy are disclosed in Notes 17, 19 and 20 respectively.

Fair value hierarchy:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2021				
Assets measured at fair value on a recurring basis:				
(a) Property, plant and equipment				
Freehold land (Note 17)	-	-	36,800	36,800
Building (Note 17)	-	-	76,788	76,788
	-	-	113,588	113,588
(b) Investment in associate (Note 19)	-	-	116,268	116,268
(c) Financial assets at FVTPL (Note 20)				
Designated upon initial recognition:				
Unquoted corporate debt securities	-	1,162	-	1,162
Government investment issues	-	4,929	-	4,929
Mandatorily measured:				
Quoted shares in Malaysia:				
Shariah approved equities	62,575	-	-	62,575
Others	97,304	-	-	97,304
Unquoted perpetual bond in Malaysia	-	4,950	-	4,950
Unquoted corporate debt securities	-	19,469	-	19,469
Real estate investment trusts	10,555	-	-	10,555
Unit trust fund	22,467	-	-	22,467
	192,901	30,510	-	223,411

40. Fair values of assets and liabilities (cont'd.)

Fair value hierarchy (cont'd.):

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2021				
Assets measured at fair value on a recurring basis: (cont'd.)				
(d) Financial assets at FVOCI (Note 20)				
Unquoted corporate debt securities	-	1,028,084	-	1,028,084
Government investment issues	-	199,146	-	199,146
Malaysian government securities	-	155,329	-	155,329
Unquoted shares in Malaysia	-	-	84,605	84,605
Golf club membership	-	-	65	65
	-	1,382,559	84,670	1,467,229
	192,901	1,413,069	314,526	1,920,496
Liabilities for which fair values are disclosed				
Borrowing (Note 23)	-	1,009	-	1,009

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2020				
Assets measured at fair value on a recurring basis:				
(a) Property, plant and equipment				
Freehold land (Note 17)	-	-	36,800	36,800
Building (Note 17)	-	-	77,577	77,577
	-	-	114,377	114,377
(b) Investment in associate (Note 19)	-	-	121,932	121,932

40. Fair values of assets and liabilities (cont'd.)

Fair value hierarchy: (cont'd.)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2020				
Assets measured at fair value on a recurring basis: (cont'd.)				
(c) Financial assets at FVTPL (Note 20)				
Designated upon initial recognition:				
Unquoted corporate debt securities	-	2,190	-	2,190
Government investment issues	-	11,944	-	11,944
Mandatorily measured:				
Quoted shares in Malaysia:				
Shariah approved equities	66,152	-	-	66,152
Others	86,450	-	-	86,450
Unquoted corporate debt securities	-	17,928	-	17,928
Real estate investment trusts	12,904	-	-	12,904
	165,506	32,062	-	197,568
(d) Financial assets at FVOCI (Note 20)				
Unquoted corporate debt securities	-	1,098,935	-	1,098,935
Government investment issues	-	277,949	-	277,949
Malaysian government securities	-	145,670	-	145,670
Unquoted shares in Malaysia	-	-	84,382	84,382
Golf club membership	-	-	65	65
	-	1,522,554	84,447	1,607,001
	165,506	1,554,616	320,756	2,040,878
Liabilities for which fair values are disclosed				
Borrowing (Note 23)	-	1,007	-	1,007

41. Shareholder's, reinsurance and retakaful funds

(a) Statements of comprehensive income by funds

	General reinsurance and shareholder's fund		General retakaful fund		Family retakaful fund		Eliminations		Company	
	2021 RM'000	**2020 RM'000 (Restated)**	**2021 RM'000**	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**	**2021 RM'000**	**2020 RM'000 (Restated)**
Gross earned premiums/contributions	1,359,692	1,188,210	43,861	22,287	8,302	8,818	-	-	1,411,855	1,219,315
Premiums/contributions ceded to reinsurers/retakaful operators	(97,313)	(81,528)	(2,746)	(1,778)	(5,691)	(6,390)	-	-	(105,750)	(89,696)
Net earned premiums/contributions	**1,262,379**	**1,106,682**	**41,115**	**20,509**	**2,611**	**2,428**	-	-	**1,306,105**	**1,129,619**
Investment income	97,948	110,753	1,796	2,537	583	862	-	-	100,327	114,152
Net realised gains	7,327	28,620	-	-	13	-	-	-	7,340	28,620
Net fair value gains/(losses)	29,733	(43,054)	-	-	(50)	73	-	-	29,683	(42,981)
Fee and commission income	16,860	22,356	223	302	-	-	(16,242)	(9,267)	841	13,391
Other operating revenue	6,663	28,406	215	16	6	15	(1,150)	(8,882)	5,734	19,555
Other revenue	**158,531**	**147,081**	**2,234**	**2,855**	**552**	**950**	(17,392)	(18,149)	**143,925**	**132,737**
Gross claims paid	(670,094)	(769,783)	(4,908)	(9,680)	(8,383)	(9,686)	-	-	(683,385)	(789,149)
Claims ceded to reinsurers/ retakaful operators	38,521	85,141	(2,581)	209	5,043	6,180	-	-	40,983	91,530
Gross change to contract liabilities	(219,595)	3,471	(15,129)	9,705	3,762	3,052	(6,294)	(5,896)	(237,256)	10,332
Change in contract liabilities ceded to reinsurers/retakaful operators	(6,254)	(75,028)	(238)	(1,972)	168	965	-	-	(6,324)	(76,035)
Net claims	**(857,422)**	**(756,199)**	**(22,856)**	**(1,738)**	**590**	**511**	(6,294)	(5,896)	**(885,982)**	**(763,322)**
Fee and commission expenses	(332,251)	(318,989)	(15,923)	(8,931)	(319)	(336)	16,242	9,267	(332,251)	(318,989)
Management expenses	(77,086)	(73,329)	-	-	-	-	-	-	(77,086)	(73,329)
Finance cost	(44)	(50)	-	-	-	-	-	-	(44)	(50)
Other operating expenses	(8,487)	(1,804)	120	(28)	-	-	-	-	(8,367)	(1,832)
Change in expense liabilities	(1,379)	687	-	-	-	-	-	-	(1,379)	687
Tax borne by participants	-	-	(405)	(1,258)	(275)	(184)	-	-	(680)	(1,442)
Other expenses	**(419,247)**	**(393,485)**	**(16,208)**	**(10,217)**	**(594)**	**(520)**	16,242	9,267	**(419,807)**	**(394,955)**
Operating profit	**144,241**	**104,079**	**4,285**	**11,409**	**3,159**	**3,369**	**(7,444)**	**(14,778)**	**144,241**	**104,079**
Surplus attributable to retakaful participants	-	-	(4,285)	(11,409)	(3,159)	(3,369)	7,444	14,778	-	-
Profit before taxation	**144,241**	**104,079**	**-**	**-**	**-**	**-**	-	-	**144,241**	**104,079**
Zakat	(120)	**(59)**	-	-	-	-	-	-	(120)	(59)
Taxation	(10,982)	(7,650)	-	-	-	-	-	-	(10,982)	(7,650)
Net profit for the year	**133,139**	**96,370**	**-**	**-**	**-**	**-**	-	-	**133,139**	**96,370**

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Malaysian Reinsurance Berhad
(Incorporated in Malaysia)

41. Shareholder's, reinsurance and retakaful funds (cont'd.)

(b) Statements of financial position by funds

	General reinsurance and shareholder's fund		General retakaful fund		Family retakaful fund		Eliminations		Company	
	2021 RM'000	2020 RM'000 (Restated)	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000 (Restated)
Assets										
Property, plant and equipment	115,495	115,806	-	-	-	-	-	-	115,495	115,806
Intangible assets	7,812	6,045	-	-	-	-	-	-	7,812	6,045
Investment in associate	116,268	121,932	-	-	-	-	-	-	116,268	121,932
Financial and other assets	3,463,989	3,215,683	87,247	63,151	14,926	24,527	(172,374)	(168,032)	3,393,788	3,135,329
Reinsurance/retakaful assets	166,968	174,903	3,300	3,712	7,558	7,390	-	-	177,826	186,005
Insurance/takaful receivables	355,386	297,174	19,983	8,036	2,558	3,454	-	-	377,927	308,664
Tax recoverable	32,509	31,436	(2,695)	(2,267)	(429)	(169)	-	-	29,385	29,000
Cash and bank balances	61,458	15,518	126	239	107	50	-	-	61,691	15,807
Total assets	4,319,885	3,978,497	107,961	72,871	24,720	35,252	(172,374)	(168,032)	4,280,192	3,918,588
Liabilities										
Borrowing	1,000	1,000	-	-	-	-	-	-	1,000	1,000
Insurance/takaful contract liabilities	2,223,260	1,989,123	80,135	58,157	9,855	13,503	13,200	10,226	2,326,450	2,071,009
Expense liabilities	3,159	1,780	-	-	-	-	-	-	3,159	1,780
Insurance/takaful payables	103,018	104,545	9,965	5,858	869	2,575	-	-	113,852	112,978
Other payables and provisions	157,158	149,785	17,809	8,786	13,965	19,159	(175,956)	(168,640)	12,976	9,090
Deferred tax liabilities	2,878	1,210	52	70	31	15	-	-	2,961	1,295
Zakat	3	3	-	-	-	-	-	-	3	3
Total liabilities	2,490,476	2,247,446	107,961	72,871	24,720	35,252	(162,756)	(158,414)	2,460,401	2,197,155

41. Shareholder's, reinsurance and retakaful funds (cont'd.)

(b) Statements of financial position by funds (cont'd.)

	General reinsurance and shareholder's fund		General retakaful fund		Family retakaful fund		Eliminations		Company	
	2021 RM'000	2020 RM'000 (Restated)	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000 (Restated)
Equity										
Share capital	663,106	663,106	-	-	-	-	-	-	663,106	663,106
Merger deficit	-	-	-	-	-	-	(9,618)	(9,618)	(9,618)	(9,618)
Fair value reserve	60,604	61,569	-	-	-	-	-	-	60,604	61,569
Revaluation reserve	49,202	48,018	-	-	-	-	-	-	49,202	48,018
Retained profits	1,056,497	958,358	-	-	-	-	-	-	1,056,497	958,358
Total equity	1,829,409	1,731,051	-	-	-	-	(9,618)	(9,618)	1,819,791	1,721,433
Total liabilities and equity	4,319,885	3,978,497	107,961	72,871	24,720	35,252	(172,374)	(168,032)	4,280,192	3,918,588

(c) Statements of cash flows by funds

	General reinsurance and shareholder's fund		General retakaful fund		Family retakaful fund		Eliminations		Company	
	2021 RM'000	2020 RM'000 (Restated)	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000 (Restated)
Cash flows from:										
Operating activities	84,956	42,718	(113)	(476)	57	(522)	-	-	84,900	41,720
Investing activities	(4,016)	(1,646)	-	-	-	-	-	-	(4,016)	(1,646)
Financing activities	(35,000)	(35,000)	-	-	-	-	-	-	(35,000)	(35,000)
Net increase/(decrease) in cash and cash equivalents	45,940	6,072	(113)	(476)	57	(522)	-	-	45,884	5,074
Cash and cash equivalent at the beginning of financial year	15,518	9,446	239	715	50	572	-	-	15,807	10,733
Cash and cash equivalent at the end of financial year	61,458	15,518	126	239	107	50	-	-	61,691	15,807

42. Significant and subsequent event

Impact of the Coronavirus Disease 2019 ("COVID-19")

On 11 March 2020, the World Health Organisation ("WHO") had declared COVID-19 as a pandemic and it has been the cause of one of the most severe instances of economic and financial market turmoil in recent history.

Measures taken by various governments to contain the pandemic, including imposition of lockdowns and temporary closure of businesses, have affected economic activities within the local and the overseas regions.

The Company was not excluded from such measures and had taken a number of steps to monitor and prevent the effects of the COVID-19 virus within the Company, primarily by imposing social distancing, "work from home" arrangements for the employees as well as strictly adhering to all regulations and guidelines issued by the authorities.

The management's view of the prospects in the early part of the financial year was bleak due to the COVID-19 environment but in the third quarter, news on the rollout of vaccines had improved market sentiments. The improvement in market sentiments resulted in consequential improvements in the equity market and the firming of bond yields locally. The former had contributed positively to the Company's recovery in relation to the fair value of equity instruments. On the other hand, the firming of bond yields had not reached the necessary pre-Covid levels to assist in the improvement of bond income and had, instead, resulted in fair value losses due to the corresponding decline in bond prices.

The environment is expected to remain challenging until COVID-19 is fully controlled and the economy is expected to continue being volatile as it starts to adjust to the improvements. This volatility is expected to be mirrored in the equity and bond markets. We will continue to adopt a prudent stance in our asset allocations in managing the risks and returns.

In respect to the performance of the Company's reinsurance and retakaful businesses, COVID-19 had impacted the claims experience thereon. Notwithstanding the above, management is of the view that the results for the financial year ended 31 March 2021 have largely remained resilient and were not materially impacted by COVID-19. However, the Company remains cautious in its expectations of the level of profitability for the next financial year amid ongoing uncertainties as the economy attempts to recover back to the pre pandemic level. The Company will continue to closely monitor and respond to the impact of the pandemic.

The Company is of the view that the pandemic will not fundamentally impact the ability of its business operations to continue to operate as a going concern and will continue to remain resilient, to weather through the current pandemic. In addition, the healthy levels of solvency and liquidity of the Company are sufficient to sustain both its operational and financial requirements and accordingly, the Company's financial statements for the financial year ended 31 March 2021 continue to be prepared on a going concern basis.

The management of the Company are of the view that there were no other matters, other than those described above, arising from the on-going pandemic that would have a significant impact on the carrying values of the Company's assets and liabilities as at 31 March 2021.