Notes to the financial statements - 31 March 2019

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 Holdings Berhad ("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 149 (2018: 147). 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 21 June 2019.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("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 Standards applicable for annual financial periods beginning on or after 1 January 2018, as described fully in Note 2.27(a).

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 Risk-Based Capital ("RBC") Framework and the Risk-Based Capital ("RBCT") Framework for Takaful Operators issued by Bank Negara Malaysia ("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.)

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.

Retakaful operations and its funds

In accordance with the Islamic Financial Services Act ("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 statements 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 43 to the financial statements.

Accounting for business transfer

The transfer of the assets and liabilities of SSB to the Company ("retakaful business transfer") was accounted for by applying the merger method of accounting. The assets and liabilities of the transferor were reflected at their carrying amounts reported in the financial statements of the transferee. Any difference between the consideration paid and the net assets value of the transferred business is reflected within equity as a merger reserve or merger deficit. Upon disposal of the transferred business, the merger reserve or deficit will be reclassified to retained earnings.

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 ended 31 March 2019.

2. Significant accounting policies (cont'd.)

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 control or joint control over those policies.

The Company's investment in associate is stated at fair value. 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 the income statement.

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

Inwards proportional treaty reinsurance/retakaful premiums/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.

2. Significant accounting policies (cont'd.)

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

(a) Premium and contribution recognition (cont'd.)

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 term of the reinsurance/retakaful contracts and is recognised as earned premium/contribution income.

In accordance with the valuation methods prescribed under the RBC/RBCT Framework, 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

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 a qualified actuary, using a mathematical method of estimation similar to incurred but not reported claims ("IBNR").

2. Significant accounting policies (cont'd.)

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

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

(ii) Unearned premium and contribution reserves

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 UPR/UCR are as follows:

- For inward proportional treaty business, UPR/UCR is computed 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 1/2 of the last quarter Minimum Deposit Premiums received; and

- For inward facultative policies, UPR/UCR is computed on the 1/8th method commencing from the date of inception.

(c) Claim liabilities

The amount of outstanding claims is the best estimate value of claim liabilities, which include provision for claims reported, claims incurred but not enough reserved ("IBNER"), claims incurred but not reported ("IBNR") together with related expenses less recoveries to settle the present obligation at the end of the financial year as well as a PRAD calculated at 75% confidence level at the overall Company level. Liabilities for outstanding claims are recognised as advised by the ceding companies. IBNER and IBNR claims are based on an actuarial valuation by a qualified actuary, using a mathematical method of estimation based on, amongst others, actual claims development patterns.

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

2. Significant accounting policies (cont'd.)

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

(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

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 family retakaful fund surplus/deficit 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 Qard. 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 shareholder and participants in accordance with the terms and conditions of the respective contracts or as prescribed by the GSC.

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

(a) Contribution income

Contributions are recognised in a 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.

2. Significant accounting policies (cont'd.)

2.5 Family retakaful fund (cont'd.)

(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 is recognised in the income statement.

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.

2.6 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 they 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 recognised in the statement of comprehensive income.

2. Significant accounting policies (cont'd.)

2.6 Shareholder's fund (cont'd.)

(b) Expense liabilities of general retakaful fund (cont'd.)

The expense liabilities are reported as the higher of the aggregate of the provision for Unearned Wakalah Fees ("UWF") for all lines of business 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 obligation 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.

(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. Significant accounting policies (cont'd.)

2.7 Property, plant and equipment and depreciation

(a) Recognition and measurement

All items of property, plant and equipment are initially recorded at cost. 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 the income statement, in which case the increase is recognised in the income statement. A revaluation deficit is recognised in the income statement, 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 the income statement and the unutilised portion of the revaluation surplus on that item, if any, is transferred directly to retained profits.

(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 the income statement as incurred.

2. Significant accounting policies (cont'd.)

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

(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 is 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 asset is not 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%
Significant parts of buildings	5% to 20%
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.

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 the income statement.

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 the income statement.

2. Significant accounting policies (cont'd.)

2.8 Intangible assets (cont'd.)

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 life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

(a) Software development in progress

Software development in progress represent 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. 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. During the period in which the asset is not available for use, it is tested for impairment annually.

(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 using the straight line method over their estimated useful lives. Impairment is assessed whenever there is indication of impairment and the amortisation period and method are also reviewed at least annually at the end of each reporting period.

2.9 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Company become 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.

2. Significant accounting policies (cont'd.)

2.9 Financial assets (cont'd.)

(i) Policy applicable before 1 April 2018

(a) Classification of financial assets

The Company determines the classification of its financial assets at initial recognition and this depends on the purpose for which the investments were acquired or originated. The following classifications are used by the Company in categorising its financial assets:

(i) Financial assets at FVTPL

Financial assets are classified as financial assets at FVTPL if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value. Any gains or losses arising from changes in fair value are recognised in the income statement. Net gains or net losses on financial assets at FVTPL do not include exchange differences, interest/profit income and dividend income. Exchange differences, interest/profit income and dividend income on financial assets at FVTPL are recognised in the appropriate categories of income and expenses in the income statement.

(ii) HTM investments

Financial assets with fixed or determinable payments and fixed maturities are classified as HTM when the Company have the positive intention and ability to hold the investments to maturity.

Subsequent to initial recognition, HTM investments are measured at amortised cost using the effective interest/yield method less any accumulated impairment losses. Gains and losses are recognised in the income statement when the HTM investments are derecognised or impaired, and through the amortisation process.

2. Significant accounting policies (cont'd.)

2.9 Financial assets (cont'd.)

(i) Policy applicable before 1 April 2018 (cont'd)

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

(iii) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest/yield method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, and through the amortisation process.

(iv) AFS financial assets

AFS financial assets are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, AFS financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest/profit calculated using the effective interest/yield method are recognised in the income statement. The cumulative gain or loss previously recognised in AFS reserve is reclassified from other comprehensive income to the income statement as a reclassification adjustment when the financial asset is derecognised. Interest/profit income calculated using the effective interest/yield method is recognised in the income statement.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less accumulated impairment losses.

2. Significant accounting policies (cont'd.)

2.9 Financial assets (cont'd.)

(ii) Policy applicable after 1 April 2018

(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(ii)(b) and 2.9(ii)(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 subsequently 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 amortised cost 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.)

(ii) Policy applicable after 1 April 2018 (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 subsequently 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.

2. Significant accounting policies (cont'd.)

2.9 Financial assets (cont'd.)

(ii) Policy applicable after 1 April 2018 (cont'd.)

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

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

The effective profit method is a method of calculating the amortised cost of a debt instrument and of allocating 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 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 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 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.

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 the cumulative amortisation (using the effective 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.

Profit income is recognised using the effective profit method for debt instruments measured subsequently at AC and at FVOCI. For financial assets other than purchased or originated credit impaired financial assets, profit income is calculated by applying the effective 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, profit income is recognised by applying the effective 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 income is recognised by applying the effective profit rate to the gross carrying amount of the financial asset.

2. Significant accounting policies (cont'd.)

2.9 Financial assets (cont'd.)

(ii) Policy applicable after 1 April 2018 (cont'd.)

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

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

For purchased or originated credit impaired financial assets, the Company recognises profit income by applying the credit adjusted effective 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.

Financial assets at AC include fixed and call deposits, Islamic investment accounts and secured staff loans.

(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 profit on the principal amount outstanding.

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

Financial assets classified as FVOCI with recycling include unquoted corporate debt securities, government investment issues and Malaysian government securities.

2. Significant accounting policies (cont'd.)

2.9 Financial assets (cont'd.)

(ii) Policy applicable after 1 April 2018 (cont'd.)

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

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

Upon initial recognition, the Company can irrevocably elect to classify its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under MFRS 132 *Financial Instruments: Presentation* that are 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 the income statement 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.

Financial assets classified as FVOCI without recycling include the investments in unquoted shares in Financial Park Labuan ("FPL") and Malaysian Rating Corporation Berhad ("MARC").

2. Significant accounting policies (cont'd.)

2.9 Financial assets (cont'd.)

(ii) Policy applicable after 1 April 2018 (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 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. The net gain or loss recognised in profit or loss includes any dividend or profit earned on the financial asset.

The Company’s financial assets at FVTPL includes quoted equities and corporate debt securities. The company does not have any derivative instruments.

2. Significant accounting policies (cont'd.)

2.9 Financial assets (cont'd.)

(ii) Policy applicable after 1 April 2018 (cont'd.)

(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 and participants as well as for future business development.

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 to the Company's key management personnel;

- How participants are compensated - e.g. whether compensation is based on fair value of the assets manage 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 profit income, maintaining a particular 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.

2. Significant accounting policies (cont'd.)

2.9 Financial assets (cont'd.)

(ii) Policy applicable after 1 April 2018 (cont'd.)

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

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

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

- Significant to the Company's operations; and

- Demonstrable to external parties.

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. Change in the objective 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 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 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 apply 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.

2. Significant accounting policies (cont'd.)

2.9 Financial assets (cont'd.)

(iii) 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 its 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.

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
- If the modification is such that the instrument would no longer meet the SPPI criterion

2. Significant accounting policies (cont'd.)

2.9 Financial assets (cont'd.)

(iii) Derecognition (cont'd.)

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.

(iv) 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 and non-financial assets such as investment properties and 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 42.

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.

2. Significant accounting policies (cont'd.)

2.10 Fair value measurement (cont'd.)

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 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 and investment properties. 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 42.

2. Significant accounting policies (cont'd.)

2.11 Impairment of assets

(a) Financial assets before 1 April 2018

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

(i) Insurance/takaful receivables and financial assets carried at amortised cost

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

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

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

2. Significant accounting policies (cont'd.)

2.11 Impairment of assets (cont'd.)

(a) Financial assets before 1 April 2018 (cont'd.)

(ii) AFS financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as AFS financial assets are impaired.

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement.

Impairment losses on AFS equity investments are not reversed in the income statement in subsequent periods. Increases in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For AFS debt investments, impairment losses are subsequently reversed in the income statement if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in the income statement.

(b) Financial assets after 1 April 2018

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:

- Financial assets measured at FVTPL;
- Equity instruments;
- Malaysian government securities ("MGS/GII") are considered low credit risk 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.

2. Significant accounting policies (cont'd.)

2.11 Financial assets (cont'd.)

Impairment of assets (cont'd.)

(b) Financial assets after 1 April 2018 (cont'd.)

The ECL model also applies to irrevocable loan commitments and financial guarantee contracts, which will include loans, advances, financing, insurance/takaful receivables and contract assets under MFRS 15 *Revenue from Contracts with Customers* and lease receivables under MFRS 117 *Leases*.

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). For those credit exposures for which there has 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-months ECL	Lifetime ECL	Lifetime ECL
Criterion	No significant increase in credit	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 Financial assets (cont'd.)

Impairment of assets (cont'd.)

(b) Financial assets after 1 April 2018 (cont'd.)

Forward-looking information and ECL measurement

The amount of credit loss recognised is based on forward-looking estimates that 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.

2. Significant accounting policies (cont'd.)

2.11 Impairment of assets (cont'd.)

(b) Financial assets after 1 April 2018 (cont'd.)

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

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

(i) Debt instruments/sukuks at AC and FVOCI

In accordance to 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 experience a SICR since initial recognition are classified as Stage 2, and are assigned a lifetime ECL.
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 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. The impairment is to be calculated on the total outstanding balance including all aging buckets from current to 24 months and above. Roll rates are to be applied on the outstanding balance of the ageing bucket which forms the base of the roll rate. A forward looking factor is to be included in the calculation of ECL.

2. Significant accounting policies (cont'd.)

2.11 Impairment of assets (cont'd.)

(c) 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.

Impairment losses are recognised in the income statement. 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 the income statement in the period in which the reversals are recognised.

2. Significant accounting policies (cont'd.)

2.11 Impairment of assets (cont'd.)

(d) 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. There were no write-offs over the periods reported in these financial statements.

2.12 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the non-current assets are measured in accordance with applicable MFRSs. On initial classification as held for sale, non-current assets are then measured at the lower of its carrying amount and fair value less costs to sell. Any difference is included in the income statement. Non-current assets classified as held for sale are not depreciated.

2.13 Measurement and impairment of Qard

Any deficits in the retakaful funds are made good via a loan or Qard, granted by the shareholder's funds to the takaful/retakaful funds. The Qard is stated at cost less any impairment losses in the shareholder's funds. In the retakaful funds, the Qard is stated at cost.

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 the income statement.

Impairment losses are subsequently reversed in the income statement if objective evidence exists that the Qard is no longer impaired.

2. Significant accounting policies (cont'd.)

2.14 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.

2.15 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.

2.16 Product classification

Financial risk is the risk of a possible future change in one or more of a specified interest 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 ("the reinsurer/retakaful operator") has accepted significant insurance risk from another party ("the 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. Significant accounting policies (cont'd.)

2.17 Insurance and takaful receivables

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

The Company recognises an allowance for ECL for insurance receivables and recognises that impairment loss in income statement. The basis for recognition of such impairment loss is as described in Note 2.11(b)(ii).

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

2.18 Balances with related companies

Balances with related companies are stated at the amounts which these balances are due and expected to be settled. These balances are unsecured, interest-free and repayable on demand.

2.19 Leases

(a) Classification

A lease is recognised as a finance lease if it substantially transfers to the Company all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets. The land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not substantially transfer all risks and rewards are classified as operating leases, with the following exceptions:

(i) Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a case-by-case basis and, if classified as investment property, is accounted for as if held under a finance lease; and

(ii) Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

2. Significant accounting policies (cont'd.)

2.19 Leases (cont'd.)

(b) Finance leases - the Company as lessee

Assets acquired by way of hire purchase or finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. The corresponding liability is included in the statement of financial position as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest/profit rate implicit in the lease, when it is impracticable to determine; otherwise, the Company's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2.7(c).

(c) Operating leases - the Company as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of a lease of land and buildings, the minimum lease payments or the upfront payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values of leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payments represent prepaid lease payments and are amortised on a straight-line basis over the lease term.

(d) Operating leases - the Company as lessor

Assets leased out under operating leases are presented in the statement of financial position according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease, as disclosed in Note 2.25(b). Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

2. Significant accounting policies (cont'd.)

2.20 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 statements of financial position when, and only when, the Company become 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 the income statement. 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/yield method.

For other financial liabilities, gains and losses are recognised in the income statement when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. 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 recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

2. Significant accounting policies (cont'd.)

2.21 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.

2.22 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 at the end of the financial year.

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.

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 the income statement, 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.

2.23 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.

2. Significant accounting policies (cont'd.)

2.23 Employee benefits (cont'd.)

(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 the income statement as incurred.

2.24 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.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement for the period.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statement 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 rulling at the end of the financial year used is RM4.0728 (2018: RM3.8620)

2. Significant accounting policies (cont'd.)

2.25 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(a) Interest and profit income

Interest and profit income are recognised using the effective interest/yield 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) Management fees

Management fees are recognised when services are rendered.

(e) Wakalah fees

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

(f) 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.)

2.26 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 Group Shariah Committee ("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 additional quantum above the obligatory amount payable.

2.27 Changes in accounting policies

The accounting policies adopted by the Company are consistent with those of the previous financial year except for the following:

(a) Adoption of MFRS and amendments/improvements to MFRSs

At the beginning of the current financial year, the Company adopted the following standards amendments/improvements to MFRSs and interpretation which are mandatory for annual periods beginning on or after 1 January 2018:

Description

Amendment to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)
Amendments to MFRS 2 *Share-based Payment - Classification and Measurement of Share-based Payment Transactions*
MFRS 9 *Financial Instruments*
MFRS 15 *Revenue from Contracts with Customers*
Amendments to MFRS 4 *Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
Amendments to MFRS 128 *Investments in Associates and Joint Ventures (Annual Improvements* to MFRS Standards 2014 - 2016 Cycle)
Amendments to MFRS 140 *Transfers of Investment Property*
IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

2. Significant accounting policies (cont'd.)

2.27 Changes in Accounting Policies (cont'd.)

(a) Adoption of MFRS and amendments/improvements to MFRSs (cont'd.)

The adoption of the above pronouncements did not have any material impact on the financial statements of the Company except as discussed below:

MFRS 9 *Financial Instruments* ("MFRS 9")

The International Accounting Standards Board ("IASB") issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but restatement of comparative information is not compulsory.

MFRS 9 was issued by the Malaysian Accounting Standard Board ("MASB") in respect of its application in Malaysia. It is equivalent to IFRS 9 as issued by IASB, including the effective and issuance dates.

The adoption of this standard resulted in changes in accounting policies and adjustments to the financial statements. In accordance with the transition provisions in the standard, comparatives are not restated and the financial impact arising from the adoption of the standard is recognised in retained profits and fair value reserves at 1 April 2018.

The areas with significant impact from application of MFRS 9 are summarised below:

(i) Classification and measurement

The classification and measurement of financial assets are determined on the basis of the contractual cash flow characteristics and the objective of the business model associated with holding the assets. Key changes include the following:

- The held-to-maturity (“HTM”), available-for-sale (“AFS”) and loan and receivables ("LAR") asset categories were removed;

- Financial assets will be measured at amortised cost (“AC”) if the assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows which represent solely payments of principal and interest;

2. Significant accounting policies (cont'd.)

2.27 Changes in accounting policies (cont'd.)

(a) Adoption of MFRS and amendments/improvements to MFRSs (cont'd.)

MFRS 9 *Financial Instruments* ("MFRS 9") (cont'd.)

(i) Classification and measurement (cont'd.)

- A new asset category measured at fair value through other comprehensive income (“FVOCI”) was introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principal and interest and held in a model whose objective is achieved by both collecting contractual cash flows and selling financial assets;

- A new asset category for non-traded equity investments measured at FVOCI was introduced. Equity instruments, where an election has not been made to measure those assets at FVOCI, will be measured at FVTPL;

- Financial assets will be measured at FVTPL if the assets are held for trading or the financial assets do not qualify to be measured at AC or at FVOCI;

- Classification of financial liabilities remain largely unchanged, other than the fair value gains and losses attributable to changes in ‘own credit risk’ for financial liabilities designated and measured at FVTPL to be presented in other comprehensive income ("OCI"). The remainder of the changes in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss; and
- Unquoted equity instruments which were previously measured at cost are now measured at fair value.

The financial effects arising from the adoption of MFRS 9 are presented in Note 2.27 (a)(iv).

2. Significant accounting policies (cont'd.)

2.27 Changes in Accounting Policies (cont'd.)

(a) Adoption of MFRS and amendments/improvements to MFRSs (cont'd.)

MFRS 9 *Financial Instruments (cont'd.)*

(ii) Impairment of financial assets

The MFRS 9 impairment requirements are based on an expected credit loss ("ECL") model that replaces the incurred loss model under the previous MFRS 139. The Company recognises either a 12-month or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. The ECL model applies to financial assets measured at amortised cost or at FVOCI, which include debt instruments, insurance/takaful receivables, deposits with financial institutions and other receivables held by the Company.

The measurement of expected loss involves increased complexity and judgement that include:

- Determining a significant increase in credit risk ("SICR") since initial recognition.

  The Company recognised either a 12-month (Stage 1) or lifetime ECL (Stage 2 and 3), depending on whether there has been a SICR since initial recognition. To assess the SICR, the Company compare the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information, available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

- Mapping of external credit rating models

  The Company utilises its existing external credit rating models to assign credit ratings to the individual instruments in its investment portfolio. Based on the Company's review and testing, the following key features of the models that are consistent with and therefore comply with MFRS 9 requirements for the assessment of credit risk are as follows:

  (a) The ratings represent individual assessment of the credit risk of the financial instrument in question (as opposed to collective assessment);

  (b) The models cover fixed income instruments regardless of whether or not they are externally rated;

2. Significant accounting policies (cont'd.)

2.27 Changes in accounting policies (cont'd.)

(a) Adoption of MFRS and amendments/improvements to MFRSs (cont'd.)

MFRS 9 *Financial Instruments (cont'd.)*

(ii) Impairment of financial assets (cont'd.)

- Mapping of external credit rating models (cont'd.)

  (c) A wide range of current and historical information is considered, including published financial statements, qualitative information about an obligor's industry characteristics, competitive positioning, management, financial policy and financial flexibility; and

  (d) In addition, forward-looking information is incorporated into the credit rating process.

- Derivation of probability of default

  The Company's current definition of default for debt instruments is when the borrower is unlikely to fulfil its credit obligations to the Company on the scheduled payment dates. The Company assessed the definition of default by considering the MFRS 9 definition of "credit impaired" which includes:

  (a) Significant financial difficulty of the issuer or the borrower;

  (b) A breach of contract, such as a default or a past due event;

  (c) The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

  (d) It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

  (e) The disappearance of an active market for the financial asset because of financial difficulties; or

  (f) The purchase or orgination of a financial asset at a deep discount that reflects the incurred credit losses.

2. Significant accounting policies (cont'd.)

2.27 Changes in Accounting Policies (cont'd.)

(a) Adoption of MFRS and amendments/improvements to MFRSs (cont'd.)

MFRS 9 *Financial Instruments (cont'd.)*

(ii) Impairment of financial assets (cont'd.)

- ECL measurement

  MFRS 9 does not distinguish between individual assessment and collective assessment. Therefore, the Company decided to continue measuring the impairment on an individual transaction basis for financial assets that are deemed to be individually significant.

  There are three main components to measure ECL which are probability of default ("PD"), loss given default ("LGD") and the exposure at default ("EAD").

The Company relies on professional services provided by a credit rating agency to provide the default rate for all its debts instruments which incorporates all the requirements above.

<u>**Impairment of insurance/takaful receivables**</u>

The approach for impairment model for insurance/takaful receivables are more simplified as compared to the impairment model for financial assets. MFRS 9 includes the requirement or policy choice to apply the simplified approach that does not require entities to track changes in credit risk and the practical expedient to calculate ECLs on insurance/takaful receivables using a provision matrix with the usage of forward-looking information in determining expected credit losses, including the use of macroeconomic information.

The financial effects arising from the adoption of MFRS 9 are presented in Note 2.27(a)(iv).

(iii) Hedge accounting

The requirements for general hedge accounting have been simplified for hedge effectiveness testing and may result in more designations of hedged items for accounting purposes.

The hedge accounting requirement is not relevant to the Company.

2. Significant accounting policies (cont'd.)

2.27 Changes in accounting policies (cont'd.)

(a) Adoption of MFRS and amendments/improvements to MFRSs (cont'd.)

MFRS 9 *Financial Instruments (cont'd.)*

(iv) Financial effects due to adoption of MFRS 9

The following table analyses the impact, net of tax, of transition to MFRS 9 on the statement of financial position of the Company.

	Impact of adopting MFRS 9 as at 1 April 2018 RM '000
Financial assets at FVTPL	
Closing balance under MFRS 139 at 31 March 2018	-
- Redesignation from HTM investments	10,871
- Redesignation from AFS financial assets	92,662
- Net unrealised gain on financial assets at FVTPL	6,725
Opening balance under MFRS 9 at 1 April 2018	110,258
Financial assets at FVOCI	
Closing balance under MFRS 139 at 31 March 2018	-
- Redesignation from HTM investments	212,815
- Redesignation from AFS financial assets	1,342,133
- Net unrealised gain on financial assets at FVOCI	33,013
- Recognition of ECL under MFRS 9	(29)
Opening balance under MFRS 9 at 1 April 2018	1,587,932
Financial assets at amortised cost ("AC")	
Closing balance under MFRS 139 at 31 March 2018	-
- Redesignation from loans and receivables ("LAR")	1,248,959
Opening balance under MFRS 9 at 1 April 2018	1,248,959

2. Significant accounting policies (cont'd.)

2.27 Changes in accounting policies (cont'd.)

(a) Adoption of MFRS and amendments/improvements to MFRSs (cont'd.)

MFRS 9 *Financial Instruments (cont'd.)*

(iv) Financial effects due to adoption of MFRS 9 (cont'd.)

	Impact of adopting MFRS 9 as at 1 April 2018 RM '000
HTM investments	
Closing balance under MFRS 139 at 31 March 2018	223,686
- Redesignation to financial assets at FVTPL	(10,871)
- Redesignation to financial assets at FVOCI	(212,815)
Opening balance under MFRS 9 at 1 April 2018	-
AFS financial assets	
Closing balance under MFRS 139 at 31 March 2018	1,434,795
- Redesignation to financial assets at FVTPL	(92,662)
- Redesignation to financial assets at FVOCI	(1,342,133)
Opening balance under MFRS 9 at 1 April 2018	-
Loans and receivables	
Closing balance under MFRS 139 at 31 March 2018	1,248,959
- Redesignation to financial assets at AC	(1,248,959)
Opening balance under MFRS 9 at 1 April 2018	-
Insurance/takaful receivables	
Closing balance under MFRS 139 at 31 March 2018	347,342
- Recognition of ECL under MFRS 9	(2,157)
Opening balance under MFRS 9 at 1 April 2018	345,185

2. Significant accounting policies (cont'd.)

2.27 Changes in accounting policies (cont'd.)

(a) Adoption of MFRS and amendments/improvements to MFRSs (cont'd.)

MFRS 9 *Financial Instruments (cont'd.)*

(iv) Financial effects due to adoption of MFRS 9 (cont'd.)

	Impact of adopting MFRS 9 as at 1 April 2019 RM '000
Deferred tax liabilities	
Closing balance under MFRS 139 at 31 March 2018	2,848
- In respect of unrealised gain on financial assets at FVOCI	71
- In respect of recognition of ECL under MFRS 9	(525)
Opening balance under MFRS 9 at 1 April 2018	2,394
Participant's funds	
Closing balance under MFRS 139 at 31 March 2018	(13,003)
- In respect of unrealised gain on financial assets at FVOCI	145
Opening balance under MFRS 9 at 1 April 2018	(12,858)
Retained profits	
Closing balance under MFRS 139 at 31 March 2018	838,118
- Unrealised gain on financial assets at FVTPL	6,725
- Recognition of ECL under MFRS 9	(2,186)
- Tax effect arising from the recognition of ECL	525
Opening balance under MFRS 9 at 1 April 2018	843,182
Fair value reserves	
Closing balance under MFRS 139 at 31 March 2018	595
- Unrealised gain on financial assets at FVOCI	32,768
Opening balance under MFRS 9 at 1 April 2018	33,363

2. Significant accounting policies (cont'd.)

2.27 Changes in accounting policies (cont'd.)

(a) Adoption of MFRS and amendments/improvements to MFRSs (cont'd.)

MFRS 9 *Financial Instruments (cont'd.)*

(iv) Financial effects due to adoption of MFRS 9 (cont'd.)

The financial impact of the adoption of MFRS 9 on the statement of financial position of the Company are as follows:

	Carrying value at 31 March 2018 RM '000	Classifications and measurement RM '000	Expected credit losses RM '000	Carrying value after reclassification and measurement at 1 April 2018 RM '000
Assets				
Property, plant and equipment	117,813	-	-	117,813
Intangible assets	7,713	-	-	7,713
Investments in associates	129,876	-	-	129,876
FVTPL	-	110,258	-	110,258
FVOCI	-	1,587,932	(29)	1,587,903
AC	-	1,248,959	-	1,248,959
HTM	223,686	(223,686)	-	-
AFS	1,434,795	(1,434,795)	-	-
Loans and receivables	1,248,959	(1,248,959)	-	-
Reinsurance/retakaful assets	285,501	-	-	285,501
Insurance/takaful receivables	347,342	-	(2,157)	345,185
Tax recoverable	1,703	-	-	1,703
Cash and bank balances	30,051	-	-	30,051
Total assets	3,827,439	39,709	(2,186)	3,864,962
Liabilities				
Borrowings	1,000	-	-	1,000
Insurance/takaful contract liabilities	2,136,486	145	-	2,136,631
Expense liabilities	2,230	-	-	2,230
Insurance/takaful payables	212,825	-	-	212,825
Other payables	36,197	-	-	36,197
Deferred tax liabilities	2,848	71	(525)	2,394
Total liabilities and participants' funds	2,391,586	216	(525)	2,391,277

2. Significant accounting policies (cont'd.)

2.27 Changes in Accounting Policies (cont'd.)

(a) Adoption of MFRS and amendments/improvements to MFRSs (cont'd.)

MFRS 9 *Financial Instruments (cont'd.)*

(iv) Financial effects due to adoption of MFRS 9 (cont'd.)

	Carrying value at 31 March 2018 RM '000	Classifications and measurement RM '000	Expected credit losses RM '000	Carrying value after reclassification and measurement at 1 April 2018 RM '000
Equity				
Share capital	563,106	-	-	563,106
Merger deficit	(9,618)	-	-	(9,618)
Fair value reserve	595	32,768	-	33,363
Revaluation reserve	43,652	-	-	43,652
Retained profits	838,118	6,725	(1,661)	843,182
Total equity attributable to equity holders of the Company	1,435,853	39,493	(1,661)	1,473,685
Total liabilities, participants' funds and equity	3,827,439	39,709	(2,186)	3,864,962

Comparative periods have not been restated. Accordingly, the results, financial position and cash flows presented for 2018 does not reflect the requirements of MFRS 9 and therefore is not comparable to the results, financial position and cash flows presented as at 31 March 2019, which reflects the requirements of MFRS 9.

MFRS 15 Revenue from Contracts with Customers ("MFRS 15")

MFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under MFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

2. Significant accounting policies (cont'd.)

2.27 Changes in Accounting Policies (cont'd.)

(a) Adoption of MFRS and amendments/improvements to MFRSs (cont'd.)

MFRS 15 Revenue from Contracts with Customers ("MFRS 15") (cont'd.)

The new revenue standard supersedes all current revenue recognition requirements under MFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Company adopted the standard on its effective date, using the full retrospective method of adoption. The adoption of this standard has no material financial impact as the main revenue of the Company arises from reinsurance/retakaful contracts which are scope out of MFRS 15.

2.28 Standards issued but not yet effective

The Standards, Amendments to Standards, IC Interpretation 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 the Standards, Amendments to Standards, IC Interpretation and Annual Improvements to Standards, if applicable, when they become effective:

Description	**Effective for annual periods beginning on or after**
IC Interpretation 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Annual improvements to MFRS Standards 2015-2017 Cycle	1 January 2019
MFRS 16 Leases	1 January 2019
Amendments to MFRS 119 *Plan Amendment, Curtailment or Settlement*	1 January 2019
Amendments to MFRS 128 Long-term Interests *in Associates and Joint Ventures*	1 January 2019
Amendments to MFRS 9 *Prepayment Features with Negative Compensations*	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Amendments to MFRS 3 *Definition of a Business*	1 January 2020
Amendments to MFRS 101 *Definition of Material and Amendments to* MFRS 108 *Definition of Material*	1 January 2020
MFRS 17 *Insurance Contracts*	1 January 2021
Amendments to MFRS 10 *Consolidated Financial Statements and MFRS 128 Investment in Associates and Joint Ventures*	To be announced by MASB

2. Significant accounting policies (cont'd.)

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

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 16 *Leases* ("MFRS 16")

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on balance sheet model, similar to the accounting for finance leases under MFRS 117. The standard will supersede MFRS 117 *Leases,* IC Interpretation 4 *Determining whether an Arrangement contains a Lease,* IC Interpretation 115 *Operating Lease - Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

(i) Lessee

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Subsequently, lessees will be required to recognise interest expense on the lease liability and depreciation expense on the right-of-use asset.

(ii) Lessor

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

The standard is effective for annual periods beginning on or after 1 January 2019. A lessee can choose to apply the Standards using either a full retrospective or a modified retrospective approach.

The Company plans to adopt MFRS 16 for the first time as of 1 January 2019, using the modified retrospective approach, whereby comparative information is not required to be restated. In line with the practical expedient allowed under MFRS 16, the Company will elect to apply the Standards to contracts that were previously identified as leases applying MFRS 117 and IC interpretation 4. The Company will therefore not apply the Standards to contracts that were not previously identified as containing a lease when applying MFRS 117 and IC Interpretation 4.

The Company will elect to use exemptions proposed by the standard on lease contracts for which the lease terms end within 12 months as of the date of initial application, and lease contracts for which the underlying assets is of low value. The Company have leases of certain office equipment (i.e personal computers, photocopying machines and water dispensers) that are considered low value.

2. Significant accounting policies (cont'd.)

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

MFRS 16 *Leases* ("MFRS 16") (cont'd.)

The Company has performed an impact assessment of MFRS 16 and estimates that it will recognise liabilities and right-of-use assets of approximately RM239,000 and RM235,000 respectively as at 1 April 2019 from the adoption of the Standard.

MFRS 17 *Insurance Contracts*

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);

- 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;

- 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 during the period;

- Amounts that the policyholders 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) 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.

2. Significant accounting policies (cont'd.)

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

MFRS 17 *Insurance Contracts (cont'd.)*

On 14 November 2018, the IASB tentatively decided to propose an amendment to the effective date of IFRS 17 to commence from reporting periods beginning on or after 1 January 2022. The proposed deferral is subject to public consultation, which is expected to take place in late 2019.

The Company has established a project team with assistance from external consultants to plan and manage the implementation of MFRS 17 and is in the process of assessing the financial implications of adopting the new 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

The following are the judgements made by management in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognised in the financial statements. 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

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 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 (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 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 is disclosed in Note 38(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.

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

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

(b) Family retakaful business

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 39(c).

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 Appointed Actuary. The appointment of the Appointed Actuary is approved by BNM. Note 39(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

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 is approved by BNM.

4. Net earned premiums/contributions

	Note	2019 RM'000	2018 RM'000
(a) Gross earned premiums/ contributions			
Insurance/takaful contracts		1,130,975	1,285,964
Change in premium/contribution liabilities	24(ii)	(8,187)	31,958
		1,122,788	1,317,922
(b) Premiums/contributions ceded to reinsurers/retakaful operators			
Insurance/takaful contracts		(136,784)	(122,161)
Change in premium/contribution liabilities	24(ii)	2,336	(2,861)
		(134,448)	(125,022)
Net earned premiums/contributions		988,340	1,192,900

5. Investment income

	2019 RM'000	2018 RM'000
Financial assets at FVTPL:		
Designated upon initial recognition:		
Profit income	658	-
Mandatorily measured:		
Interest/profit income	1,155	-
Dividend income:		
- quoted shares in Malaysia	3,235	-
- unit trust fund	16	-
Financial assets at FVOCI:		
Interest/profit income	67,951	-
Dividend income:		
- unquoted shares in Malaysia	103	-
Amortised cost:		
Interest/profit income	39,610	-

5. Investment income (cont'd.)

	2019 RM'000	2018 RM'000
HTM investments:		
Interest/profit income	-	8,372
AFS financial assets:		
Interest/profit income	-	59,117
Dividend income:		
- quoted shares in Malaysia	-	3,071
- unquoted shares in Malaysia	-	103
Loans and receivables:		
Interest/profit income	-	34,063
Rental income from properties	3,731	4,323
Net amortisation of premiums on investments	(2,220)	(2,156)
Investment expenses	(606)	(3)
	113,633	106,890

6. Net realised gains/(losses)

	2019 RM'000	2018 RM'000
Financial assets at FVTPL:		
Realised gains on quoted shares in Malaysia	4,931	-
	4,931	-
Financial assets at FVOCI:		
Realised gains on unquoted debts securities	1,350	-
	1,350	-
AFS financial assets:		
Realised losses:		
Quoted shares in Malaysia	-	(2,840)
Unquoted corporate debt securities	-	452
	-	(2,388)
Other assets:		
Realised gain on disposal of investment property	-	100
Realised gain on disposal of property, plant and equipment	129	-
	129	100
	6,410	(2,288)

7. Net fair value (losses)/gains

	2019 RM'000	2018 RM'000
Fair value (losses)/gains on financial assets at FVTPL	(6,833)	16
Fair value losses on investment in associate	(20,601)	(368)
Writeback of impairment losses on AFS financial assets	-	9,905
	(27,434)	9,553

8. Fee and commission income

	2019 RM'000	2018 RM'000
Reinsurance/retakaful commission	2,123	4,673
Wakalah fees from retakaful funds	8,971	9,919
	11,094	14,592
Elimination of wakalah fees from retakaful funds (Note 43(a))	(8,971)	(9,919)
	2,123	4,673

9. Other operating revenue

	2019 RM'000	2018 RM'000
Foreign exchange gains, net	1,502	-
Foreign exchange gains arising from investment in associate (Note 19)	6,294	-
Reversal of impairment losses on insurance/takaful receivables	1,528	1,831
Management fees from fellow subsidiaries	-	200
Interest income on premium reserve and staff loans	289	667
Others	2,409	2,710
	12,022	5,408

10. Fee and commission expenses

	2019 RM'000	2018 RM'000
Commission/brokerage fees	264,651	307,552
Wakalah fees expenses for general and family retakaful funds	8,971	9,919
	273,622	317,471
Elimination of wakalah fees expenses for general and family retakaful funds (Note 43(a))	(8,971)	(9,919)
	264,651	307,552

11. Management expenses

	2019 RM'000	2018 RM'000
Salaries, bonus and other related costs	19,184	17,883
PCEO, Directors' and GSC members' remuneration (Note 12)	2,730	2,443
Pension costs - EPF	2,434	2,345
Social security costs	111	115
Retirement benefits	86	134
Short term accumulating compensated absences	8	17
Auditors' remuneration		
- statutory audit	558	530
- audit-related	32	32
- other services	23	223
Depreciation of property, plant and equipment (Note 17)	2,738	2,797
Amortisation of intangible assets (Note 18)	1,103	988
Intangible asset written off	-	99
Withholding tax	1,010	1,488
Marketing and promotional costs	1,562	1,335
Office rental	2,701	2,703
Professional and legal fees	3,060	2,689
Contributions and donations	860	1,210
Management fees to holding company	23,225	20,758
Management fees to fellow subsidiary	3,394	3,674
Other management expenses	10,943	5,222
	75,762	66,685

12. PCEO, Directors' and GSC members' remuneration

	2019 RM'000	2018 RM'000
PCEO and Executive directors of the Company:		
PCEO:		
Salary and bonus	1,485	1,241
Pension costs - EPF	253	200
Benefits-in-kind	43	72
Others	11	9
	1,792	1,522

12. PCEO, Directors' and GSC members' remuneration (cont'd.)

	2019 RM'000	2018 RM'000
Executive director:		
Fees	94	110
Allowances	19	24
	113	134
	1,905	1,656
Non-executive directors of the Company:		
Fees	609	627
Allowances	146	140
	755	767
GSC members:		
Fees	86	74
Allowances	27	18
	113	92
Total PCEO's, directors' and GSC members' remuneration excluding benefits-in-kind (Note 11)	2,730	2,443

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 2019	Number of directors 2018
PCEO and Executive directors:		
RM100,001 to RM150,000	1	1
RM1,000,000 to RM2,000,000	1	1
Non-executive directors:		
RM0 to RM50,000	1	-
RM50,001 to RM100,000	1	1
RM100,001 to RM150,000	1	2
RM150,001 to RM200,000	3	3

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12. PCEO, Directors' and GSC members' remuneration (cont'd.)

2019	Salary and bonus RM'000	Fees RM'000	Pension cost RM'000	Benefits-in-kind RM'000	Allowances/ others RM'000	Total RM'000
PCEO:						
Zainudin bin Ishak	1,485	-	253	43	11	1,792
Executive director:						
Mohd Din bin Merican	-	94	-	-	19	113
Non-executive directors:						
Mustaffa bin Ahmad	-	133	-	-	35	168
Md Adnan bin Md Zain	-	133	-	-	36	169
Datin Zaimah binti Zakaria	-	133	-	-	34	167
Arul Sothy Mylvaganam	-	121	-	-	26	147
Encik George Oommen (Appointed with effect from 7 January 2019)	-	18	-	-	3	21
Dato Sharkawi bin Alis (Resigned with effect from 7 January 2019)	-	71	-	-	12	83
	-	609	-	-	146	755
Total Directors' remuneration	-	703	-	-	165	868
GSC members:						
Prof. Dato' Dr. Ahmad Hidayat Buang	-	16	-	-	5	21
Datuk Nik Moustpha Nik Hassan	-	14	-	-	5	19
Assoc. Prof. Dr. Syed Musa Syed Jaafar Alhabshi	-	14	-	-	3	17
Assoc. Prof. Dr. Said Bouheraoua	-	14	-	-	5	19
Assisstant Prof. Dr. Muhammad Naim Omar	-	14	-	-	5	19
Assoc. Prof. Dr. Mohamed Fairooz Abdul Khir	-	14	-	-	4	18
Total GSC members' remuneration	-	86	-	-	27	113
Total PCEO, Directors' and GSC members' remuneration	1,485	789	253	43	203	2,773

12. PCEO, Directors' and GSC members' remuneration (cont'd.)

2018	Salary and bonus RM'000	Fees RM'000	Pension cost RM'000	Benefits-in-kind RM'000	Allowances/ others RM'000	Total RM'000
PCEO and Executive directors:						
Mohd Din bin Merican (Redesignated as Non-Independent Executive Director with effect from 2 March 2018)	-	110	-	-	24	134
Zainudin bin Ishak (PCEO) (Resigned from the Board with effect from 2 March 2018)	1,241	-	200	72	9	1,522
	1,241	110	200	72	33	1,656
Non-executive directors:						
Dato Sharkawi bin Alis	-	92	-	-	16	108
Mustaffa bin Ahmad	-	122	-	-	30	152
Md Adnan bin Md Zain	-	126	-	-	29	155
Datin Zaimah binti Zakaria	-	122	-	-	29	151
Arul Sothy Mylvaganam	-	117	-	-	25	142
Megat Dziauddin bin Megat Mahmud (Resigned with effect from 24 August 2017)	-	48	-	-	11	59
	-	627	-	-	140	767
Total Directors' remuneration	1,241	737	200	72	173	2,423
GSC members:						
Prof. Dato' Dr. Ahmad Hidayat Buang	-	14	-	-	3	17
Datuk Nik Moustpha Nik Hassan	-	12	-	-	3	15
Assoc. Prof. Dr. Syed Musa Syed Jaafar Alhabshi	-	12	-	-	3	15
Assoc. Prof. Dr. Said Bouheraoua	-	12	-	-	3	15
Assisstant Prof. Dr. Muhammad Naim Omar	-	12	-	-	3	15
Assoc. Prof. Dr. Mohamed Fairooz Abdul Khir	-	12	-	-	3	15
Total GSC members' remuneration	-	74	-	-	18	92
Total PCEO, Directors' and GSC members' remuneration	1,241	811	200	72	191	2,515

13. Other operating expenses

	2019 RM'000	2018 RM'000
Foreign exchange losses arising from investment in associate (Note 19)	-	20,349
Foreign exchange losses, net	318	21,025
Others	1,133	632
	1,451	42,006

14. Change in expense liabilities

	2019 RM'000	2018 RM'000
Increase/(decrease) in expense liabilities for general and family retakaful funds (Note 25)	237	(1,200)
	237	(1,200)

15. Tax borne by participants

	2019 RM'000	2018 RM'000
Malaysian income tax:		
Tax expense for the year	918	-
Under provision of tax in previous years	145	29
	1,063	29
Deferred tax:		
Relating to origination and reversal of temporary differences (Note 22)	112	(93)
	1,175	(64)

Following the issuance of the Federal Government Gazette P.U. (A) 383 and P.U. (A) 384 on 31 December 2018, income tax and deferred tax for the reinsurance and retakaful businesses of the Company are calculated at the preferential tax rate of 8% of the estimated assessable profit for the year. In the previous year, income tax for the domestic general reinsurance business and the shareholder's fund are calculated at the statutory tax rate of 24% of the estimated assessable profit for the year, while income tax on the Company's offshore reinsurance business is calculated at a tax rate of 5% of the estimated assessable profit of the Company's offshore reinsurance business for the year.

16. Taxation

	2019 RM'000	2018 RM'000
Malaysian income tax:		
Tax expense for the year	10,217	36,569
(Over)/under provision of tax in previous years	(3,735)	1,628
	6,482	38,197
Deferred tax:		
Relating to origination and reversal of temporary differences (Note 22)	3,510	1,139
	9,992	39,336

Income tax for the domestic general reinsurance business and the shareholder's fund are calculated at the statutory tax rate of 8% (2018: 24%) of the estimated assessable profit for the year. Income tax on the Company's offshore reinsurance business is calculated at a tax rate of 8% (2018: 5%) of the estimated assessable profit of the Company's offshore reinsurance business for the year.

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

	2019 RM'000	2018 RM'000
Profit before taxation	93,798	125,538
Taxation at Malaysian statutory tax rate of 8% (2018: 24%)	7,882	30,129
Effects of different tax rate in respect of offshore reinsurance	-	(70)
Income not subject to tax	(1,064)	(270)
Expenses not deductible for tax purposes	6,909	7,919
(Over)/under provision of tax in previous years	(3,735)	1,628
Tax expense for the year recognised in the income statement	9,992	39,336

17. Property, plant and equipment

2019	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 2018	36,800	79,287	548	12,310	723	129,668
Additions	-	1,064	2	49	345	1,460
Disposals	-	-	(287)	(826)	(461)	(1,574)
Revaluation deficit	-	(470)	-	-	-	(470)
Elimination of accumulated depreciation on revaluation	-	(2,382)	-	-	-	(2,382)
At 31 March 2019	36,800	77,499	263	11,533	607	126,702
Accumulated depreciation						
At 1 April 2018	-	-	544	10,608	703	11,855
Charge for the year (Note 11)	-	2,382	3	277	76	2,738
Disposals	-	-	(287)	(823)	(461)	(1,571)
Elimination of accumulated depreciation on revaluation	-	(2,382)	-	-	-	(2,382)
At 31 March 2019	-	-	260	10,062	318	10,640
Net carrying amount						
At 31 March 2019	36,800	77,499	3	1,471	289	116,062

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

2018	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 2017	36,800	80,400	541	12,291	723	130,755
Additions	-	87	6	19	-	112
Revaluation surplus	-	1,212	-	-	-	1,212
Elimination of accumulated depreciation on revaluation	-	(2,412)	-	-	-	(2,412)
Transferred from SSB on 1 December 2017 (Note 32)	-	-	1	-	-	1
At 31 March 2018	36,800	79,287	548	12,310	723	129,668
Accumulated depreciation						
At 1 April 2017	-	-	541	10,334	595	11,470
Charge for the year (Note 11)	-	2,412	3	274	108	2,797
Elimination of accumulated depreciation on revaluation	-	(2,412)	-	-	-	(2,412)
At 31 March 2018	-	-	544	10,608	703	11,855
Net carrying amount						
At 31 March 2018	36,800	79,287	4	1,702	20	117,813

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. The valuation is based on the income approach and is effective on 31 March 2019.

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 42.

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

	Freehold land RM'000	Buildings RM'000	Total RM'000
Cost			
At 1 April 2017	15,596	79,758	95,354
Additions	-	87	87
At 31 March 2018	15,596	79,845	95,441
Additions	-	1,064	1,064
At 31 March 2019	15,596	80,909	96,505
Accumulated depreciation			
At 1 April 2017	-	27,682	27,682
Charge for the year	-	2,485	2,485
At 31 March 2018	-	30,167	30,167
Charge for the year	-	2,382	2,382
At 31 March 2019	-	32,549	32,549
Net carrying amount			
At 31 March 2018	15,596	49,678	65,274
At 31 March 2019	15,596	48,360	63,956

18. Intangible assets

	Software development in progress RM'000	Computer software and licences RM'000	Total RM'000
2019			
Cost			
At 1 April 2018	755	20,166	20,921
Additions	195	202	397
Transferred to computer software and licences	(530)	530	-
At 31 March 2019	420	20,898	21,318
Accumulated amortisation			
At 1 April 2018	-	13,208	13,208
Amortisation for the year (Note 11)	-	1,103	1,103
At 31 March 2019	-	14,311	14,311
Net carrying amount			
At 31 March 2019	420	6,587	7,007

18. Intangible assets (cont'd.)

	Software development in progress RM'000	Computer software and licences RM'000	Total RM'000
2018			
Cost			
At 1 April 2017	1,553	18,180	19,733
Additions	528	9	537
Write off	(99)	-	(99)
Reclassification from software development in progress	(1,227)	1,227	-
Transferred from SSB on 1 December 2017 (Note 32)	-	750	750
At 31 March 2018	755	20,166	20,921
Accumulated amortisation			
At 1 April 2017	-	12,220	12,220
Amortisation for the year (Note 11)	-	988	988
At 31 March 2018	-	13,208	13,208
Net carrying amount			
At 31 March 2018	755	6,958	7,713

19. Investment in associate

	2019 RM'000	2018 RM'000
At beginning of the year	129,876	150,593
Fair value losses (Note 7)	(20,601)	(368)
Foreign exchange gains (Note 9)/(losses) (Note 13)	6,294	(20,349)
At end of the year	115,569	129,876

Description of the fair value hierarchy for investment in associate and the significant inputs used in the valuation are provided in Note 42.

19. Investment in associate (cont'd.)

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% (2018: 20%). The associate is principally engaged in the underwriting of all classes of general reinsurance and general retakaful business pursuant to a licence given 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 Holdings Berhad, produces financial statements that are available for public use and which comply with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The summarised financial information of the associate is as follows:

	2019 RM'000	2018 RM'000
Assets and liabilities		
Current assets	2,260,573	2,052,406
Non-current assets	71,378	60,822
Total assets	2,331,951	2,113,228
Current liabilities	332,154	279,324
Non-current liabilities	1,347,557	1,148,083
Total liabilities	1,679,711	1,427,407
Equity	652,240	685,821
Results		
Revenue	638,769	586,664
(Loss)/profit for the year	(96,215)	36,333

20. Financial assets

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

	2019		2018	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
Financial assets at FVTPL (a)	215,821	215,821	-	-
Financial assets at FVOCI (b)	1,645,242	1,645,242	-	-
Amortised cost (c)	1,181,007	1,181,007	-	-
HTM investments (d)	-	-	223,686	223,467
AFS financial assets (e)	-	-	1,434,795	1,434,795
Loans and receivables (f)	-	-	1,248,959	1,248,959
	3,042,070	3,042,070	2,907,440	2,907,221
Malaysian government securities	183,878	183,878	209,245	208,566
Government investment issues	357,784	357,784	363,683	364,143
Unquoted corporate debt securities	1,055,581	1,055,581	992,054	992,054
Equity securities:				
Unquoted shares in Malaysia	84,223	84,223	44,568	44,568
Quoted shares in Malaysia	132,391	132,391	41,429	41,429
Real estate investment trusts	12,225	12,225	7,502	7,502
Unit trust fund	40,000	40,000	-	-
Fixed and call deposits	306,395	306,395	91,318	91,318
Islamic investment accounts	799,034	799,034	1,104,672	1,104,672
Other loans	70,559	70,559	52,969	52,969
	3,042,070	3,042,070	2,907,440	2,907,221

20. Financial assets (cont'd.)

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

(a) Financial assets at FVTPL

	2019 RM'000	2018 RM'000
At fair value:		
Designated upon initial recognition:		
Unquoted corporate debt securities	4,178	-
Government investment issues	11,885	-
Mandatorily measured:		
Quoted shares in Malaysia:		
Shariah approved equities	49,477	-
Others	82,914	-
Unquoted corporate debt securities	15,142	-
Real estate investment trusts	12,225	-
Unit trust fund	40,000	-
	215,821	-

(b) Financial assets at FVOCI

	2019 RM'000	2018 RM'000
At fair value:		
Unquoted corporate debt securities	1,031,242	-
Government investment issues	345,899	-
Malaysian government securities	183,878	-
Unquoted shares in Malaysia [(i)]	84,158	-
Golf club membership	65	-
	1,645,242	-

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

20. Financial assets (cont'd.)

(b) Financial assets at FVOCI (cont'd.)

(i) The pertinent information of the investments in unquoted shares in Malaysia are as follows. Description of the fair value hierarchy for unquoted equities and the significant inputs used in the valuation are provided in Note 42.

	Financial Park (Labuan) ("FPL") RM'000	Malaysian Rating Corporation Berhad ("MARC") RM'000
2019		
Carrying value, at 1 April 2018, as previously stated	44,093	410
Impact of adopting MFRS 9	37,962	1,907
Fair value, at 1 April 2018, as restated	82,055	2,317
Fair value movement during the year	(159)	(55)
Fair value, at 31 March 2019	81,896	2,262

Disclosures of expected credit losses recognised for financial assets at FVOCI are disclosed in Note 40(a).

(c) At amortised cost

	2019 RM'000	2018 RM'000
Fixed and call deposits with licensed:		
Commercial banks	74,838	-
Foreign banks	231,557	-
Islamic investment accounts with licensed:		
Islamic banks	648,812	-
Development bank	150,222	-
Islamic commercial paper	5,019	-
Secured staff loans:		
Receivable within 12 months	598	-
Receivable after 12 months	1,283	-
Amount due from Insurance Pool accounts	4,250	-
Income due and accrued	28,899	-
Due from Lloyds' syndicate*	17,098	-
Due from related companies**:		
Holding company	822	-
Fellow subsidiaries	56	-
Sundry receivables***	17,553	-
	1,181,007	-

20. Financial assets (cont'd.)

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

* These amount represent the Company's share, through its investment, of the assets and liabilities held by 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 and fellow subsidiaries are unsecured, interest-free and repayable upon demand.

*** The sundry receivables include amounts due from the Retakaful Division which were eliminated to arrive at the Company level balances as disclosed under Note 43(b). The amounts eliminated were the following:

	2019 RM'000	2018 RM'000
Seed capital of the Retakaful Division	87,384	87,384
Qard due from the Retakaful Division, net of impairment	25,975	22,404
Amount due from Retakaful Division#	50,879	53,498
	164,238	163,286

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

(d) HTM investments

	2019 RM'000	2018 RM'000
At amortised cost:		
Malaysian government securities	-	78,083
Government investment issues	-	145,603
	-	223,686
At fair value:		
Malaysian government securities	-	77,404
Government investment issues	-	146,063
	-	223,467

20. Financial assets (cont'd.)

(e) AFS financial assets

	2019 RM'000	2018 RM'000
At cost:		
Unquoted shares in Malaysia [(i)]	-	44,503
Golf club membership	-	65
	-	44,568
At fair value:		
Unquoted corporate debt securities	-	992,054
Government investment issues	-	218,080
Malaysian government securities	-	131,162
Quoted shares in Malaysia:		
Shariah approved equities	-	25,754
Others	-	15,675
Real estate investment trusts	-	7,502
	-	1,390,227
Total AFS financial assets	-	1,434,795

In the previous financial year, the investments in unquoted shares are measured at cost and their fair values are not disclosed as they cannot be measured reliably based on available information.

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

	2018 RM'000
27,500,000 ordinary shares of Financial Park (Labuan) Sdn. Bhd. ("FPL"), representing an equity shareholding of 9%.	28,283
Less: Impairment loss	(4,759)
	23,524
20,000,000 redeemable preference shares of FPL	20,569
	44,093
820,000 ordinary shares of Malaysian Rating Corporation Berhad ("MARC") representing an equity shareholding of 4%	410
Total unquoted shares in Malaysia	44,503

20. Financial assets (cont'd.)

(f) Loans & receivables

	2019 RM'000	2018 RM'000
Fixed and call deposits with licensed:		
Commercial banks	-	11,388
Foreign banks	-	79,930
Islamic investment accounts with licensed:		
Islamic banks	-	871,997
Development bank	-	232,675
Secured staff loans:		
Receivable within 12 months	-	213
Receivable after 12 months	-	2,144
Amount due from Insurance Pool accounts	-	7,845
Income due and accrued	-	35,356
Due from related companies*:		
Fellow subsidiaries	-	829
Sundry receivables	-	6,582
	-	1,248,959

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

21. Insurance/takaful receivables

	2019 RM'000	2018 RM'000
Due from brokers and ceding companies	293,962	351,788
Allowance for impairment losses	(5,075)	(4,446)
	288,887	347,342

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

	2019 RM'000	2018 RM'000
Gross amounts of recognised insurance/ takaful receivables	527,357	601,877
Less: Gross amounts of recognised insurance/takaful payables set off in the statement of financial position	(233,395)	(250,089)
Net amounts of recognised insurance/takaful receivables	293,962	351,788

21. Insurance/takaful receivables (cont'd.)

Included in amounts due from brokers and ceding companies are balances amounting to RM343,522 (2018: RM533,015) and RM235,948 (2018: RM1,315,452) due from an associate, Labuan Reinsurance (L) Ltd. and fellow subsidiary Takaful Ikhlas General Berhad. 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 40(a).

22. Deferred taxation

	2019 RM'000	2018 RM'000
2019		
At 1 April 2018, as previously stated	2,848	2,154
Impact of adopting MFRS 9 (Note 2.27 (a)(iv))	(454)	-
At 1 April 2018, as restated	2,394	2,154
Recognised in:		
Participants' fund (Note 15)	112	(93)
Income statement (Note 16)	3,510	1,139
Other comprehensive income	(2,128)	(352)
At end of the year	3,888	2,848

Presented after appropriate offsetting as follows:

	2019 RM'000	2018 RM'000
2019		
Deferred tax liabilities	5,597	8,255
Deferred tax assets	(1,709)	(5,407)
	3,888	2,848

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22. Deferred taxation (cont'd.)

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

Deferred tax liabilities

	Fair value of AFS financial assets RM'000	FVOCI RM'000	Accelerated capital allowances RM'000	Revaluation of land and buildings RM'000	Total RM'000
At 1 April 2017	684	-	1,036	6,798	8,518
Recognised in:					
Participants' fund	13	-	-	-	13
Income statement	-	-	76	-	76
Other comprehensive income	(642)	-	-	290	(352)
At 31 March 2018	55	-	1,112	7,088	8,255
At 1 April 2018, as previously stated	55	-	1,112	7,088	8,255
Impact of adopting MFRS 9 (Note 2.27 (a)(iv))	(55)	35	-	-	(20)
At 1 April 2018, as restated	-	35	1,112	7,088	8,235
Recognised in:					
Participants' fund	-	71	-	-	71
Income statement	-	-	(581)	-	(581)
Other comprehensive income	-	1,749	-	(3,877)	(2,128)
At 31 March 2019	-	1,855	531	3,211	5,597

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22. Deferred taxation (cont'd.)

Deferred tax assets

	Premium/ contribution liabilities RM'000	Fair value of financial assets at FVTPL RM'000	Impairment losses on investments RM'000	Expense liabilities RM'000	Others RM'000	Total RM'000
At 1 April 2017	478	(4)	(3,755)	(36)	(3,047)	(6,364)
Recognised in						
Participants' fund	(6)	-	-	-	(100)	(106)
Income statement	(14)	4	1,686	(535)	(78)	1,063
At 31 March 2018	458	-	(2,069)	(571)	(3,225)	(5,407)
At 1 April 2018, as previously stated	458	-	(2,069)	(571)	(3,225)	(5,407)
Impact of adopting MFRS 9 (Note 2.27 (a)(iv))	-	(1,978)	2,069	-	(525)	(434)
At 1 April 2018, as restated	458	(1,978)	-	(571)	(3,750)	(5,841)
Recognised in:						
Participants' fund	-	-	-	-	41	41
Income statement	(556)	749	-	374	3,524	4,091
At 31 March 2019	(98)	(1,229)	-	(197)	(185)	(1,709)

23. Borrowing

	2019 RM'000	2018 RM'000
At amortised cost:		
Medium Term Notes ("MTN")	1,000	1,000
At fair value:		
Medium Term Notes ("MTN")	1,008	1,008

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 years from issue date on a 10 non-callable 5 basis with an interest rate of 4.95% per annum payable semi-annually in arrears.

24. Insurance/takaful contract liabilities

	2019			2018		
	Gross RM'000	Reinsurance/ retakaful RM'000	Net RM'000	Gross RM'000	Reinsurance/ retakaful RM'000	Net RM'000
Claim liabilities (i)	1,830,100	(302,072)	1,528,028	1,932,585	(272,753)	1,659,832
Premium/contribution liabilities (ii)	225,091	(15,084)	210,007	216,904	(12,748)	204,156
Participants' fund (iii)	(3,117)	-	(3,117)	(13,003)	-	(13,003)
	2,052,074	(317,156)	1,734,918	2,136,486	(285,501)	1,850,985

i. Claim liabilities

	Gross RM'000	Reinsurance/ retakaful RM'000	Net RM'000	Gross RM'000	Reinsurance/ retakaful RM'000	Net RM'000
At beginning of year	1,932,585	(272,753)	1,659,832	1,799,204	(276,341)	1,522,863
Adjustment to claims incurred:						
Transferred from SSB on 1 December 2017 (Note 32)	-	-	-	85,942	(28,505)	57,437
- Outstanding reserves for current underwriting year	387,830	-	387,830	85,633	-	85,633
- Movements in outstanding reserve from prior underwriting years	878,658	(99,158)	779,500	585,891	(2,449)	583,442
- Movement in IBNR and PRAD	(517,651)	(1,354)	(519,005)	124,814	(4,932)	119,882
- Claims paid during the year	(851,322)	71,193	(780,129)	(748,899)	39,474	(709,425)
At end of year	1,830,100	(302,072)	1,528,028	1,932,585	(272,753)	1,659,832

ii. Premium/contribution liabilities

	Gross RM'000	Reinsurance/ retakaful RM'000	Net RM'000	Gross RM'000	Reinsurance/ retakaful RM'000	Net RM'000
At beginning of year	216,904	(12,748)	204,156	248,835	(15,606)	233,229
Transferred from SSB on 1 December 2017 (Note 32)	-	-	-	27	(3)	24
Premiums/contributions written during the year	1,121,566	(130,059)	991,507	1,281,078	(118,617)	1,162,461
Premiums/contributions earned during the year	(1,113,379)	127,723	(985,656)	(1,313,036)	121,478	(1,191,558)
At end of year	225,091	(15,084)	210,007	216,904	(12,748)	204,156

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

iii. Participants' fund

	2019 RM'000	2018 RM'000
Accumulated deficit		
At beginning of year, as previously stated	(12,786)	(398)
Impact of adopting MFRS 9 (Note 2.27 (a)(iv))	145	-
At beginning of year, as restated	(12,641)	(398)
Net surplus/(deficit) of the general/family retakaful fund (Note 43(a))	9,644	(12,388)
At end of year	(2,997)	(12,786)
Fair value reserve		
At beginning of year	(217)	-
Transferred from SSB on 1 December 2017 (Note 32)	-	(154)
Net gains/(losses) on fair value changes	168	(50)
Deferred tax on fair value changes (Note 22)	(71)	(13)
At end of year	(120)	(217)
Total	(3,117)	(13,003)

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 deficit includes Qard due from the Retakaful Division which was eliminated in order to arrive at the Company level balances as disclosed under Note 43(b).

25. Expense liabilities

	2019 RM'000	2018 RM'000
At beginning of the year	2,230	149
Transferred from SSB on 1 December 2017	-	3,281
Wakalah fee received during the year	8,971	9,919
Wakalah fee earned during the year	(8,734)	(11,119)
Movement in unearned wakalah fees (Note 14)	237	(1,200)
At end of the year	2,467	2,230

26. Insurance/takaful payables

	2019 RM'000	2018 RM'000
Due to brokers and retrocessionaires	183,518	212,825

Offsetting insurance/takaful receivables and payables

	2019 RM'000	2018 RM'000
Gross amounts of recognised insurance payables	416,913	462,914
Less: Gross amounts of recognised insurance receivables set off in the statement of financial position	(233,395)	(250,089)
Net amounts of recognised insurance payables	183,518	212,825

Included in amounts due to brokers and retrocessionaires as at 31 March 2019 are balances amounting to RM1,252,312 (2018: RM231,382), and RM29,599 (2018: RM96,301) due to the Company's associate, Labuan Reinsurance (L) Ltd., and its fellow subsidiary, Takaful Ikhlas General Berhad 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

	2019 RM'000	2018 RM'000
Due to related companies*:		
Holding company	-	404
Fellow subsidiaries	280	635
Provisions	5,648	6,915
Sundry payables and accruals**	18,689	28,243
	24,617	36,197

* The amounts due to holdings company and 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 43(b). The amounts eliminated were the following:

	2019 RM'000	2018 RM'000
Seed capital of the Retakaful Division	87,384	87,384
Amount owing by Retakaful Division#	50,879	53,498
	138,263	140,882

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

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

28. Share capital

	Number of ordinary shares		Amount	
	2019 '000	2018 '000	2019 RM'000	2018 RM'000
Issued and fully paid:				
At beginning of the year	563,106	510,000	563,106	510,000
Issued during the year	100,000	53,106	100,000	53,106
At end of the year	663,106	563,106	663,106	563,106

During the year, the Company increased its issued and paid up capital from RM563,106,423 to RM663,106,423 by way of issuance of 100,000,000 ordinary shares on 15 November 2018 for cash to the holding company. The new ordinary shares issued during the financial year rank *pari passu* in all respects with the existing ordinary shares of the Company.

29. Merger deficit

	2019 RM'000	2018 RM'000
Merger deficit (Note 32)	(9,618)	(9,618)

Merger deficit represents the difference between the consideration given and the carrying value of the net assets 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 weighted average number of ordinary shares in issue during the year as follows:

	2019 RM'000	2018 RM'000
Net profit for the year (RM'000)	83,806	86,202
Weighted average number of ordinary shares in issue ('000)	600,640	516,984
Basic and diluted earnings per share (sen)	13.95	16.67

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

31. Dividend

Dividend paid in the financial year ended 31 March 2019:

	RM'000
Interim single-tier dividend of 0.05%	30,000
	30,000

32. Transfer of general and family retakaful business

In the previous year, the Company completed the business transfer of the general and family retakaful businesses from a related corporation, Sinar Seroja Berhad (formerly known as MNRB Retakaful Berhad), upon obtaining the Vesting Order from the High Court of Malaya in Kuala Lumpur.

Details of the net assets transferred are as follows:

	Note	Share-holder's fund RM'000	General retakaful fund RM'000	Family retakaful fund RM'000	Total RM'000
Assets					
Property, plant and equipment	17	1	-	-	1
Intangible assets	18	750	-	-	750
Financial assets					
HTM		10,105	19,120	12,464	41,689
AFS		65	15,797	4,176	20,038
LAR		33,943	31,377	6,551	71,871
Retakaful assets	24	-	21,354	7,154	28,508
Takaful receivables		-	4,761	-	4,761
Tax recoverable		-	8	6	14
Cash and bank balances		-	142	98	240
		44,864	92,559	30,449	167,872
Liabilities					
Participants' funds	24	-	(204)	50	(154)
Takaful contract liabilities		3,281	72,622	13,347	89,250
Takaful payables		-	11,340	1,980	13,320
Tax payable		13	-	-	13
Other liabilities		133	4,427	16,969	21,529
		3,427	88,185	32,346	123,958
Net assets transferred		41,437	4,374	(1,897)	43,914
Consideration transferred					53,532
Merger deficit	29				(9,618)

33. Investment property

The investment property which amounted to RM7.4 million was disposed in financial year ended 31 March 2018.

	2019 RM'000	2018 RM'000
At beginning of year	-	7,400
Disposal during the year	-	(7,400)
At end of year	-	-

The rental income and operating expenses in relation to the investment property are as disclosed below:

	2019 RM'000	2018 RM'000
Rental income	-	277
Operating expenses	-	(70)
	-	207

34. Operating lease arrangements

(a) The Company as lessee

The Company has entered into non-cancellable operating lease agreement for the use of office premises. These leases are for a period of 5 years and subject to review every 2 years. There are no restrictions placed upon the Company by entering into these leases.

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

	2019 RM'000	2018 RM'000
Not later than 1 year	2,749	2,703
Later than 1 year and not later than 5 years	30	2,703
	2,779	5,406

34. Operating lease arrangements (cont'd.)

(b) The Company as lessor

The Company has entered into non-cancellable operating lease agreements on its portfolio of self-occupied property and investment property. These leases have remaining non-cancellable lease terms of between 1 and 3 years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions and certain contracts include contingent rental arrangements computed based on sales achieved by tenants.

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:

	2019 RM'000	2018 RM'000
Not later than 1 year	2,457	2,042
Later than 1 year and not later than 5 years	1,734	1,407
	4,191	3,449

35. Capital commitments

	2019 RM'000	2018 RM'000
Capital expenditure		
Approved and contracted for:		
Intangible assets	50	661
	50	661
Approved but not contracted for:		
Property, plant and equipment	1,650	787
	1,650	787

36. 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.

36. 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:

	2019 RM'000	2018 RM'000
Income/(expenses):		
Transactions with Labuan Reinsurance (L) Ltd., an associate:		
Reinsurance inward (net of claims)	304	391
Transactions with TIFB, a fellow subsidiary:		
Gross contribution paid for takaful cover	(34)	(133)
Retakaful inward (net of claims)	-	997
Transactions with TIGB, a fellow subsidiary:		
Retakaful inward (net of claims)	(259)	-
Transactions with MNRB Holdings Berhad, the holding company:		
Management fees	(23,225)	(20,758)
Interest paid	(51)	(50)
Rental income from property	1,226	1,067
Transactions with MMIP Services Sdn. Bhd., a fellow subsidiary:		
Rental income from property	300	324
Transactions with Malaysian Re (Dubai) Ltd., a fellow subsidiary:		
Management fees for marketing activities	(3,394)	(3,674)
Transactions with Sinar Seroja Berhad, a fellow subsidiary:		
Retakaful inward (net of claims)	-	(798)
Management fees	-	200
Rental income from property	-	13

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

The Directors are of the opinion that all the transactions above (other than dividend received/paid) 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 2019 are as disclosed in Notes 20, 21, 26 and 27.

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

	2019 RM'000	2018 RM'000
Non-executive director's remuneration (Note 12):		
Fees	609	627
Meeting allowances	146	140
GSC members' remuneration (Note 12):		
Fees	86	74
Meeting allowances	27	18
PCEO remuneration (Note 12):		
Salaries and bonus	1,485	1,241
Fees	-	-
Pension costs - EPF	253	200
Benefits-in-kind	43	72
Others	11	9
Executive director's remuneration (Note 12):		
Fees	94	110
Meeting allowances	19	24
Other key management personnel:		
Salaries and bonus	4,467	3,269
Pension costs - EPF	677	498
Social security cost	9	6
Benefits-in-kind	253	250
Allowances	326	302
	8,505	6,840

37. Risk management framework

The Company adopts the Group Enterprise Risk Management (“ERM”) Framework which was established to provide a set of guidelines for implementing risk management throughout 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.

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 good governance standards and implement best practices with regards to risk management and compliance principles. The Company also aims to uphold high standards of business practices in all its activities.

37. Risk management framework (cont'd)

(a) Risk management governance

The Risk Management governance structure is as follows:

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

(ii) The Board had also established a dedicated Investment Committee to further oversee risks associated with investments and asset allocation strategies;

(iii) 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;

(iv) The Operational Risk Management Committee ("ORMC") which comprises the President & Chief Executive Officer and Senior Management, implements the risk management processes, provides assurance to the Board that the processes have been carried out effectively and inculcates a risk management and compliance culture on an enterprise-wide basis;

(v) 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

(vi) At the operational level, the implementation of risk management process in the day to day operations of the Company is facilitated by the Heads of Department as well as the embedded risk managers of each department, guided by various components of the Group ERM Framework.

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 focuses on capital preservation, return maximisation and liquidity management.

37. Risk management framework (cont'd.)

(a) Risk management governance (cont'd)

Further, the Company had 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 of business portfolio 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").

37. Risk management framework (cont'd.)

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

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 Company's prevailing Individual Target Capital Level ("ITCL") is above the minimum regulatory capital requirement outlined under the RBC and RBCT Frameworks.

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 operation 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.

37. Risk management framework (cont'd.)

(c) Regulatory framework

The Company is required to comply with the Financial Services Act ("FSA") 2013 and the Islamic Financial Services Act ("IFSA") 2013, Companies Act 2016 and other relevant Acts.

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.

The total capital available of the Company as at 31 March 2019, as prescribed and reported under the RBC and RBCT Frameworks, is provided below:

	2019 RM'000	2018 RM'000
Eligible Tier 1 Capital		
Share capital	663,106	563,106
Reserves, including retained profits	896,988	838,118
Valuation deficit maintained in the retakaful funds	(84,630)	(94,368)
	1,475,464	1,306,856
Tier 2 Capital		
Revaluation reserve	47,059	43,652
Fair value reserve	55,567	378
Subordinated term debt and others	99,088	95,368
General reserves (merger deficit)	(9,618)	(9,618)
	192,096	129,780
Deductions	(47,639)	(35,974)
Total Capital Available	1,619,921	1,400,662

38. Insurance/takaful 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 which may cover up to 3 years or more. The most significant risk arises from adverse development of claims and occurrence of new catastrophic 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 and claim management policies reduces the volatility of risks and improves the overall portfolio experience, and also ensures that the Company's insurance/takaful contract liabilities are adequate.

The Company also manages its risk exposure through the use of retrocession/retrotakaful programmes which are reviewed annually by the ORMC and RMCB, and subsequently approved by the Board. Prudent standards are applied in selection of the Company's key retrocessionaires/retrotakaful providers.

(b) Concentration of risk by type of business

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

	Gross RM'000	Re-insurance/ retakaful RM'000	Net RM'000
2019			
Fire	861,091	(184,740)	676,351
Motor	413,418	(8,124)	405,294
Marine	307,490	(95,139)	212,351
Miscellaneous	456,648	(22,728)	433,920
	2,038,647	(310,731)	1,727,916
Local	1,121,122	(175,840)	945,282
Overseas	917,525	(134,891)	782,634
	2,038,647	(310,731)	1,727,916
Reinsurance	1,973,403	(304,954)	1,668,449
Retakaful	65,244	(5,777)	59,467
	2,038,647	(310,731)	1,727,916

38. Insurance/takaful risk of general reinsurance/retakaful (cont'd.)

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

	Gross RM'000	Re-insurance/ retakaful RM'000	Net RM'000
2018			
Fire	916,854	(112,884)	803,970
Motor	371,547	(5,207)	366,340
Marine	319,134	(74,869)	244,265
Miscellaneous	526,092	(84,505)	441,587
	2,133,627	(277,465)	1,856,162
Local	1,205,811	(241,041)	964,770
Overseas	927,816	(36,424)	891,392
	2,133,627	(277,465)	1,856,162
Reinsurance	2,037,528	(257,562)	1,779,966
Retakaful	96,099	(19,903)	76,196
	2,133,627	(277,465)	1,856,162

(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 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.

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 income statement.

(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.

38. Insurance/takaful risk of general reinsurance/retakaful (cont'd.)

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

Key assumptions (cont'd.)

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 and reinsurance/retakaful markets; and

(iv) Legislative and regulatory changes.

The sensitivity analysis was applied to the ultimate loss ratio of the Company by increasing the said ratio of the two most recent underwriting years by 5%. The table below shows the impact on the Company’s gross and net claim liabilities, profit before tax and equity should the ultimate loss ratio be increased by 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 ------>	
2019				
Fire	20,229	20,229	20,229	18,611
Marine	3,087	3,087	3,087	2,840
Motor	9,405	9,405	9,405	8,653
Miscellaneous	7,899	7,899	7,899	7,267
	40,620	40,620	40,620	37,371

38. Insurance/takaful risk of general reinsurance/retakaful (cont'd.)

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

Sensitivity analysis (cont'd.)

	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 ------>	
2018				
Fire	16,243	16,243	16,243	13,303
Marine	3,743	2,913	2,913	2,564
Motor	9,930	9,930	9,930	7,641
Miscellaneous	8,357	8,351	8,351	6,663
	38,273	37,437	37,437	30,171

* The impact on equity reflects the impact after tax.

This analysis assumes that other factors relevant, but not significant, to the valuation of claim liabilities remain constant. A change in the assumption in the opposite direction would result in an opposite but equivalent impact. The method used in performing the sensitivity analysis was consistent with the prior year.

(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.

38. **Insurance/takaful risk of general reinsurance/retakaful (cont'd.)**

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

Gross general reinsurance/retakaful liabilities for 2019:

Underwriting Year	Before 2011 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	Subtotal RM'000
At the end of underwriting year		653,195	678,781	755,249	709,990	736,158	695,227	790,114	849,676	
One year later		755,795	699,168	778,872	738,302	776,819	841,478	715,481	-	
Two years later		831,359	703,132	810,844	744,827	823,354	800,205	-	-	
Three years later		884,511	741,350	923,036	742,262	809,917	-	-	-	
Four years later		918,231	755,438	967,111	729,685	-	-	-	-	
Five years later		924,282	822,195	953,217	-	-	-	-	-	
Six years later		1,046,734	799,572	-	-	-	-	-	-	
Seven years later		1,058,117	-	-	-	-	-	-	-	
Current estimate of booked ultimate claims incurred (a)	**4,015,708**	**1,057,213**	**797,644**	**949,532**	**723,943**	**800,818**	**784,153**	**686,669**	**638,016**	
At the end of underwriting year		74,108	48,231	66,414	50,464	48,141	50,779	47,943	105,412	
One year later		468,913	336,973	450,853	394,640	467,078	371,055	395,780	-	
Two years later		672,090	485,266	611,454	525,476	593,676	555,168	-	-	
Three years later		786,901	582,071	724,613	581,640	668,180	-	-	-	
Four years later		842,952	636,596	803,350	623,705	-	-	-	-	
Five years later		873,568	698,341	832,772	-	-	-	-	-	
Six years later		983,399	740,119	-	-	-	-	-	-	
Seven years later		1,009,690	-	-	-	-	-	-	-	
Cumulative payments to-date (b)	**3,949,476**	**1,009,690**	**740,119**	**832,772**	**623,705**	**668,180**	**555,168**	**395,780**	**105,412**	
Expected claim liabilities (a) - (b)	66,232	47,523	57,525	116,760	100,238	132,638	228,985	290,889	532,604	1,573,394

Other portfolios	105,175
Best estimate of claim liabilities	1,678,569
Claim handling expenses	9,778
Fund PRAD at 75% confidence interval	125,209
Gross general reinsurance/retakaful claim liabilities	1,813,557

38. Insurance/takaful risk of general reinsurance/retakaful (cont'd.)

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

Net general reinsurance/retakaful liabilities for 2019:

Underwriting Year	Before 2011 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	Subtotal RM'000
At the end of underwriting year		565,450	646,499	745,437	705,370	703,964	863,017	783,472	851,093	
One year later		740,800	679,991	763,551	712,346	877,687	823,576	707,596	-	
Two years later		816,058	674,963	794,351	763,018	817,079	785,839	-	-	
Three years later		870,176	709,217	844,810	734,168	806,237	-	-	-	
Four years later		901,716	753,532	883,611	723,955	-	-	-	-	
Five years later		925,335	773,005	868,517	-	-	-	-	-	
Six years later		1,027,115	768,255	-	-	-	-	-	-	
Seven years later		1,042,602	-	-	-	-	-	-	-	
Current estimate of booked ultimate claims incurred (a)	**3,819,861**	**1,041,705**	**766,401**	**864,869**	**718,209**	**797,148**	**770,021**	**679,624**	**639,349**	
At the end of underwriting year		73,515	47,742	66,414	50,464	48,141	50,779	47,943	105,412	
One year later		462,589	333,140	446,728	394,520	467,060	369,591	395,792	-	
Two years later		663,963	478,500	607,074	521,806	593,458	550,347	-	-	
Three years later		776,430	574,004	689,440	577,362	667,555	-	-	-	
Four years later		831,445	618,991	761,309	618,482	-	-	-	-	
Five years later		862,696	671,610	792,241	-	-	-	-	-	
Six years later		970,672	711,549	-	-	-	-	-	-	
Seven years later		996,289	-	-	-	-	-	-	-	
Cumulative payments to-date (b)	**3,759,264**	**996,289**	**711,549**	**792,241**	**618,482**	**667,555**	**550,347**	**395,792**	**105,412**	
Expected claim liabilities (a) - (b)	60,597	45,416	54,852	72,628	99,727	129,594	219,674	283,832	533,937	1,500,256

	RM'000
Other portfolios	99,723
Best estimate of claim liabilities	1,599,979
Claim handling expenses	9,778
Fund PRAD at 75% confidence interval	99,472
Less: Retrocession recoveries	(191,320)
Net general reinsurance/retakaful claim liabilities	1,517,909

38. Insurance/takaful risk of general reinsurance/retakaful (cont'd.)

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

Gross general reinsurance/retakaful liabilities for 2018:

Underwriting Year	Before 2010 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	Subtotal RM'000
At the end of underwriting year		640,777	653,195	678,781	755,249	709,990	736,158	695,227	790,114	
One year later		631,766	755,795	699,168	778,872	738,302	776,819	841,478	-	
Two years later		706,692	831,359	703,132	810,844	744,827	823,354	-	-	
Three years later		716,067	884,511	741,350	923,036	742,262	-	-	-	
Four years later		716,766	918,231	755,438	967,111	-	-	-	-	
Five years later		727,701	924,282	822,195	-	-	-	-	-	
Six years later		723,129	1,046,734	-	-	-	-	-	-	
Seven years later		760,899	-	-	-	-	-	-	-	
Current estimate of booked ultimate claims incurred (a)	**3,253,028**	**760,526**	**1,045,029**	**819,445**	**960,491**	**732,987**	**807,785**	**789,977**	**546,986**	
At the end of underwriting year		78,371	74,108	48,231	66,414	50,464	48,141	50,779	47,943	
One year later		318,276	468,913	336,973	450,853	394,640	467,078	371,055	-	
Two years later		514,735	672,090	485,266	611,454	525,476	593,676	-	-	
Three years later		600,229	786,901	582,071	682,220	581,640	-	-	-	
Four years later		656,500	842,952	636,596	803,350	-	-	-	-	
Five years later		676,846	873,567	698,341	-	-	-	-	-	
Six years later		688,755	983,399	-	-	-	-	-	-	
Seven years later		724,966	-	-	-	-	-	-	-	
Cumulative payments to-date (b)	**3,191,895**	**724,966**	**983,399**	**698,341**	**803,350**	**581,640**	**593,676**	**371,055**	**47,943**	
Expected claim liabilities (a) - (b)	61,133	35,560	61,630	121,104	157,141	151,347	214,109	418,922	499,043	1,719,989

Other portfolios	65,442
Best estimate of claim liabilities	1,785,431
Claim handling expenses	8,236
Fund PRAD at 75% confidence interval	123,056
Gross general reinsurance/retakaful claim liabilities	1,916,723

38. Insurance/takaful risk of general reinsurance/retakaful (cont'd.)

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

Net general reinsurance/retakaful liabilities for 2018:

Underwriting Year	Before 2010 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	Subtotal RM'000
At the end of underwriting year		579,366	565,450	646,500	745,438	705,370	703,964	863,017	783,471	
One year later		585,767	740,800	679,991	763,552	712,346	877,687	823,576	-	
Two years later		661,334	816,057	674,963	794,351	763,018	817,079	-	-	
Three years later		669,267	870,177	709,217	844,810	734,168	-	-	-	
Four years later		676,120	901,715	753,532	883,610	-	-	-	-	
Five years later		686,321	925,335	773,005	-	-	-	-	-	
Six years later		684,243	1,027,115	-	-	-	-	-	-	
Seven years later		715,326	-	-	-	-	-	-	-	
Current estimate of booked ultimate claims incurred (a)	**3,097,138**	**714,927**	**1,025,341**	**769,759**	**876,743**	**724,006**	**801,080**	**776,024**	**542,731**	
At the end of underwriting year		67,655	73,515	47,742	66,414	50,464	48,141	50,779	47,943	
One year later		304,533	462,589	333,140	446,728	394,520	467,060	369,591	-	
Two years later		497,147	663,963	478,500	607,074	521,806	593,458	-	-	
Three years later		576,347	776,430	574,004	689,440	577,362	-	-	-	
Four years later		617,684	831,445	618,991	761,309	-	-	-	-	
Five years later		637,379	862,696	671,610	-	-	-	-	-	
Six years later		651,082	970,672	-	-	-	-	-	-	
Seven years later		683,814	-	-	-	-	-	-	-	
Cumulative payments to-date (b)	**3,043,414**	**683,814**	**970,672**	**671,610**	**761,309**	**577,362**	**593,458**	**369,591**	**47,943**	
Expected claim liabilities (a) - (b)	53,724	31,113	54,669	98,149	115,434	146,644	207,622	406,433	494,788	1,608,576

Other portfolios	(47,402)
Best estimate of claim liabilities	1,561,174
Claim handling expenses	8,235
Fund PRAD at 75% confidence interval	105,756
Less: Retrocession recoveries	(23,159)
Net general reinsurance/retakaful claim liabilities	1,652,006

39. Insurance/takaful 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 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 experience.

The underwritten risks are further managed through retrotakaful arrangements.

Stress testing is performed on a quarterly basis. The purpose of the stress testing is to test the solvency of the family retakaful fund under various scenarios. These scenarios are based on regulatory guidelines and simulate drastic changes in major parameters such as new business volume, investment environment and mortality/morbidity patterns.

(b) Concentration of takaful contract liabilities

The business of the family retakaful fund is derived from Malaysian and overseas risks, situated mainly in Brunei and Indonesia. These liabilities are run-off business transferred from Sinar Seroja Berhad, a fellow subsidiary.

39. Insurance/takaful risk of family retakaful (cont'd.)

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

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

	Gross RM'000	Re-insurance/ retakaful RM'000	Net RM'000
2019			
Family Individual	10,172	(6,425)	3,747
Family Group	6,372	-	6,372
	16,544	(6,425)	10,119
Local	14,371	(5,787)	8,584
Overseas	2,173	(638)	1,535
	16,544	(6,425)	10,119
2018			
Family Individual	11,280	(8,036)	3,244
Family Group	4,582	-	4,582
	15,862	(8,036)	7,826
Local	13,895	(7,575)	6,320
Overseas	1,967	(461)	1,506
	15,862	(8,036)	7,826

(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 which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

39. Insurance/takaful risk of family retakaful (cont'd.)

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

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 the said ratio by 20%. The table below shows the impact on the family retakaful fund's gross and net liabilities, deficit before tax and family retakaful fund should the ultimate loss ratio be increased by 20%:

	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on deficit before tax RM'000	Impact on family retakaful fund RM'000
		<------- Decrease/(increase)		------->	Increase/ (decrease)
2019					
Loss ratio	-20%	10,320	7,553	7,553	6,949
Loss ratio	+20%	(28,289)	(20,320)	(20,320)	(18,694)
2018					
Loss ratio	-20%	9,056	4,374	4,374	3,137
Loss ratio	+20%	(25,747)	(20,470)	(20,470)	(15,942)

40. 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 financial loss resulting from the failure of counterparties to reinsurance/retakaful and investment transactions to meet their contractual 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

(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.

40. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

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 implementation of MFRS 9 *Financial Instruments* has resulted in a change in presentation and disclosure of credit risk.

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 premiums/contributions have been excluded from the analysis as they are not contractual obligations.

40. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

Credit exposure by credit rating (cont'd.)

2019	Government guaranteed RM'000	AAA 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	2,000	2,178	-	-	4,178
Government investment issues	11,885	-	-	-	11,885
Mandatorily measured:					
Quoted shares in Malaysia:					
Shariah approved equities	-	-	49,477	-	49,477
Others	-	-	82,914	-	82,914
Unquoted corporate debt securities	-	15,142	-	-	15,142
Real estate investment trusts	-	-	12,225	-	12,225
Unit trust fund	-	-	40,000	-	40,000
Financial assets at FVOCI					
Unquoted corporate debt securities	378,619	652,623	-	-	1,031,242
Government investment issues	345,899	-	-	-	345,899
Malaysian government securities	183,878	-	-	-	183,878
Unquoted shares in Malaysia	-	-	84,158	-	84,158
Golf club membership	-	-	65	-	65
At amortised cost					
Fixed and call deposits with licensed:					
Commercial banks	-	74,838	-	-	74,838
Foreign banks	-	231,557	-	-	231,557

40. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

Credit exposure by credit rating (cont'd.)

2019 (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
At amortised cost (cont'd.)					
Islamic investment accounts with licensed:					
Islamic banks	-	648,812	-	-	648,812
Development bank	-	150,222	-	-	150,222
Islamic commercial paper	-	5,019	-	-	5,019
Secured staff loans:					
Receivable within 12 months	-	-	-	598	598
Receivable after 12 months	-	-	-	1,283	1,283
Amount due from Insurance Pool accounts	-	-	-	4,250	4,250
Income due and accrued	2,571	25,887	441	-	28,899
Due from Lloyds' Syndicate	-	17,098	-	-	17,098
Due from related companies:					
Holding company	-	822	-	-	822
Fellow subsidiaries	-	-	-	56	56
Sundry receivables	-	-	-	17,553	17,553
Reinsurance/retakaful assets *	-	84,801	-	217,271	302,072
Insurance/takaful receivables *	-	18,698	-	270,189	288,887
Cash and bank balances	-	10,733	-	-	10,733
Financial and insurance assets	924,852	1,938,430	269,280	511,200	3,643,762

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

40. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

Credit exposure by credit rating (cont'd.)

2018	Government guaranteed RM'000	AAA to BBB RM'000	Not subject to credit risk RM'000	Not rated RM'000	Total RM'000
HTM investments					
Malaysian government securities	78,083	-	-	-	78,083
Government investment issues	145,603	-	-	-	145,603
AFS financial assets					
Unquoted shares in Malaysia	-	-	44,568	-	44,568
Unquoted corporate debt securities	314,640	677,414	-	-	992,054
Government investment issues	218,080	-	-	-	218,080
Malaysian government securities	131,162	-	-	-	131,162
Quoted shares in Malaysia:					
Shariah approved equities	-	-	25,754	-	25,754
Others	-	-	15,675	-	15,675
Real estate investment trusts	-	-	7,502	-	7,502
Loans and receivables					
Fixed and call deposits with licensed					
Commercial banks	-	11,388	-	-	11,388
Foreign banks	-	79,930	-	-	79,930
Islamic investment accounts with licensed:					
Islamic banks	-	871,997	-	-	871,997
Development banks	-	232,675	-	-	232,675

Malaysian Reinsurance Berhad
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40. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

Credit exposure by credit rating (cont'd.)

2018	Government guaranteed RM'000	AAA to BBB RM'000	Not subject to credit risk RM'000	Not rated RM'000	Total RM'000
Loans and receivables (cont'd.)					
Secured staff loans:					
Receivable within 12 months	-	-	-	213	213
Receivable after 12 months	-	-	-	2,144	2,144
Due from insurance Pool accounts	-	-	-	7,845	7,845
Income due and accrued	9,183	19,383	6,790	-	35,356
Due from fellow subsidiaries	-	-	-	829	829
Sundry receivables	-	-	-	6,582	6,582
Reinsurance/retakaful assets *	-	75,318	-	197,435	272,753
Insurance receivables *	-	45,798	-	301,544	347,342
Cash and bank balances	-	30,051	-	-	30,051
Financial and insurance assets	896,751	2,043,954	100,289	516,592	3,557,586

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

40. 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 have 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.

40. 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.

	Stage 1 12 month ECL RM'000
2019	
Financial investments at FVOCI	
Government guaranteed	908,396
AAA to BBB	652,623
Total carrying amount - fair value	1,561,019
Total ECL	26

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

Movements in allowances for impairment losses for financial investments are as follows:

	Stage 1 12 month ECL RM'000
2019	
Balance as at 1 April 2018, as previously stated	-
Effect of adopting MFRS 9 (Note 2.27 (a)(iv))	29
Balance as at 1 April 2018, as restated	29
Net adjustment of loss allowances	(3)
Balance as at 31 March 2019	26

40. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

Other financial assets - Reconciliation of allowance account

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

Prior to 1 April 2018, the Company assesses impairment loss on its receivables based on the accounting policy described in Note 2.11(a)(i).

Upon implementation of MFRS 9, the Company applied the simplified approach to its receivables and measures the allowance for impairment loss based on a lifetime ECL from initial recognition as described in Note 2.11(b)(ii).

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 deposits, 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 2019.

40. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

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

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 2019							
ECL rate	0.31%	0.22%	1.98%	8.93%	-83.27%	94.81%	
Gross carrying amount	190,545	78,587	13,417	4,961	1,117	5,334	293,962
Allowance for ECL	69	171	266	443	(930)	5,056	5,075
1 April 2018							
ECL rate	0.32%	0.28%	3.44%	10.54%	8.69%	84.12%	
Gross carrying amount	218,175	103,193	12,976	6,819	5,124	5,501	351,788
Allowance for ECL	72	293	446	719	445	4,628	6,603

40. 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			
As at 1 April 2018	345,950	5,838	351,788
Reduction	(225,602)	(476)	(226,078)
As at 31 March 2019	120,348	5,362	293,962
Allowance for ECL			
As at 31 March 2018, as previously stated	505	3,941	4,446
Impact of adopting MFRS 9 (Note 2.27(a)(iv))	1,226	931	2,157
As at 1 April 2018, as restated	1,731	4,872	6,603
Reversal, net	(729)	(799)	(1,528)
As at 31 March 2019	1,002	4,073	5,075

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
2019			
At 1 April 2018, as previously stated	3,941	505	4,446
Impact of adopting MFRS 9 (Note 2.27 (a)(iv))	-	2,157	2,157
At 1 April 2018, as restated	3,941	2,662	6,603
Reversal of impairment losses during the year	(552)	(976)	(1,528)
At 31 March 2019	3,389	1,686	5,075
2018			
At beginning of year	5,111	772	5,883
Transferred from SSB on 1 December 2017	303	91	394
Reversal of impairment losses during the year	(1,473)	(358)	(1,831)
At end of year	3,941	505	4,446

40. Financial risk (cont'd.)

(b) Liquidity risk (cont'd.)

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.

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. Accordingly, the Company is required to maintain a minimum holding of low risk assets of 10% and has no maximum limit on its placements in fixed and call deposits.

Maturity profiles

The table below summarises the maturity profile of the financial and insurance/takaful assets and liabilities of the Company based on the 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.

40. Financial risk (cont'd.)

(b) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)

2019	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	4,178	2,131	2,431	-	-	4,562
Government investment issues	11,885	477	12,415	-	-	12,892
Mandatorily measured:						
Quoted shares in Malaysia:						
Shariah approved equities	49,477	-	-	-	49,477	49,477
Others	82,914	-	-	-	82,914	82,914
Unquoted corporate debt securities	15,142	77	309	16,748	-	17,134
Real estate investment trusts	12,225	-	-	-	12,225	12,225
Unit trust fund	40,000	-	-	-	40,000	40,000
Financial assets at FVOCI						
Unquoted corporate debt securities	1,031,242	128,282	674,166	452,700	-	1,255,148
Government investment issues	345,899	14,386	136,625	313,468	-	464,479
Malaysian government securities	183,878	7,428	58,040	180,576	-	246,044
Unquoted shares in Malaysia	84,158	-	-	-	84,158	84,158
Golf club membership	65	-	-	-	65	65

Malaysian Reinsurance Berhad
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40. Financial risk (cont'd.)

(b) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)

2019 (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
Amortised cost						
Fixed and call deposits with licensed:						
Commercial banks	74,838	75,306	-	-	-	75,306
Foreign banks	231,557	193,561	42,126	-	-	235,687
Islamic investment accounts with licensed:						
Islamic banks	648,812	657,922	-	-	-	657,922
Development bank	150,222	153,868	-	-	-	153,868
Islamic commercial paper	5,019	5,085	-	-	-	5,085
Secured staff loans:						
Receivable within 12 months	598	598	-	-	-	598
Receivable after 12 months	1,283	-	1,283	-	-	1,283
Due from insurance Pool accounts	4,250	4,250	-	-	-	4,250
Due from Lloyds' syndicate	17,098	-	-	-	17,098	17,098
Income due and accrued	28,899	28,899	-	-	-	28,899
Due from related companies:						
Holding company	822	822	-	-	-	822
Fellow subsidiaries	56	56	-	-	-	56
Sundry receivables	17,553	17,553	-	-	-	17,553
Reinsurance/retakaful assets	302,072	98,810	156,713	20,812	25,737	302,072
Insurance/takaful receivables	288,887	288,887	-	-	-	288,887
Cash and bank balances	10,733	10,733	-	-	-	10,733
Financial and insurance/takaful assets	3,643,762	1,689,131	1,084,108	984,304	311,674	4,069,217

Malaysian Reinsurance Berhad
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40. Financial risk (cont'd.)

(b) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)

2019 (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
Borrowing	(1,000)	(50)	(198)	(1,070)	-	(1,318)
Insurance/takaful contract liabilities	(1,830,100)	(591,387)	(983,183)	(130,320)	(125,210)	(1,830,100)
Insurance/takaful payables	(183,518)	(183,518)	-	-	-	(183,518)
Other payables (excluding provisions)	(18,969)	(18,969)	-	-	-	(18,969)
Financial and insurance/takaful liabilities	(2,033,587)	(793,924)	(983,381)	(131,390)	(125,210)	(2,033,905)
Surplus	1,610,175	895,207	100,727	852,914	186,464	2,035,312
2018						
HTM investments						
Malaysian government securities	78,083	3,277	13,115	93,014	-	109,406
Government investment issues	145,603	5,988	157,492	-	-	163,480
AFS financial assets						
Unquoted shares in Malaysia	44,568	-	-	-	44,568	44,568
Unquoted corporate debt securities	992,054	148,217	628,003	433,256	-	1,209,476
Government investment issues	218,080	9,215	56,452	224,548	-	290,215
Malaysian government securities	131,162	5,202	29,816	138,337	-	173,355
Quoted shares in Malaysia:						
Shariah approved equities	25,754	-	-	-	25,754	25,754
Others	15,675	-	-	-	15,675	15,675
Real estate investment trusts	7,502	-	-	-	7,502	7,502

40. Financial risk (cont'd.)

(b) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)

2018 (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
Loans and receivables						
Fixed and call deposits with licensed:						
Commercial banks	11,388	13,851	-	-	-	13,851
Foreign banks	79,930	22,100	63,446	-	-	85,546
Islamic investment accounts with licensed:						
Development banks	232,675	236,563	-	-	-	236,563
Islamic banks	871,997	884,503	-	-	-	884,503
Secured staff loans:						
Receivable within 12 months	213	213	-	-	-	213
Receivable after 12 months	2,144	-	2,144	-	-	2,144
Due from insurance Pool accounts	7,845	7,845	-	-	-	7,845
Income due and accrued	35,356	35,356	-	-	-	35,356
Due from fellow subsidiaries	829	829	-	-	-	829
Sundry receivables	6,582	6,582	-	-	-	6,582
Reinsurance/retakaful assets	272,753	94,721	138,830	22,250	16,952	272,753
Insurance/takaful receivables	347,342	347,342	-	-	-	347,342
Cash and bank balances	30,051	30,051	-	-	-	30,051
Financial and insurance/takaful assets	3,557,586	1,851,855	1,089,298	911,405	110,451	3,963,009

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40. 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
2018 (cont'd.)						
Borrowing	(1,000)	(50)	(198)	(1,120)	-	(1,368)
Insurance/takaful contract liabilities	(1,932,585)	(649,880)	(996,015)	(160,764)	(125,926)	(1,932,585)
Insurance/takaful payables	(212,825)	(212,825)	-	-	-	(212,825)
Other payables (excluding provisions)	(29,282)	(29,282)	-	-	-	(29,282)
Financial and insurance/takaful liabilities	(2,175,692)	(892,037)	(996,213)	(161,884)	(125,926)	(2,176,060)
Surplus/(deficit)	1,381,894	959,818	93,085	749,521	(15,475)	1,786,949

40. 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 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 values 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.

40. Financial risk (cont'd.)

(c) Market risk (cont'd.)

Sensitivity analysis

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, but to demonstrate the impact due to changes in variables, changes in variables are considered individually. It should be noted that movements in these variables are non-linear.

	Changes in variable	Impact on profit before tax RM'000	Impact on equity* RM'000
		<--Increase/(decrease)-->	
2019			
Price	+5%	9,231	8,493
Price	-5%	(9,231)	(8,493)
2018			
Price	+5%	-	1,942
Price	-5%	(1,813)	(1,942)

* The impact on equity reflects adjustments for tax.

Foreign exchange risk/currency risk

Currency risk is the risk that the fair value or future cash flows of a financial assets and/or liabilities will fluctuate because of movement in foreign 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).

40. Financial risk (cont'd.)

(c) Market risk (cont'd.)

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

The Company has a foreign exchange risk management plan in place and is continuously enhancing its risk mitigation measures. The Foreign Exchange Committee at Management level 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 tax 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 tax and equity includes the hedging effect from the backing assets held in the respective foreign currencies.

	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 ------	------>
2019					
Foreign currency	+5%	34,508	34,508	6,352	5,843
2018					
Foreign currency	+5%	30,482	30,482	13,902	13,207

* The impact on equity reflects adjustments for tax.

A change in the assumption in the opposite direction would result in an opposite but equivalent impact. The method used in performing the sensitivity analysis was consistent with the prior year.

40. Financial risk (cont'd.)

(c) Market risk (cont'd.)

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.

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.

<u>Sensitivity analysis</u>

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. The impact on profit before tax has not been disclosed as the Company did not classify its fixed income investment as financial assets at FVTPL.

	Changes in variable	Impact on profit before tax RM'000 (Decrease)/ increase	Impact on equity* RM'000 (Decrease)/ increase
2019			
Interest/profit rates	+25 bp	(803)	(18,432)
Interest/profit rates	-25 bp	803	18,432

40. Financial risk (cont'd.)

(c) Market risk (cont'd.)

Interest/profit rate risk (cont'd.)

Sensitivity analysis (cont'd.)

	Changes in variable	Impact on profit before tax RM'000 (Decrease)/ increase	Impact on equity* RM'000 (Decrease)/ increase
2018			
Interest/profit rates	+25 bp	-	(12,562)
Interest/profit rates	-25 bp	-	12,562

* The impact on equity reflects adjustments for tax.

41. 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. It includes a wide spectrum of heterogeneous risks such as fraud, physical damage, business disruption, transaction failures, legal and regulatory breaches, 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, effective access controls, authorisation and reconciliation procedures, continuous staff education and appropriate assessment processes, including the use of internal audit.

41. Other risks (cont'd.)

(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 risk is defined as potential Shariah non-compliance that contributes to adverse reputation, financial losses and opportunity costs resulting from ineffective governance, incompetent employees and improper transactional and operational execution. The Company mitigates such risk by initiating, monitoring and responding to a robust Shariah Risk Management Framework.

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

(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 management of the properties.

The financial risk arising from delinquent or loss of tenants are managed at the outset through careful selection of properties with high tenancy including tenants with long term tenancies and a continuous maintenance and upgrade of facilities.

The Company has no significant exposure to property risk.

42. 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 financial assets at amortised cost (2018: loans and receivables), insurance receivables, cash and bank balances, insurance 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;

(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 and investment property 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;

42. Fair values of assets and liability (cont'd.)

(vi) Investment in associate is measured using the cash flow projection of dividend stream. The assumptions used in the cash flows projections are based on the latest unaudited management accounts, three years projections of income statement and latest actuarial valuation report from the associate company; and

(vii) Fair value of unquoted shares in Malaysia are derived using the net assets of the invested companies.

<u>Description of significant unobservable inputs:</u>

	Significant unobservable inputs	Range
2019		
<u>Property, plant and equipment</u>		
Freehold land and building	Yield/Rental per square foot	6.00% to 6.25%/RM4.00 to RM4.50
Investment in associate	Cash flow projection of dividend stream	Not applicable
Unquoted shares in Malaysia	Net assets	Not applicable
2018		
<u>Property, plant and equipment</u>		
Freehold land and building	Yield/Rental per square foot	6.00% to 6.25%/RM4.00 to RM4.50
Investment in associate	Cash flow projection of dividend stream	Not applicable

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.

42. Fair values of assets and liability (cont'd.)

Fair value hierarchy:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2019				
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)	-	-	77,499	77,499
	-	-	114,299	114,299
(b) Investment in associate (Note 19)	-	-	115,569	115,569
(c) Financial assets at FVTPL (Note 20)				
Designated upon initial recognition:				
Unquoted corporate debt securities	-	4,178	-	4,178
Government investment issues	-	11,885	-	11,885
Mandatory measured:				
Quoted shares in Malaysia:				
Shariah approved equities	49,477	-	-	49,477
Others	82,914	-	-	82,914
Unquoted corporate debt securities	-	15,142	-	15,142
Real estate investment trusts	12,225	-	-	12,225
Unit trust fund	40,000	-	-	40,000
	184,616	31,205	-	215,821

42. Fair values of assets and liability (cont'd.)

Fair value hierarchy: (cont'd.)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2019 (contd.)				
Assets measured at fair value on a recurring basis: (contd.)				
(d) Financial assets at FVOCI (Note 20)				
Unquoted corporate debt securities	-	1,031,242	-	1,031,242
Government investment issues	-	345,899	-	345,899
Malaysian government securities	-	183,878	-	183,878
Unquoted shares in Malaysia	-	-	84,158	84,158
Golf club membership	-	-	65	65
	-	1,561,019	84,223	1,645,242
	184,616	1,592,224	314,091	2,090,931
Borrowing (Note 23)	-	1,008	-	1,008
2018				
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)	-	-	79,287	79,287
	-	-	116,087	116,087

42. Fair values of assets and liability (cont'd.)

Fair value hierarchy: (cont'd.)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2018 (contd.)				
Assets measured at fair value on a recurring basis: (contd.)				
(b) Investment in associate (Note 19)	-	-	129,876	129,876
(c) AFS financial assets (Note 20)				
Unquoted corporate debt securities	-	992,054	-	992,054
Government investment issues	-	218,080	-	218,080
Malaysian government securities	-	131,162	-	131,162
Quoted shares in Malaysia:				
Shariah approved equities	25,754	-	-	25,754
Others	15,675	-	-	15,675
Real estate investment trusts	7,502	-	-	7,502
	48,931	1,341,296	-	1,390,227
	48,931	1,341,296	245,963	1,636,190
Assets for which fair values are disclosed:				
HTM investments (Note 20)				
Malaysian government securities	-	77,404	-	77,404
Government investment issues	-	146,063	-	146,063
	-	223,467	-	223,467
Borrowing (Note 23)	-	1,008	-	1,008

43. Shareholder's, reinsurance and retakaful funds

(a) Statement of comprehensive income by funds

	General reinsurance and shareholder's fund		General retakaful fund		Family retakaful fund		Eliminations		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Gross earned premiums/contributions	1,092,728	1,288,445	20,651	24,591	9,409	4,886	-	-	1,122,788	1,317,922
Premiums/contributions ceded to reinsurers/ retakaful operators	(124,667)	(119,494)	(3,056)	(1,984)	(6,725)	(3,544)	-	-	(134,448)	(125,022)
Net earned premiums/contributions	**968,061**	**1,168,951**	**17,595**	**22,607**	**2,684**	**1,342**	-	-	**988,340**	**1,192,900**
Investment income	110,456	105,687	2,396	948	781	255	-	-	113,633	106,890
Net realised gains/(losses)	6,410	(2,288)	-	-	-	-	-	-	6,410	(2,288)
Net fair value (losses)/gains	(27,449)	9,553	-	-	15	-	-	-	(27,434)	9,553
Fee and commission income	11,094	14,592	-	-	-	-	(8,971)	(9,919)	2,123	4,673
Other operating revenue	11,854	5,165	154	230	14	13	-	-	12,022	5,408
Other revenue	**112,365**	**132,709**	**2,550**	**1,178**	**810**	**268**	**(8,971)**	**(9,919)**	**106,754**	**124,236**
Gross claims paid	(822,109)	(737,182)	(18,263)	(6,017)	(10,950)	(5,700)	-	-	(851,322)	(748,899)
Claims ceded to reinsurers/retakaful operators	59,198	37,193	5,435	(1,358)	6,560	3,639	-	-	71,193	39,474
Gross change to contract liabilities	72,981	(29,203)	30,186	(15,721)	(682)	(2,515)	(9,644)	12,388	92,841	(35,051)
Change in contract liabilities ceded to reinsurers/retakaful operators	45,048	(31,528)	(14,118)	(1,447)	(1,611)	882	-	-	29,319	(32,093)
Net claims	**(644,882)**	**(760,720)**	**3,240**	**(24,543)**	**(6,683)**	**(3,694)**	**(9,644)**	**12,388**	**(657,969)**	**(776,569)**
Fee and commission expenses	(264,651)	(307,552)	(8,589)	(9,738)	(382)	(181)	8,971	9,919	(264,651)	(307,552)
Management expenses	(75,762)	(66,685)	-	-	-	-	-	-	(75,762)	(66,685)
Finance cost	(51)	(50)	-	-	-	-	-	-	(51)	(50)
Other operating expenses	(1,045)	(42,315)	(403)	302	(3)	7	-	-	(1,451)	(42,006)
Change in expense liabilities	(237)	1,200	-	-	-	-	-	-	(237)	1,200
Tax borne by participants	-	-	(1,178)	75	3	(11)	-	-	(1,175)	64
Other expenses	**(341,746)**	**(415,402)**	**(10,170)**	**(9,361)**	**(382)**	**(185)**	**8,971**	**9,919**	**(343,327)**	**(415,029)**
Operating profit/(deficit)	**93,798**	**125,538**	**13,215**	**(10,119)**	**(3,571)**	**(2,269)**	**(9,644)**	**12,388**	**93,798**	**125,538**
(Surplus)/deficit attributable to retakaful participants	-	-	(13,215)	10,119	3,571	2,269	9,644	(12,388)	-	-
Profit before taxation	**93,798**	**125,538**	**-**	**-**	**-**	**-**	-	-	**93,798**	**125,538**
Taxation	(9,992)	(39,336)					-	-	(9,992)	(39,336)
Net profit for the year	**83,806**	**86,202**	**-**	**-**	**-**	**-**	-	-	**83,806**	**86,202**

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

(b) Statement of financial position by funds

	General reinsurance and shareholder's fund		General retakaful fund		Family retakaful fund		Eliminations		Company	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets										
Property, plant and equipment	116,062	117,813	-	-	-	-	-	-	116,062	117,813
Intangible assets	7,007	7,713	-	-	-	-	-	-	7,007	7,713
Investment in associate	115,569	129,876	-	-	-	-	-	-	115,569	129,876
Financial assets	3,121,824	2,977,146	74,662	79,192	9,822	14,388	(164,238)	(163,286)	3,042,070	2,907,440
Reinsurance/retakaful assets	305,037	257,559	5,694	19,906	6,425	8,036	-	-	317,156	285,501
Insurance/takaful receivables	276,110	331,267	9,299	13,995	3,478	2,080	-	-	288,887	347,342
Tax recoverable	24,384	1,717	(1,079)	(21)	-	7	-	-	23,305	1,703
Cash and bank balances	9,446	28,848	715	203	572	1,000	-	-	10,733	30,051
Total assets	3,975,439	3,851,939	89,291	113,275	20,297	25,511	(164,238)	(163,286)	3,920,789	3,827,439
Liabilities										
Borrowing	1,000	1,000	-	-	-	-	-	-	1,000	1,000
Insurance/takaful contract liabilities	1,973,486	2,037,525	78,390	95,828	16,555	15,919	(16,357)	(12,786)	2,052,074	2,136,486
Expense liabilities	2,467	2,230	-	-	-	-	-	-	2,467	2,230
Insurance/takaful payables	176,048	197,651	5,903	10,971	1,567	4,203	-	-	183,518	212,825
Other payables and provisions	155,707	165,148	4,998	6,542	2,175	5,389	(138,263)	(140,882)	24,617	36,197
Deferred tax liabilities	3,888	2,914	-	(66)	-	-	-	-	3,888	2,848
Zakat	3	-	-	-	-	-	-	-	3	-
Total liabilities	2,312,599	2,406,468	89,291	113,275	20,297	25,511	(154,620)	(153,668)	2,267,567	2,391,586
Equity										
Share capital	663,106	563,106	-	-	-	-	-	-	663,106	563,106
Merger deficit	-	-	-	-	-	-	(9,618)	(9,618)	(9,618)	(9,618)
AFS reserve	55,687	595	-	-	-	-	-	-	55,687	595
Revaluation reserve	47,059	43,652	-	-	-	-	-	-	47,059	43,652
Retained profits	896,988	838,118	-	-	-	-	-	-	896,988	838,118
Total equity	1,662,840	1,445,471	-	-	-	-	(9,618)	(9,618)	1,653,222	1,435,853
Total liabilities and equity	3,975,439	3,851,939	89,291	113,275	20,297	25,511	(164,238)	(163,286)	3,920,789	3,827,439

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

(c) Statement of cash flows by funds

	General reinsurance and shareholder's fund		General retakaful fund		Family retakaful fund		Eliminations		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash flows from:										
Operating activities	(87,677)	942	512	50	(428)	903	-	-	(87,593)	1,895
Investing activities	(1,725)	(889)	-	143	-	97	-	-	(1,725)	(649)
Financing activities	70,000	-	-	-	-	-	-	-	70,000	-
Net (decrease)/increase in cash and cash equivalents	(19,402)	53	512	193	(428)	1,000	-	-	(19,318)	1,246
Cash and cash equivalent at the beginning of financial year	28,848	28,795	203	10	1,000	-	-	-	30,051	28,805
Cash and cash equivalent at the end of financial year	9,446	28,848	715	203	572	1,000	-	-	10,733	30,051