

# Financial Statements

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13487-A

**MNRB Holdings Berhad**  
(Incorporated in Malaysia)

## **DIRECTORS' REPORT**

31 MARCH 2011

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 March 2011.

### **PRINCIPAL ACTIVITIES**

The principal activities of the Company are investment holding and provision of management services to its subsidiaries.

The principal activities of the subsidiaries have been disclosed in Note 18 to the financial statements. There have been no significant changes in the nature of the principal activities of the Group and of the Company during the financial year.

### **RESULTS**

	<b>Group</b> <b>RM'000</b>	<b>Company</b> <b>RM'000</b>
Net profit / (loss) for the year	122,942	(14,793)

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the effects arising from the recognition of impairment loss on Qard to general retakaful fund and the consequential impairment on the Company's investment in its retakaful subsidiary as disclosed in Notes 20(d) and 18 respectively.

### **DIVIDENDS**

No dividend has been paid or declared by the Company since the end of the previous financial year.

### **DIRECTORS**

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Sharkawi bin Alis  
Anuar bin Mohd. Hassan (retired on 31 March 2011)  
P. Raveenderen  
Y. Bhg. Dato' Syed Ariff Fadzillah bin Syed Awalluddin  
Yusoff bin Yaacob  
Y. Bhg. Datuk Mohd. Khalil bin Dato' Mohd. Noor  
Megat Dziauddin bin Megat Mahmud  
Paisol bin Ahmad

In accordance with Article 86 of the Articles of Association of the Company, Encik Sharkawi bin Alis and Y. Bhg. Dato' Syed Ariff Fadzillah bin Syed Awalluddin retire by rotation and, being eligible, offer themselves for re-election.

Y. Bhg. Datuk Mohd. Khalil bin Dato' Mohd Noor retires pursuant to Section 129 of the Companies Act, 1965 and a resolution is being proposed for his re-appointment as director under the provision of Section 129(6) of the said Act to hold office until the next Annual General Meeting of the Company.

# DIRECTORS' REPORT

31 MARCH 2011

## DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Notes 9, 10 and 38 to the financial statements as well as the fixed salary and benefits receivable as a full-time employee of the Company) by reason of a contract made by the Company with any director or with a firm of which the director is a member, or with a company in which the director has a substantial

## DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company during the financial year were as follows:

	Number of ordinary shares of RM1.00 each			31 March 2011
	1 April 2010	Acquired	Sold	
<b>Direct Interest:</b>				
Anuar bin Mohd. Hassan (retired 31 March 2011)	300,000	-	-	300,000
P. Raveenderen	10,000	-	-	10,000
Y. Bhg. Datuk Mohd. Khalil bin Dato' Mohd. Noor	5,000	-	-	5,000

Other than as stated above, none of the directors in office at the end of the financial year had any interest in shares in the Company or in its related corporations during the financial year.

## SUBSEQUENT EVENTS

The subsequent events that arose after the financial year are as disclosed in Note 39 to the financial statements.

## OTHER STATUTORY INFORMATION

- (a) Before the income statements and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and had satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would:
- (i) require any amount to be written off as bad debts or render the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
  - (ii) render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

## **DIRECTORS' REPORT**

31 MARCH 2011

### **OTHER STATUTORY INFORMATION (CONTD.)**

- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or in the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
  - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
  - (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

For the purpose of paragraphs (e)(ii) and (f)(i) above, contingent or other liabilities do not include liabilities arising from reinsurance, takaful and retakaful contracts underwritten in the ordinary course of business of the reinsurance, takaful and retakaful subsidiaries.

- (g) Before the income statement and statement of financial position of the reinsurance subsidiary were made out, the Directors took reasonable steps to ascertain that there was adequate provision for its insurance liabilities in accordance with the valuation methods prescribed under Part D of the Risk-based Capital ("RBC") Framework for insurers issued by Bank Negara Malaysia ("BNM").

### **AUDITORS**

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors.

Sharkawi bin Alis

P. Raveenderen

Kuala Lumpur, Malaysia  
19 July 2011

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**MNRB Holdings Berhad**  
(Incorporated in Malaysia)

## STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Sharkawi bin Alis and P. Raveenderen, being two of the directors of MNRB Holdings Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 116 to 277 are drawn up in accordance with the Companies Act, 1965 and Financial Reporting Standards in Malaysia, so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2011 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 19 July 2011.

Sharkawi bin Alis

P. Raveenderen

Kuala Lumpur, Malaysia

## STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Norazman bin Hashim, being the officer primarily responsible for the financial management of MNRB Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 116 to 277 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by )  
the abovenamed Norazman bin Hashim )  
at Kuala Lumpur in Wilayah Persekutuan )  
on 19 July 2011. )

Norazman bin Hashim

Before me,

# **INDEPENDENT AUDITORS' REPORT**

TO THE MEMBERS OF MNRB HOLDINGS BERHAD

## **Report on the financial statements**

We have audited the financial statements of MNRB Holdings Berhad, which comprise the statements of financial position as at 31 March 2011 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 116 to 276.

### *Directors' responsibility for the financial statements*

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with the Companies Act 1965 and Financial Reporting Standards in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with the Companies Act 1965 and Financial Reporting Standards in Malaysia, so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2011 and of their financial performance and cash flows for the year then ended.

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**MNRB Holdings Berhad**  
(Incorporated in Malaysia)

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MNRB HOLDINGS BERHAD

## Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' report of the subsidiary of which we have not acted as auditors, which is indicated in Note 18 to the financial statements, being financial statements that have been included in the consolidated financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

## Other reporting responsibilities

The supplementary information set out in Note 46 on page 277 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

## Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young  
AF: 0039  
Chartered Accountants

Kuala Lumpur, Malaysia  
19 July 2011

Abraham Verghese A/L T. V. Abraham  
No. 1664/10/12 (J)  
Chartered Accountant

**INCOME STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2011

	Note	Group		Company	
		2011 RM'000	2010 RM'000 (Restated)	2011 RM'000	2010 RM'000 (Restated)
Operating revenue	3	1,463,262	1,341,798	37,262	24,917
Gross earned premiums	4	1,151,889	1,235,123	-	-
Premiums ceded to reinsurers	4	(125,949)	(146,994)	-	-
<b>Net earned premiums</b>	4	1,025,940	1,088,129	-	-
Investment income	5	71,041	58,760	15,299	10,596
Realised gains and losses	6	25,311	23,625	-	435
Fair value gains and losses	7	16,318	(48,589)	227	(44,485)
Fee and commission income	8	235,568	216,992	21,963	14,321
Other operating revenue		2,234	8,732	95	24
<b>Other revenue</b>		350,472	259,520	37,584	(19,109)
Gross claims paid		(596,618)	(602,931)	-	-
Claims ceded to reinsurers		40,188	65,927	-	-
Gross change in contract liabilities		(58,289)	(177,856)	-	-
Change in contract liabilities ceded to reinsurers		5,176	(21,859)	-	-
<b>Net claims</b>		(609,543)	(736,719)	-	-
Fee and commission expense	8	(401,941)	(366,104)	-	-
Management expenses	9	(173,075)	(158,302)	(34,687)	(30,592)
Finance cost		(7,125)	(7,125)	(9,500)	(9,500)
Other operating expenses	11	(26,654)	(14,962)	(7,005)	(586)
<b>Other expenses</b>		(608,795)	(546,493)	(51,192)	(40,678)
Share of results of associates		6,878	14,824	-	-
<b>Profit/(loss) before zakat and tax</b>		164,952	79,261	(13,608)	(59,787)
Zakat		(372)	(386)	-	-
Tax expense	12	(41,638)	(28,162)	(1,185)	194
<b>Net profit/(loss) for the year attributable to equity holders of the Company</b>		122,942	50,713	(14,793)	(59,593)
<b>Basic earnings/(loss) per share attributable to equity holders of the Company (sen)</b>	35	57.7	23.8	(6.9)	(28.0)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

**STATEMENTS OF COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 MARCH 2011

	Group		Company	
	2011 RM'000	2010 RM'000 (Restated)	2011 RM'000	2010 RM'000 (Restated)
<b>Net profit/(loss) for the year</b>	122,942	50,713	(14,793)	(59,593)
<u>Other comprehensive (loss)/income:</u>				
Effects of post acquisition foreign exchange translation reserve on investment in associate	(7,413)	(11,205)	-	-
Effects of foreign exchange translation reserve on investment in subsidiary	(380)	(344)	-	-
Revaluation of land and building	3,184	-	-	-
Net gain on Available-for-sale ("AFS") financial assets:				
Gain/(loss) on fair value changes	7,228	46,275	(1,650)	2,003
Realised gain transferred to income statement	(24,136)	(23,272)	-	(353)
Deferred tax relating to components of other comprehensive income	4,777	(5,300)	-	-
<b>Total comprehensive income/(loss) for the year</b>	<b>106,202</b>	<b>56,867</b>	<b>(16,443)</b>	<b>(57,943)</b>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

**STATEMENTS OF FINANCIAL POSITION**

AS AT 31 MARCH 2011

	Note	2011 RM'000	Group 2010 RM'000 (Restated)	1 April 2009 RM'000 (Restated)	2011 RM'000	Company 2010 RM'000 (Restated)	1 April 2009 RM'000 (Restated)
<b>Assets</b>							
Property, plant and equipment	13	101,887	117,523	113,025	1,469	1,750	1,300
Investment properties	14	28,600	34,600	32,400	-	-	-
Prepaid land lease payments	15	-	5,021	5,116	-	-	-
Intangible assets	16	12,969	13,101	12,951	1,231	911	967
Deferred tax	17	5,474	10,333	21,163	3,098	3,337	1,993
Investment in subsidiaries	18	-	-	-	794,501	801,370	781,370
Investment in associates	19	117,542	122,268	121,890	1,957	1,957	1,957
Financial assets at fair value through profit or loss	20(a)	14,912	51,315	46,805	-	-	-
Held-to-maturity investments	20(b)(i)	329,758	297,049	345,083	6,967	6,967	7,403
Available-for-sale financial assets	20(c)	736,632	535,345	476,093	2,602	5,025	46,922
Loans and receivables	20(d)	1,034,574	1,024,849	864,729	10,759	21,229	52,905
Reinsurance assets	21	146,597	152,652	189,798	-	-	-
Insurance receivables	22	138,173	148,909	137,606	-	-	-
Tax recoverable		11,476	13,290	21,429	8,379	5,952	4,601
Cash and bank balances		9,483	5,997	1,096	75	148	148
Non-current asset held for sale	23	34,173	-	-	-	-	-
<b>Total general reinsurance business and shareholders' fund assets</b>		2,722,250	2,532,252	2,389,184	831,038	848,646	899,566
<b>General takaful fund assets</b>	45	350,197	285,018	203,423	-	-	-
<b>Family takaful fund assets</b>	45	1,300,836	950,777	735,034	-	-	-
<b>General retakaful fund assets</b>	45	76,853	64,108	40,418	-	-	-
<b>Family retakaful fund assets</b>	45	16,320	13,828	10,860	-	-	-
<b>Total assets</b>		4,466,456	3,845,983	3,378,919	831,038	848,646	899,566

**STATEMENTS OF FINANCIAL POSITION**

AS AT 31 MARCH 2011

	Note	2011 RM'000	Group 2010 RM'000 (Restated)	1 April 2009 RM'000 (Restated)	2011 RM'000	Company 2010 RM'000 (Restated)	1 April 2009 RM'000 (Restated)
<b>Liabilities</b>							
Islamic medium term notes	24	150,000	150,000	150,000	200,000	200,000	200,000
Insurance and takaful contract liabilities	21	1,412,707	1,333,402	1,302,860	-	-	-
Insurance and takaful payables	24	65,394	78,992	63,789	-	-	-
Other payables	26	94,859	76,946	36,767	13,926	15,091	8,068
Provision for zakat		574	399	122	-	-	-
<b>Total general reinsurance business and shareholders' fund liabilities</b>		1,723,534	1,639,739	1,553,538	213,926	215,091	208,068
<b>General takaful fund liabilities</b>	45	339,704	278,825	201,501	-	-	-
<b>Family takaful fund liabilities</b>	45	1,108,260	864,872	704,115	-	-	-
<b>General retakaful fund liabilities</b>	45	76,783	62,463	39,712	-	-	-
<b>Family retakaful fund liabilities</b>	45	14,974	12,873	10,457	-	-	-
<b>Total liabilities</b>		3,263,255	2,858,772	2,509,323	213,926	215,091	208,068
<b>Equity</b>							
Share capital	27	213,070	213,070	213,070	213,070	213,070	213,070
Reserves		785,646	679,443	622,576	404,042	420,485	478,428
<b>Total equity attributable to equity holders of the Company</b>		998,716	892,513	835,646	617,112	633,555	691,498
<b>Takaful and retakaful funds</b>							
General takaful fund	45	10,493	6,193	1,922	-	-	-
Family takaful fund	45	192,576	85,905	30,919	-	-	-
General retakaful fund	45	70	1,645	706	-	-	-
Family retakaful fund	45	1,346	955	403	-	-	-
<b>Total takaful and retakaful funds</b>		204,485	94,698	33,950	-	-	-
<b>Total liabilities, equity, takaful and retakaful funds</b>		4,466,456	3,845,983	3,378,919	831,038	848,646	899,566

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

**STATEMENTS OF CHANGES IN EQUITY**

FOR THE YEAR ENDED 31 MARCH 2011

Note	Attributable to equity holders of the company							Total RM'000
	Share capital RM'000	Share premium RM'000	Foreign exchange translation reserve RM'000	Available- for-sale reserve RM'000	Revaluation reserve RM'000	Retained profits RM'000	Reserves	
<b>Group</b>								
<b>At 1 April 2009, previously stated</b>	213,070	105,051	34,450	5,584	-	496,166		854,321
Effects of adopting FRS 4	-	-	-	-	-	(18,675)		(18,675)
<b>At 1 April 2009, restated</b>	213,070	105,051	34,450	5,584	-	477,491		835,646
Total comprehensive (loss)/ income for the year	-	-	(11,549)	17,703	-	50,713		56,867
<b>At 31 March 2010, restated</b>	213,070	105,051	22,901	23,287	-	528,204		892,513
<b>At 31 March 2010, previously stated</b>	213,070	105,051	22,901	23,287	-	544,333		908,642
Effects of adopting FRS 4	-	-	-	-	-	(16,128)		(16,128)
<b>At 31 March 2010, restated</b>	213,070	105,051	22,901	23,287	-	528,205		892,514
Total comprehensive (loss)/ income for the year	-	-	(7,793)	(12,131)	3,184	122,942		106,202
<b>At 31 March 2011</b>	213,070	105,051	15,108	11,156	3,184	651,147		998,716
<b>Company</b>								
<b>At 1 April 2009</b>	213,070	105,051	-	-	-	373,377		691,498
Total comprehensive income/ (loss) for the year	-	-	-	1,650	-	(59,593)		(57,943)
<b>At 31 March 2010</b>	213,070	105,051	-	1,650	-	313,784		633,555
Total comprehensive loss for the year	-	-	-	(1,650)	-	(14,793)		(16,443)
<b>At 31 March 2011</b>	213,070	105,051	-	-	-	298,991		617,112

**STATEMENTS OF CASH FLOWS**

FOR THE YEAR ENDED 31 MARCH 2011

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Cash flows from operating activities</b>				
Profit/(loss) before zakat and tax	164,952	79,261	(13,608)	(59,787)
Adjustments for:				
Net fair value gains on financial assets at FVTPL	(605)	(5,158)	-	-
(Reversal of)/impairment loss on AFS financial assets	(10,360)	50,416	21	44,485
Impairment loss on HTM investments	-	962	-	-
Impairment loss on Qard	14,633	-	-	-
Impairment loss on property	328	-	-	-
(Reversal of)/impairment loss on insurance receivables and reinsurance assets	(4,034)	3,828	-	-
Impairment loss on investment in subsidiary	-	-	6,869	-
Depreciation of property, plant and equipment	8,735	7,169	678	576
Amortisation of intangible assets	3,077	2,636	241	209
Amortisation of prepaid land lease payments	55	95	-	-
Property, plant and equipment written off	855	7	-	-
Loss/(gain) on fair value adjustments of investment properties	2,317	(24,735)	-	-
Loss/(gain) on disposal of property, plant and equipment	834	(95)	(1)	(82)
Increase/(decrease) in premium and contribution liabilities	59,751	(122,656)	-	-
Increase in AFS reserves	-	10,430	-	1,650
Interest/profit income	(98,678)	(74,818)	(246)	(397)
Dividend income	(4,411)	(3,751)	(15,052)	(10,200)
Rental income	(6,857)	(6,432)	-	-
Gain on disposal of investments	(35,092)	(23,255)	-	-
Net accretion of discounts on investments	(1,990)	(3,297)	-	-
Share of profits of associates	(6,878)	(14,824)	-	-
Results of general takaful fund	4,445	10,812	-	-
Results of family takaful fund	238,512	196,342	-	-
Results of general retakaful fund	(14,369)	(22,019)	-	-
Results of family retakaful fund	1,095	1,348	-	-
(Loss)/profit from operations before changes in operating assets and liabilities	316,315	62,266	(21,098)	(23,546)
(Increase)/decrease in placements with licensed financial institutions and marketable securities	(39,479)	(120,611)	9,018	30,627
Purchase of other investments	(642,539)	(442,446)	(1,650)	(2,154)
Proceeds from disposal of investments	297,008	169,184	2,402	-
Decrease in placements in Islamic investment accounts	47,210	-	-	-
Decrease in staff loans	-	286	-	-
Increase in insurance and takaful receivables	(34,940)	(18,651)	-	-
(Increase)/decrease in other receivables	(67,027)	(47,720)	697	(831)
Net change in balances with subsidiaries	(3,808)	-	(802)	3,427
Increase in claims liabilities	122,900	277,575	-	-
Increase/(decrease) in expense liabilities	519	(3,378)	-	-
Increase in insurance and takaful payables	2,517	14,587	-	-
Increase in other payables	48,508	55,223	9,896	14,947
	47,184	(53,685)	(1,537)	22,470

**STATEMENTS OF CASH FLOWS**

FOR THE YEAR ENDED 31 MARCH 2011

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Taxes and zakat paid	(32,098)	(6,909)	(42)	-
Interest/profit received	100,441	81,096	244	409
Hibah (received)/paid to participants	(1)	80	-	-
Dividend received	10,331	7,072	11,719	7,700
Rental received	6,797	6,388	-	-
Net cash generated from operating activities (Note 39)	132,654	34,042	10,384	30,579
<b>Cash flows from investing activities</b>				
Subscription of shares in subsidiaries	-	-	-	(20,000)
Purchase of property, plant and equipment	(10,312)	(11,809)	(397)	(1,146)
Purchase of intangible assets	(2,945)	(2,786)	(561)	(135)
Purchase of investment properties	(1,008)	(17,499)	-	-
Proceeds from disposal of property, plant and equipment	22	230	1	202
Net cash used in investing activities (Note 39)	(14,243)	(31,864)	(957)	(21,079)
<b>Cash flow from financing activities</b>				
Interest paid on Islamic Medium Term Notes	(7,125)	(7,125)	(9,500)	(9,500)
Net cash used in financing activities (Note 39)	(7,125)	(7,125)	(9,500)	(9,500)
<b>Cash and bank balances</b>				
Net increase/(decrease) during the year (Note 39)	111,286	(4,947)	(73)	-
Effects of changes in foreign exchange rate	(380)	(310)	-	-
At beginning of year	9,199	14,456	148	148
At end of year	120,105	9,199	75	148
<b>Cash and cash equivalents comprise:</b>				
Cash and bank balances of:				
Shareholders' fund and general reinsurance business	9,483	5,997	75	148
General takaful fund	47,511	226	-	-
Family takaful fund	62,916	2,832	-	-
General retakaful fund	14	135	-	-
Family retakaful fund	181	9	-	-
	120,105	9,199	75	148

Note: There are no usage restrictions placed on the cash and bank balances of the Group and of the Company.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

## 1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. 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 principal activities of the Company are investment holding and provision of management services to its subsidiaries.

The principal activities of the subsidiaries have been disclosed in Note 18 to the financial statements. There have been no significant changes in the nature of the principal activities of the Group and of the Company during the financial year.

The number of employees in the Group and in the Company at the end of the financial year were 788 and 172 (2010: 738 and 152) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 19 July 2011.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise stated in the accounting policies. The financial statements comply with the Companies Act 1965 and Financial Reporting Standards ("FRSs") in Malaysia.

The financial statements of the Group also comply with the Insurance Act and Regulations 1996, the Takaful Act 1984 and Guidelines and Circulars issued by BNM and where applicable are modified to comply with the principles of Shariah.

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

### 2.2 Accounting period

For the general reinsurance business, the Group 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 2011.

### 2.3 Subsidiaries and basis of consolidation

#### (i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the income statement.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.3 Subsidiaries and basis of consolidation (Contd.)

#### (ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses resulting from intragroup transactions are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in the income statement.

#### (iii) Associates

Associates are entities in which the Group 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.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated statement of financial position at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated income statement. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes.

In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associates.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associates, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associates.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.3 Subsidiaries and basis of consolidation (Contd.)

#### (iii) Associates (Contd.)

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

In the Company's separate financial statements, investments in associates are stated at cost less any accumulated impairment losses.

On disposal of such investments, the difference between net disposal proceeds and the carrying amount is included in the income statement.

### 2.4 General reinsurance underwriting results

The general reinsurance underwriting results are determined for each class of business after taking into account premiums, movements in premium and claim liabilities and acquisition costs.

#### (i) Premium recognition

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

Inwards facultative reinsurance premiums are recognised in the financial period in respect of the facultative risk assumed during the particular financial period, as in the case of direct policies, following individual risks' inception dates.

Inwards proportional treaty reinsurance premiums 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 contractually accounted for under the terms of the proportional reinsurance treaty.

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

#### (ii) Premium liabilities

Premium liabilities represent the reinsurance subsidiary's future obligations on insurance contracts as represented by premiums received for risks that have not yet expired. The movement in premium liabilities is released over the term of the insurance contracts and is recognised as premium income.

Premium liabilities are reported at the higher of the aggregate of the unearned premium reserves ("UPR") for all lines of business or the best estimate value of the reinsurance subsidiary's 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 overall reinsurance subsidiary's level.

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****2.4 General reinsurance underwriting results (Contd.)****(ii) Premium liabilities (Contd.)****(a) Unexpired risk reserves**

The URR is a prospective estimate of the expected future payments arising from future events insured under policies in force as at the end of the financial year and also includes allowance for expenses, including overheads and cost of reinsurance, expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and expected future premium 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").

**(b) Unearned premium reserves**

The UPR represent the portion of the net premiums of reinsurance policies written that relate to the unexpired periods of the policies at the end of the financial period. The methods of computation of UPR are as follows:

- For inward proportional treaty business, UPR 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 is computed at 1/2 of the last quarter Minimum Deposit Premiums received; and
- For inward facultative policies, UPR is computed on the 1/8th method commencing from the date of inception.

**(iii) Claims 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 reinsurance subsidiary's 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 pattern.

**(iv) Liability adequacy test**

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

The estimation of claim and premium liabilities performed at reporting date is part of the liability adequacy tests performed by the Group. Based on this, all insurance contract liabilities as at the reporting date are deemed to be adequate.

**(v) Acquisition cost**

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.

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****2.5 General takaful fund**

The general takaful fund is maintained in accordance with the Takaful Act 1984 and consists of AFS reserves and the accumulated surplus / deficit in the fund. Underwriting deficit will be made good by the shareholder's fund via a benevolent loan or Qard.

Surplus is distributable to the shareholder and participants in accordance with the terms and conditions prescribed by the Shariah Committee of the takaful subsidiary. The general takaful fund surplus or deficit is determined after deducting retakaful, net claims incurred, wakalah fees, other operating expenses, taxation and surplus administration charges transferred to the shareholder's fund, and adjusting for contribution liabilities and impairment of trade receivables.

General takaful revenue consists of gross takaful contributions and investment income. Revenue is accounted for on an accrual basis as approved by the takaful subsidiary's Shariah Committee. Unrealised income is deferred and receipts in advance are treated as liabilities in the statement of financial position.

**(i) Takaful contribution income**

Direct and inwards facultative takaful contributions are recognised as soon as the amount of contribution can be reliably measured in accordance with the principles of Shariah. 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 periodic advices received from ceding takaful operators.

**(ii) Takaful contribution liabilities**

Contribution liabilities represent the general takaful fund's future obligations on takaful contracts as represented by contributions received for risks that have not yet expired. The movement in contribution liabilities is released over the terms of the takaful contracts and recognised as contribution.

Contribution liabilities are reported at the higher of the aggregate of the unearned contribution reserves ("UCR") for all lines of business or the best estimate value of the takaful fund's unexpired risk reserves ("URR") at the end of the reporting period.

**(a) Unearned contribution reserves**

The Unearned Contribution Reserves ("UCR") represent the portion of net contribution income of takaful contracts written that relate to the unexpired periods of the contracts at the end of the reporting period. The UCR is calculated on net contribution income with a further deduction for Wakalah fee expenses to reflect the Wakalah business principle. In determining the UCR at the end of the financial year, the method that most accurately reflects the actual unearned contribution is used as follows:

- Time apportionment method for all classes of general takaful business within Malaysia except Marine and Aviation cargo; and
- 25% method for Marine and Aviation Cargo.

**(b) Unexpired risk reserves**

The URR is a prospective estimate of the expected future payments arising from future events covered under contracts in force as at the end of the financial year and also includes allowance for expenses, including overheads and cost of retakaful, expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and expected future contribution refunds. The URR is estimated via an actuarial valuation performed by a qualified actuary, using a mathematical method of estimation similar to incurred but not reported ("IBNR") claims.

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****2.5 General takaful fund (Contd.)****(iii) Claims 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 70% confidence level at the overall takaful subsidiary level. IBNER and IBNR claims are derived from an actuarial valuation by a qualified actuary, using a range of standard actuarial claim projection techniques based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money.

**(iv) Liability adequacy test**

At each reporting date, the Group reviews all general takaful contract liabilities to ensure that the carrying amount of the liabilities is sufficient or adequate to cover the obligations of the Group, contractual or otherwise, with respect to general takaful contract issued. In performing this review, the Group compares all contractual cash flows against the carrying value of general takaful contract liabilities. Any deficiency is recognised in the income statement.

The estimation of claim and contribution liabilities performed at reporting date is part of the liability adequacy tests performed by the Group. Based on this, all general takaful contract liabilities as at the reporting date are deemed to be adequate.

**(v) Commission earned**

Commission earned net of expense paid from retakaful in the course of ceding/accepting contributions to/from retakaful operators are recognised in the income statement, as incurred and properly allocated to the periods in which it is probable they give rise to income. This is in accordance with the principles of Wakalah as approved by the Shariah Committee and as agreed between the participants and the takaful subsidiary.

**2.6 Family takaful fund**

The family takaful fund is maintained in accordance with the requirements of the Takaful Act, 1984 and includes the amount attributable to participants.

The family takaful fund surplus/deficit is determined by an annual actuarial valuation of the family takaful fund. Any actuarial deficit in the family takaful fund will be made good by the shareholders' fund via a benevolent loan or Qard. Surplus distributable to the participants is determined after deducting benefits paid and payable, retakaful, provisions, reserves, wakalah fees, taxation and surplus administration charges transferred to the shareholders' fund. The surplus may be distributed to the shareholder and participants in accordance with the terms and conditions prescribed by the Shariah Committee of the takaful subsidiary.

Family takaful revenue consists of gross takaful contributions and investment income. Revenue is accounted for on an accrual basis and as approved by the takaful subsidiary's Shariah Committee. Unrealised income is deferred and receipts in advance are treated as liabilities on the statement of financial position.

**(i) Takaful contribution income**

Takaful contribution is recognised as soon as the amount of contribution can be reliably measured in accordance with the principles of Shariah. First takaful contribution is recognised on assumption of risks and subsequent takaful contributions are recognised on due dates. Takaful contributions outstanding at balance sheet date is recognised as income for the period provided they are within the grace period allowed for payment and there are sufficient funds available in the participants' accounts to cover such contributions due.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.6 Family takaful fund (Contd.)

#### (ii) Provision for outstanding claims

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

Claims and provisions for claims arising on family takaful contract, including settlement costs, are accounted for using the case basis method, and for this purpose, the benefits payable under a takaful contract are recognised as follows:

- (a) maturity or other contract benefit payments due on specified dates are treated as claims payable on due dates; and
- (b) death, surrender and other benefits without due dates are treated as claims payable on receipt of intimation of death of the contract holder or occurrence of contingency covered.

#### (iii) Creation/cancellation of units

Amounts received for units created represent contributions paid by participants/unitholders as payment for new contracts or subsequent payments to increase the amount of the contracts. Creation/cancellation of units are recognised in the financial statements at the next valuation date, after the request to purchase/sell units are received from the unitholders.

#### (iv) Investments of the investment-linked funds

All investments of the investment-linked funds are stated at closing market prices or indicative market prices as at financial year end.

Any increase or decrease in value of investments is taken into the investment linked funds income statement.

#### (v) Family takaful contract liabilities

Family takaful contract liabilities are recognised when contract are in-force and contributions are charged.

These liabilities, with the exception of Mortgage Term Takaful and Group Credit contracts, are measured using the unexpired reserve of the gross monthly tabarru' (risk charges). For Mortgage Term Takaful and Group Credit contracts, the liability is determined by the Net Contribution Valuation method using the statutory mortality table adjusted for retakaful arrangements and discounted at the appropriate risk discount rate.

In the case of family contracts with a duration of one year, covering contingencies other than death or survival, such as the group health & surgical contracts, the liability for such family takaful contracts comprises the provision for unearned contributions and expired risks, as well as claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the takaful subsidiary.

The family contract liabilities are derecognised when the contract expires, is discharged or is cancelled. At each reporting date, an assessment is made of whether the recognised family takaful contract liabilities are adequate by using an existing liability adequacy test.

Surplus arising from the difference between the value of the family fund and the liabilities, if any, will be distributed in equal proportion to the participants and the contingency (special) fund after deducting the takaful subsidiary's surplus administration charge.

If the difference between the value of the family fund and the liabilities results in a deficit, the takaful subsidiary will arrange a Qard (benevolent loan) which will be repaid when the fund returns to a surplus position.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.6 Family takaful fund (Contd.)

#### (vi) Liability adequacy test

At each reporting date, the Group reviews family all takaful contract liabilities to ensure that the carrying amount of the liabilities is sufficient or adequate to cover the obligations of the Group, contractual or otherwise, with respect to family takaful contract issued. In performing this review, the Group compares all contractual cash flows against the carrying value of family takaful contract liabilities. Any deficiency is recognised in the income statement.

The annual actuarial valuation of the family takaful contract liabilities performed at reporting date is part of the liability adequacy tests performed by the Group. Based on this, all family takaful contract liabilities as at the reporting date are deemed to be adequate.

### 2.7 Shareholder's fund of takaful subsidiary

#### (i) Commission expenses

Commission expenses, which are costs directly incurred in securing contributions on takaful contracts, 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 shareholder's fund in the shareholder's fund income statement at an agreed percentage for each contract underwritten. This is in accordance with the principles of Wakalah as approved by the Shariah Committee and as agreed between the participants and the takaful subsidiary.

#### (ii) Expense liabilities

The expense liabilities of the shareholders' fund consist of expense liabilities of the general takaful fund and the family takaful fund which are based on estimations performed by a qualified actuary. The movement in expense liabilities is released over the term of the takaful contracts and recognised as wakalah fees.

##### (a) Expense liabilities of General Takaful Fund

The expense liabilities of the general takaful fund are reported at the higher of the aggregate of the reserve for unearned wakalah fees ("UWF") or the best estimate value of the provision for unexpired expense reserve ("UER") at the end of the financial year.

##### Reserve for unearned wakalah fees

The UWF represents the portion of wakalah fee income allocated for management expenses of general takaful contracts that relate to the unexpired periods of contracts at the end of the reporting period. The method used in computing UWF is consistent with the calculation of UCR under Note 2.5(ii)(a). In determining the UWF at the end of the financial year, 70% of the wakalah fee income is recognised in the financial year in which the contracts are issued. The remaining 30% of the wakalah fee income is transferred to the UWF and is recognised in the following financial year.

##### Unexpired expense reserve

The UER is determined based on the expected future expenses payable by the shareholder's fund in managing the general takaful fund for the full contractual obligation of the takaful contracts as at the end of the financial year, 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, calculated at 70% confidence level at the overall takaful subsidiary level. The method used to value the UER is consistent with the method used in estimating the URR as disclosed in Note 2.5(ii)(b).

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****2.7 Shareholder's fund of takaful subsidiary (Contd.)****(ii) Expense liabilities (Contd.)****(b) Expense liabilities of Family Takaful Fund**

The UER is determined based on the expected future expenses payable by the shareholder's fund in managing the family takaful fund for the full contractual obligation of the takaful contracts as at the end of the financial year, 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, calculated at 70% confidence level at the overall takaful subsidiary level. The method used to value expense liabilities shall be consistent with the method used to value takaful liabilities of the corresponding family takaful contract.

**Liability Adequacy Test**

At each financial year end, the takaful subsidiary reviews the expense liabilities of the shareholder's fund to ensure that the carrying amount is sufficient or adequate to cover the obligations of the shareholder's fund for all managed takaful contracts. In performing this review, the takaful subsidiary considers all contractual cashflows and compares this against the carrying value of expense liabilities. Any deficiency is recognised in the income statement.

**2.8 General retakaful fund**

The general retakaful fund is maintained in accordance with the Takaful Act 1984 and consists of AFS reserves and the accumulated surplus / deficit in the fund. Any underwriting deficit will be made good by the shareholder's fund via a benevolent loan or Qard.

Surplus distributable to the participants is determined after deducting retotakaful costs, commissions, contribution liabilities, net claims incurred, wakalah fees, expenses and taxation. The surplus may be distributed to the shareholder and participants in accordance with the terms and conditions of the respective contracts.

Revenue of the general 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.

**(i) Retakaful contribution income**

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

Inwards facultative retakaful contributions are recognised in the financial period in respect of the facultative risk assumed during the particular financial period, as in the case of direct policies, following individual risks' inception dates.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.8 General retakaful fund (Contd.)

#### (ii) Contribution liabilities

Contribution liabilities represent the general retakaful fund's future obligations on takaful contracts as represented by contributions received for risks that have not yet expired. The movement in contribution liabilities is released over the term of the takaful contracts and recognised as contribution.

Contribution liabilities are reported at the higher of the aggregate of the unearned contribution reserves ("UCR") for all lines of business or the best estimate value of the retakaful fund's unexpired risk reserves ("URR") at the end of the reporting period.

#### (a) Unexpired risk reserves

The URR is a prospective estimate of the expected future payments arising from future events insured under contracts in force as at the end of the reporting period and also includes allowance for expenses, including overheads and cost of retakaful, expected to be incurred during the unexpired period in administering these contracts and settling the relevant claims, and expected future contribution refunds. The URR is estimated via an actuarial valuation performed by a qualified actuary, using a mathematical method of estimation similar to incurred but not reported ("IBNR") claims.

#### (b) Unearned contribution reserves

The UCR represent the portion of the net contribution of retakaful business written that relate to the unexpired periods of the contracts at the end of the reporting period.

In determining the UCR as at the reporting date, the method that most accurately reflects the actual liability is used. UCR is computed using the 1/8th method, applied to contributions with a deduction for actual wakalah fee.

#### (iii) Claim liabilities

Liabilities for outstanding claims are recognised as advised by ceding companies. The amount of outstanding claims is the best estimate of the expenditure required together with related expenses less recoveries to settle the obligation at the end of the reporting period.

Provision is also made for the cost of claims together with related expenses incurred but not reported ("IBNR") at the end of the reporting period based on estimations performed by a qualified actuary.

#### (iv) Liability adequacy test

At each reporting date, the retakaful subsidiary reviews all general 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 general takaful contract issued. In performing this review, the retakaful subsidiary compares all contractual cash flows against the carrying value of general takaful contract liabilities. Any deficiency is recognised in the income statement.

The estimation of claim and contribution liabilities performed at reporting date is part of the liability adequacy tests performed by the retakaful subsidiary. Based on this, all general takaful contract liabilities as at the reporting date are deemed to be adequate.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.8 General retakaful fund (Contd.)

#### (v) 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 general retakaful fund in the general retakaful income statement at an agreed percentage of the gross contribution.

### 2.9 Family retakaful fund

The family retakaful fund is maintained in accordance with the requirements of the Takaful Act, 1984 and consists of AFS 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 a benevolent loan or Qard. Surplus distributable to the participants is determined after deducting benefits paid and payable, retrotakaful, provisions, reserves, commissions, wakalah fee, taxation and any surplus administration charges transferred to the shareholder's fund. The surplus may be distributed to the shareholder and participants in accordance with the terms and conditions of the respective contracts.

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.

#### (i) Retakaful contribution income

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

#### (ii) 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 valuation of the actuarial liabilities is performed by a qualified actuary.

#### (iii) Liability adequacy test

At each reporting date, the retakaful subsidiary reviews all family 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 family takaful contract issued. In performing this review, the retakaful subsidiary compares all contractual cash flows against the carrying value of family takaful contract liabilities. Any deficiency is recognised in the income statement.

The estimation of actuarial liabilities performed at reporting date is part of the liability adequacy tests performed by the retakaful subsidiary. Based on this, all family takaful contract liabilities as at the reporting date are deemed to be adequate.

#### (iv) 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 in the family retakaful income statement at an agreed percentage of the gross contribution.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.10 Shareholders' fund of retakaful subsidiary

#### Expense liabilities

The expense liabilities of the shareholders' fund consists of expense liabilities of the general retakaful fund and the family retakaful fund which are based on estimations performed by a qualified actuary. The movement in expense liabilities is released over the term of the retakaful contracts and recognised as wakalah fees.

#### (i) Expense liabilities of general retakaful fund

The expense liabilities of the general retakaful fund are reported at the higher of the aggregate of the reserve for unearned wakalah fees ("UWF") or the best estimate value of the unexpired expense reserves ("UER") at the end of the reporting period.

##### (a) Reserve for unearned wakalah fees

The UWF represents the portion of wakalah fee income allocated for expenses expected to be incurred in managing general retakaful contracts that relate to the unexpired periods of the contracts at the end of the reporting period. 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 2.8(ii)(b).

##### (b) Unexpired expense risk

The UER is determined based on the expected future expenses payable by the shareholder's fund in managing the general retakaful fund for the full contractual obligation of unexpired retakaful contracts as at the end of the reporting period. The method used to value the UER is consistent with the method used in estimating the URR as disclosed in Note 2.8(ii)(a).

#### (ii) 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 shareholders' fund. The method used to value expense liabilities is consistent with the method used to value retakaful liabilities of the corresponding family retakaful contract. In valuing the expense liabilities, the present value of expected future expenses payable by the shareholders' fund in managing the retakaful fund for the full contractual obligation of the retakaful contract less any expected cash flows from future wakalah fee income, and any other income due to the shareholders' fund that can be determined with reasonable certainty, are taken into consideration.

#### (iii) Liability adequacy test

At each financial year end, the retakaful subsidiary reviews the expense liabilities of the shareholders' fund to ensure that the carrying amount is sufficient or adequate to cover the obligations of the shareholders' fund for all managed retakaful contracts. In performing this review, the retakaful subsidiary considers all contractual cashflows and compares this against the carrying value of expense liabilities. Any deficiency is recognised in the income statement.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.11 Product classification

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

An insurance/takaful contract is a contract under which the reinsurance, takaful and retakaful subsidiaries have accepted significant insurance/underwriting risk from another party by agreeing to compensate the party if a specified uncertain future event adversely affects the party. As a general guideline, the reinsurance, takaful and retakaful subsidiaries determine whether significant insurance/underwriting risk has been accepted by comparing claims/benefits paid on the occurrence of an insured event with claims/benefits payable if the event had not occurred.

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

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

Based on the definition above and the product classification review performed by the Group, all contracts issued during the year fall under the classification of insurance/takaful contracts as at the reporting date.

### 2.12 Reinsurance/retakaful

The reinsurance, takaful and retakaful subsidiaries cede insurance/underwriting risk in the normal course of business for all its business. Ceded reinsurance/retakaful arrangements do not relieve the reinsurance, takaful and retakaful subsidiaries from their obligations to cedants/participants. For both ceded and assumed reinsurance/retakaful, premiums/contributions and claims / benefits are presented on a gross basis.

Reinsurance/retakaful arrangements entered into by the reinsurance, takaful and retakaful subsidiaries that meet the classification requirements of insurance/takaful contracts as described in Note 2.11 are accounted for as noted below. Arrangements that do not meet these classification requirements are accounted for as financial assets. As at the reporting date, all reinsurance/retakaful arrangements entered into by the reinsurance, takaful and retakaful subsidiary during the year met the classification requirements of insurance/takaful contracts.

Reinsurance/retakaful assets represent amounts recoverable from reinsurers/retakaful operators for insurance/takaful contract liabilities which have yet to be settled at the reporting date. Amounts recoverable from reinsurers/retakaful operators are measured consistently with the amounts associated with the underlying insurance/takaful contracts and the terms of the relevant reinsurance/retakaful arrangement.

At each reporting date, or more frequently, the reinsurance, takaful and retakaful subsidiaries assess whether objective evidence exists that reinsurance/retakaful assets are impaired. Objective evidence of impairment for reinsurance/retakaful assets are similar to those noted for insurance/takaful receivables. If any such evidence exists, 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 discounted at the financial asset's original effective interest rate. The impairment loss is recognised in the income statement.

Reinsurance/retakaful assets are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****2.13 Property, plant and equipment and depreciation****(i) 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 impairment losses. Cost includes expenditures that are directly attributable to the acquisition 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 is taken directly to retained profits.

**(ii) 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 Group 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.

**(iii) Depreciation**

Freehold land has an unlimited useful life and therefore is not depreciated. Leased properties are depreciated over the shorter of the lease term and their useful lives.

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:

Buildings	2%
Computer equipment	20% to 33.3%
Office equipment	5% to 15%
Furniture and fittings	3.3% to 15%
Motor vehicles	20%
Significant parts of buildings	5% to 20%

The residual values, useful life 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.

**2.14 Investment properties**

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value.

Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

Gains and losses arising from changes in the fair values of investment properties are recognised in the income statement in the year in which they arise.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.14 Investment properties (Contd.)

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year in which they arise.

Transfers are made to or from investment property only when there is a change in use. For a transfer from owner-occupied property to investment property, any excess of the property's carrying value over its fair value is accounted for as a revaluation surplus which is recognised in other comprehensive income. Any deficit between the property's carrying value and its fair value is recognised as an impairment loss in income statement. Subsequent to the date of change in use, the property is measured similar to other investment property. Any revaluation surplus previously recognised in other comprehensive income is transferred to income statement only upon disposal of property.

### 2.15 Intangible assets

All intangible assets are initially recorded at cost. Subsequent to recognition, intangible assets are stated at cost less accumulated amortisation and 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 at the end of each reporting period.

Amortisation is charged to the income statement.

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.

#### (i) Software development in progress

Software development in progress are tested for impairment annually and 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. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future use. During the period in which the asset is not yet in use, it is tested for impairment annually.

#### (ii) Computer software and licences

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

The acquired computer software and licenses are amortised using the straight line method over their estimated useful lives not exceeding 6 years. Impairment is assessed whenever there is indication of impairment and the amortisation period and method are also reviewed at least at the end of each reporting

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.16 Financial assets

#### (i) Initial recognition and measurement

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

A financial asset is recognised initially, at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

#### (ii) Classification and subsequent measurement

The Group and the Company determine 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 Group and the Company in categorising its financial assets:

##### (a) 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 FVTPL do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on FVTPL are recognised in the income statement as part of investment income.

##### (b) HTM investments

Financial assets with fixed or determinable payments and fixed maturity are classified as HTM when the Group and the Company has 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. Gains and losses are recognised in the income statement when the HTM investments are derecognised or impaired, and through the amortisation process.

##### (c) 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.16 Financial assets (Contd.)

#### (ii) Classification and subsequent measurement (Contd.)

##### (d) 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 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 calculated using the effective interest / yield method are recognised in the income statement. The cumulative gain or loss previously recognised 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.

#### (iii) Derecognition

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the income statement.

### 2.17 Fair value of financial instruments

The fair value of financial assets that are actively traded in organised financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business at the end of each reporting period.

The fair value of investments in unit and real estate investment trusts is determined by reference to published bid prices.

For financial assets where an active market may not exist, the fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another asset which is substantially the same, discounted cash flow analysis and / or option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar asset. Certain financial assets are valued using pricing models that consider, among other factors, contractual and market prices, co-relation, time value of money, credit risk, yield curve volatility factors and / or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The fair value of floating rate and over-night deposits with financial institutions is their carrying value. The carrying value is the cost of the deposit / placement and accrued interest / profit. The fair value of fixed interest / profit / yield-bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the reporting date.

If the fair value of a financial asset cannot be measured reliably, the asset is measured at cost, being the fair value of the consideration paid for the acquisition of the asset. All transaction costs directly attributable to the acquisition are also included in the cost of the financial asset.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.18 Impairment of assets

#### (a) Financial assets

The Group and 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) Financial assets carried at amortised cost

The Group and 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 rate / yield. 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.

##### (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 other comprehensive income to the income statement.

Impairment losses on AFS equity investments are not reversed in the income statement in subsequent periods. Increase 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) Non-financial assets

The carrying amounts of 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.18 Impairment of assets (Contd.)

#### (b) Non-financial assets (Contd.)

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 (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 recognized in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists.

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 year in which the reversals are recognised.

### 2.19 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 FRSs. 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.

### 2.20 Measurement and impairment of Qard

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

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

The Qard is tested for impairment at each reporting date via an assessment of the estimated surpluses or cashflows from the takaful / retakaful funds to determine whether there is 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.21 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.

### 2.22 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.

### 2.23 Insurance and takaful receivables

Insurance / takaful receivables are amounts receivable under the contractual terms of an insurance / takaful contract. On initial recognition, insurance / takaful receivables are measured at fair value based on the consideration receivable. Subsequent to initial recognition, insurance / takaful receivables are measured at amortised cost, using the effective yield method.

Insurance / takaful receivables are assessed at each reporting date for objective evidence of impairment. If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the insurance / takaful receivable's original effective yield rate. The impairment loss is recognised in the income statement. The basis for recognition of such impairment loss is as described in Note 2.18(a)(i).

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

### 2.24 Islamic medium terms notes ("IMTN")

IMTN are recognised at the amount of proceeds received less directly attributable transaction costs. The IMTN are classified as non-current liabilities in the statement of financial position and the profits payable are recognised as finance costs in the income statement in the period in which they are incurred.

### 2.25 Leases

#### (i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group 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 transfer substantially all the risks and rewards are classified as operating leases, with the following exceptions:

- 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, as disclosed in Note 2.14; and
- 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.25 Leases (Contd.)

#### (ii) Finance leases - the group as lessee

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, 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 rate implicit in the lease, when it is practicable to determine; otherwise, the Group and 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 2.13(iii).

#### (iii) Operating Leases - the group 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 up-front 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 payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

#### (iv) Operating Leases - the group as lessor

Assets leased out under operating leases are presented on 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 2.31(ii). 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.

### 2.26 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 FRS 139, are recognised in the statement of financial position when, and only when, the Group and 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.26 Financial liabilities (Contd.)

#### (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 Group and 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 Group and the Company have not designated any financial liabilities as at FVTPL nor were there any financial liabilities held for trading.

#### (b) Other financial liabilities

The Group and the Company's other financial liabilities include 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.

### 2.27 Provisions for liabilities

Provisions for liabilities are recognised when the Group 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.

### 2.28 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 reporting period.

Deferred tax is provided for, using the liability method, on temporary differences at the end of the reporting period 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 profit 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.28 Income tax (Contd.)

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.

### 2.29 Employee benefits

#### (i) 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 Group. 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.

#### (ii) Defined contribution plan

As required by law, the Group makes contributions to the national pension scheme, the Employees Provident Fund ("EPF"). The Group also makes additional contributions to the EPF for eligible employees by reference to their length of service and earnings. Such contributions are recognised as an expense in the income statement as incurred.

#### (iii) Employees' terminal benefits

As required by law in the United Arab Emirates, the Group makes provision for terminal benefits for employees of its Dubai subsidiary, based on the employees' salaries and number of years of service. The terminal benefits are paid to the employees on termination or completion of their terms of employment.

### 2.30 Foreign currencies

#### (i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

#### (ii) Foreign currency transactions

In preparing the financial statements, transactions in currencies other than the functional currency ("foreign currencies") are recorded in the functional currency using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting 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 except for exchange differences arising on monetary items that form part of the Company's net investment in foreign operations. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operations, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in the income statement. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operations, where that monetary item is denominated in a currency other than the functional currency of the Company or the foreign operation, are recognised in the income statement for the period. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operations, regardless of the currency of the monetary item, are recognised in the income statement.

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.30 Foreign currencies (Contd.)

##### (ii) Foreign currency transactions (Contd.)

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 the 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.

##### (iii) Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate prevailing at the reporting date;
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions;
- All resulting exchange differences are taken to the foreign currency translation reserve within equity; and
- The results of an associate, Labuan Reinsurance (L) Limited, are translated at the closing rate prevailing at the reporting date with respect to the carrying amount of investments in associate, and at the exchange rate at the date of the transactions with respect to the share of profits or losses. All resulting translation differences are included in the foreign exchange translation reserve in shareholders' equity.

#### 2.31 Other revenue recognition

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

- (i) Interest and profit income are recognised using the effective interest/yield.
- (ii) 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.
- (iii) Dividend income is recognised when the right to receive payment is established.
- (iv) Management fees are recognised when services are rendered.
- (v) Wakalah fees are recognised as soon as the amount of contribution can be reliably measured in accordance with the principles of Shariah.

#### 2.32 Zakat

This represents an obligatory amount payable by the takaful and retakaful subsidiaries to comply with the principles of Shariah. Zakat for the takaful subsidiary is computed using the "net-asset" method, whilst zakat for the retakaful subsidiary is computed based on 2.5% of profit before tax, as approved by the respective Shariah Committees. Only the zakat that is attributable to the individual Muslim shareholders of the holding company is provided for in the financial statements. The zakat computation is reviewed by the Shariah Committee. The Board has the discretion to pay additional zakat above the obligatory amount payable.

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****2.33 Adoption of new and revised FRSs, Amendments to FRSs and Issues Committee ("IC") Interpretations**

The accounting policies adopted by the Group and the Company are consistent with those of the previous financial year except for the adoption of new and revised FRSs. On 1 April 2010, the Group and the Company adopted the following new and revised FRSs, Amendments to FRS and IC Interpretations mandatory for financial periods beginning on or after 1 January 2010:

*FRS 4 Insurance Contracts*

*FRS 7 Financial Instruments: Disclosures*

*FRS 101 Presentation of Financial Statements (Revised)*

*FRS 123 Borrowing Costs*

*FRS 139 Financial Instruments: Recognition and Measurement*

*Amendments to FRS 1 First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*

*Amendments to FRS 2 Share-based Payment - Vesting Conditions and Cancellations*

*Amendments to FRS 132 Financial Instruments: Presentation*

*Amendments to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives*

*Improvements to FRS issued in 2009*

*IC Interpretation 9 Reassessment of Embedded Derivatives*

*IC Interpretation 10 Interim Financial Reporting and Impairment*

*IC Interpretation 11 FRS 2: Group and Treasury Share Transactions*

*IC Interpretation 13 Customer Loyalty Programmes*

*IC Interpretation 14 FRS 119: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The adoption of the above FRSs, Amendments to FRS and IC Interpretations did not have any significant effect on the financial performance and position of the Group and the Company except as discussed below:

**(i) FRS 101 Presentation of Financial Statements (Revised)**

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line.

The Standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group and the Company have elected to present this statement as two linked statements.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the financial statements.

The revised FRS 101 also requires the Group and the Company to make new disclosures to enable users of the financial statements to evaluate the Company's objectives, policies and processes for managing capital as disclosed in Note 41.

The revised FRS 101 was adopted retrospectively by the Company.

**(ii) FRS 8 Operating Segments**

FRS 8, which replaces FRS 114 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The Group concluded that the reportable operating segments determined in accordance with FRS 8 are the same as the business segments previously identified under FRS 114. The Group has adopted FRS 8 retrospectively. These revised disclosures, including the related revised comparative information, are shown in Note 40 to the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****2.33 Adoption of new and revised FRSs, Amendments to FRSs and Issues Committee ("IC") Interpretations (Contd.)****(iii) FRS 7 Financial Instruments: Disclosures**

Prior to 1 April 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 *Financial Instruments: Disclosure and Presentation*. FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

In accordance with the transitional provisions of FRS 7, the Group and the Company have applied the disclosure requirements of the Standard prospectively and, hence, comparative disclosures have not been provided. The new disclosures are included throughout the notes to the financial statements for the year ended 31 March 2011.

**(iv) FRS 4 Insurance Contracts**

This Standard specifies the financial reporting requirements for insurance / takaful contracts by any entity that issues such contracts. The key changes arising from the adoption of this Standard is summarised as follows:

- Gross presentation

The Standard requires that assets, liabilities, income and expenses arising from insurance / takaful contracts be presented on a gross basis separately from assets, liabilities, income and expenses arising from the related reinsurance / retakaful arrangements. The impact arising from the grossing up of such balances is described in Note 2.34(b).

- Qualitative and quantitative disclosures

The Standard also requires additional disclosures to assist users of financial statements in understanding the amounts, timing and uncertainty of future cash flows arising from insurance / takaful contracts including a reconciliation between the opening and closing balances of insurance / takaful contract liabilities and a sensitivity analysis on insurance / underwriting risk. The new disclosures are included throughout the notes to the financial statements for the year ended 31 March 2011.

- Liability adequacy tests ("LAT")

The Standard also introduces the need to perform a liability adequacy test by considering current estimates of future cash flows under its insurance / takaful contracts. Accordingly, liability adequacy tests are performed in Notes 2.4 to 2.10. The impact arising from liability adequacy test has been reflected as an accounting policy change as it affects the basis of measurement of insurance / takaful contract liabilities. The impact of such change in accounting policy has hence been adjusted retrospectively and the relevant adjustments made to brought forward reserves and prior year results are as disclosed in Note 2.34(a).

- Impairment of reinsurance/retakaful assets and insurance/takaful receivables

Prior to 1 April 2010, provision for doubtful debts was made in the financial statements for any balances from agents, brokers, reinsurers and retakaful operators which remain outstanding for more than six months from the date on which they become receivable and for all debts which are considered doubtful. In addition, for the takaful subsidiary, any outstanding debts related to Motor takaful business outstanding for a period in excess of 30 days are provided for as doubtful debts.

Upon the adoption of FRS 4, if there is objective evidence that reinsurance / retakaful assets and by extension, insurance / takaful receivables are impaired, the carrying amount of the assets is reduced accordingly and an impairment loss is recognised in the income statement. This change has been reflected as an accounting policy change as it affects the basis of measurement of impairment losses for insurance / takaful receivables. The impact of such change in accounting policy has hence, been adjusted retrospectively and the relevant adjustments made to brought forward reserves and prior year financial position / results are as disclosed in Note 2.34(a).

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****2.34 Summary of effects of changes in accounting treatment on the financial statements****(a) Effects of changes on opening reserves**

The following tables present the changes to the related statement of financial position items, arising from the adoption of new and revised FRSs as disclosed in Note 2.33. The adjustments to the carrying amount of the affected items have been accounted for retrospectively as at 1 April 2009 and 31 March 2010. These adjustments are detailed as follows:

	As at 1 April 2009 RM'000	Increase/ (decrease) RM'000	Restated as at 1 April 2009 RM'000
<b>General reinsurance and shareholders' funds</b>			
Retained profits:	496,166	(18,675)	477,491
Impairment of insurance receivables		(895)	
Recognition of expense liabilities of shareholders' funds:			
(i) General takaful fund		(4,611)	
(ii) Family takaful fund		(16,878)	
(iii) General retakaful fund		(1,998)	
Deferred tax effect		5,707	
Insurance receivables	138,501	(895)	137,606
Expense liabilities	-	23,487	23,487
Deferred tax asset	15,456	5,707	21,163
<b>General takaful fund</b>			
General takaful fund:	4,017	(2,059)	1,958
Impairment of Takaful contracts receivables		(2,746)	
Deferred tax		687	
Takaful receivables	20,065	(2,746)	17,319
Deferred tax	2,629	687	3,316
<b>Family takaful fund</b>			
Family takaful fund:	531,032	1,638	532,670
Impairment of Takaful contracts receivables		1,638	
Takaful receivables	28,829	1,638	30,467
<b>General retakaful fund</b>			
General retakaful fund:	-	706	706
Impairment of takaful receivables		706	
Takaful receivables	3,227	706	3,933

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****2.34 Summary of effects of changes in accounting treatment on the financial statements (Contd.)****(a) Effects of changes on opening reserves (Contd.)**

	As at 31 March 2010 RM'000	Increase/ (decrease) RM'000	Restated as at 31 March 2010 RM'000
<b>General reinsurance and shareholders' fund</b>			
Retained profits:	544,333	(16,128)	528,205
Impairment of insurance receivables		(473)	
Recognition of expense liabilities of shareholders' funds:			
(i) General takaful fund		(5,957)	
(ii) Family takaful fund		(9,793)	
(iii) General retakaful fund		(4,360)	
Deferred tax effect		4,455	
Insurance receivables	149,382	(473)	148,909
Expense liabilities	-	20,110	20,110
Deferred tax asset	5,878	4,455	10,333
<b>General takaful fund</b>			
General takaful fund:	8,794	(2,602)	6,192
Impairment of Takaful contracts receivables		(3,470)	
Deferred tax		868	
Takaful receivables	39,626	(3,470)	36,156
Deferred tax asset	1,473	868	2,341
<b>Family takaful fund</b>			
Family takaful fund:	738,781	1,495	740,276
Impairment of Takaful contracts receivables		1,495	
Takaful receivables	37,266	1,495	38,761
<b>General retakaful fund</b>			
General retakaful fund:	-	1,633	1,633
Impairment of takaful receivables		1,809	
Movement in contribution liabilities		(176)	
Takaful receivables	5,665	1,809	7,474
Contribution liabilities	11,958	176	12,134

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****2.34 Summary of effects of changes in accounting treatment on the financial statements (Contd.)****(b) Reclassification of comparatives**

Certain comparative figures in the income statement for the year ended 31 March 2010 and statement of financial position as at 1 April 2009 and 31 March 2010 have been reclassified to conform with current year's presentation.

	<b>As previously reported RM'000</b>	<b>Re- classification RM'000</b>	<b>As restated RM'000</b>
<b>General reinsurance and shareholders' fund</b>			
<b>Income statement</b>			
Gross premium	1,091,186	(1,091,186)	-
Reinsurance	(131,707)	131,707	-
Change in premium liabilities	128,650	(128,650)	-
Gross earned premiums	-	1,235,123	1,235,123
Premiums ceded to reinsurers	-	(146,994)	(146,994)
Net claims incurred	(736,719)	736,719	-
Gross claims paid	-	(602,931)	(602,931)
Claims ceded to reinsurers	-	65,927	65,927
Gross change to contract liabilities	-	(126,069)	(126,069)
Change in contract liabilities ceded to reinsurers	-	(73,646)	(73,646)
Wakalah fees income	190,136	(190,136)	-
Surplus administration charges	8,852	(8,852)	-
Investment income	58,760	(58,760)	-
Management fees	1,716	(1,716)	-
Net other operating expenses	(26,632)	26,632	-
Management and commission expenses	(512,680)	512,680	-
Finance cost	(7,125)	7,125	-
Investment income	-	58,760	58,760
Realised gains and losses	-	23,625	23,625
Fair value gains and losses	-	(48,589)	(48,589)
Fee and commission income	-	216,992	216,992
Other operating revenue	-	8,732	8,732
Fee and commission expense	-	(366,104)	(366,104)
Management expenses	-	(158,302)	(158,302)
Finance cost	-	(7,125)	(7,125)
Other operating expenses	-	(14,962)	(14,962)

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****2.34 Summary of effects of changes in accounting treatment on the financial statements (Contd.)****(b) Reclassification of comparatives (Contd.)**

	<b>As previously reported RM'000</b>	<b>Re- classification RM'000</b>	<b>As restated RM'000</b>
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**General reinsurance and shareholders' fund****Statement of financial position****31 March 2010**

Claim liabilities	(950,125)	950,125	-
Premium liabilities	(210,515)	210,515	-
Reinsurance assets	-	152,652	152,652
Insurance contract liabilities	-	(1,313,292)	(1,313,292)

The effects on the income statement and the statement of financial position in respect of grossing-up as described in Note 2.33(iv) have not been disclosed as these are primarily reclassification adjustments.

**1 April 2009**

Deposits and placements with financial institutions	687,891	(687,891)	-
Other investments	901,996	(901,996)	-
Loans and receivables	142,853	(142,853)	-
Financial assets at FVTPL	-	46,805	46,805
HTM investments	-	345,083	345,083
AFS financial assets	-	476,093	476,093
Loans and receivables	-	864,729	864,729
Claim liabilities	(698,623)	698,623	-
Premium liabilities	(339,669)	339,669	-
Reinsurance assets	-	189,798	189,798
Insurance contract liabilities	-	(1,279,373)	(1,279,373)

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****2.34 Summary of effects of changes in accounting treatment on the financial statements (Contd.)****(b) Reclassification of comparatives (Contd.)**

	As previously reported RM'000	Re- classification RM'000	As restated RM'000
<b>General takaful fund</b>			
<b>Income statement</b>			
Gross contribution	217,230	(217,230)	-
Retakaful	(25,525)	25,525	-
(Increase) / decrease in unearned contribution reserves	(633)	633	-
Gross earned contribution	-	216,319	216,319
Earned contribution ceded to retakaful operators	-	(25,247)	(25,247)
Net claims incurred	(122,462)	122,462	-
Gross claims paid	-	(87,591)	(87,591)
Claims ceded to retakaful operators	-	9,360	9,360
Gross change to contract liabilities	-	(40,625)	(40,625)
Change in contract liabilities ceded to retakaful operators	-	(3,605)	(3,605)
Net commission earned	4,505	(4,505)	-
Fee and commission income	-	4,505	4,505
Net other operating expenses	(869)	869	-
Investment income	6,153	(389)	5,764
Provision for doubtful debts	(869)	869	-
Realised gains and losses	-	308	308
Fair value gains and losses	-	(1,005)	(1,005)
Other operating expenses	-	(1,376)	(1,376)
Wakalah fees	(55,931)	55,931	-
Surplus administration charges transferred to shareholders' fund	(8,095)	8,095	-
Fee expenses	-	(64,026)	(64,026)
Taxation	(2,692)	181	(2,511)

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****2.34 Summary of effects of changes in accounting treatment on the financial statements (Contd.)****(b) Reclassification of comparatives (Contd.)**

	As previously reported RM'000	Re- classification RM'000	As restated RM'000
<b>General takaful fund (Contd.)</b>			
<b>Statement of financial position</b>			
<b>31 March 2010</b>			
Trade receivables	39,626	(39,626)	-
Takaful contracts receivables	-	36,156	36,156
Retakaful contracts assets	-	29,669	29,669
Deferred tax assets	1,474	868	2,342
Provision for outstanding claims	(125,726)	125,726	-
Trade payables	(5,641)	5,641	-
Takaful contracts payables	-	(5,641)	(5,641)
Takaful contracts liabilities	-	(228,254)	(228,254)
Other payables	(31,321)	(23,637)	(54,958)
Due to shareholder's fund	(11,594)	11,594	-
General takaful fund	(8,794)	14,645	5,851
Unearned contribution reserves	(72,859)	72,859	-

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****2.34 Summary of effects of changes in accounting treatment on the financial statements (Contd.)****(b) Reclassification of comparatives (Contd.)**

	As previously reported RM'000	Re- classification RM'000	As restated RM'000
<b>General takaful fund (Contd.)</b>			
<b>Statement of financial position</b>			
<b>1 April 2009</b>			
Trade receivables	20,064	(20,064)	-
Takaful contract receivables	-	17,319	17,319
Retakaful contract assets	-	30,842	30,842
Deferred tax assets	2,642	674	3,316
Provision for outstanding claims	(81,495)	81,495	-
Trade payables	(4,786)	4,786	-
Takaful contract payables	-	(4,786)	(4,786)
Takaful contract liabilities	-	(184,563)	(184,563)
Other payables	(10,850)	(1,293)	(12,143)
Due to shareholder's fund	(1,293)	1,293	-
General takaful fund	(3,976)	2,054	(1,922)
Unearned contribution reserves	(72,226)	72,226	-

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****2.34 Summary of effects of changes in accounting treatment on the financial statements (Contd.)****(b) Reclassification of comparatives (Contd.)**

	As previously reported RM'000	Re- classification RM'000	As restated RM'000
<b>Family takaful fund (Contd.)</b>			
<b>Income statement</b>			
Benefits paid and payable	(87,092)	87,092	-
Gross benefits paid	-	(92,780)	(92,780)
Benefits ceded to retakaful operators	-	14,049	14,049
Gross change to contract liabilities	-	(11,607)	(11,607)
Change in contract liabilities ceded to retakaful operators	-	3,246	3,246
Investment income	18,401	1,819	20,220
Realised gains and losses	-	2,024	2,024
Fair value gains and losses	-	27,302	27,302
Net commission earned	63	(63)	-
Fee and commission income	-	63	63
Wakalah fees	(120,139)	120,139	-
Surplus administration charges transferred to shareholders' fund	(732)	732	-
Fee expenses	-	(125,339)	(125,339)
Net other operating income / (expenses)	22,142	(22,142)	-
Allowance for doubtful debts	(96)	96	-
Other operating expenses	-	(4,774)	(4,774)

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****2.34 Summary of effects of changes in accounting treatment on the financial statements (Contd.)****(b) Reclassification of comparatives (Contd.)**

	As previously reported RM'000	Re- classification RM'000	As restated RM'000
<b>Family takaful fund (Contd.)</b>			
<b>Statement of financial position</b>			
<b>31 March 2010</b>			
Retakaful contracts assets	-	105,811	105,811
Takaful contracts receivables	37,266	1,495	38,761
Investment-linked business assets	43,991	(600)	43,391
Provision for outstanding claims	(22,158)	22,158	-
Takaful contracts liabilities	-	(846,087)	(846,087)
Trade payables	(19,464)	19,464	-
Takaful contracts payables	-	(19,464)	(19,464)
Other payables	(25,085)	(13,400)	(38,485)
Due to shareholders' fund	(13,400)	13,400	-
Investment-linked business liabilities	(1,284)	(42,107)	(43,391)
Family takaful fund	(716,623)	716,623	-
Investment-linked fund	(42,707)	42,707	-
<b>1 April 2009</b>			
Retakaful contract assets	-	4,609	4,609
Takaful contract receivables	28,829	1,638	30,467
Provision for outstanding claims	(13,797)	13,797	-
Takaful contract liabilities	-	(846,087)	(846,087)
Other payables	(20,551)	(28,528)	(49,079)
Due to shareholder's fund	(28,528)	28,528	-
Family takaful fund	(514,331)	(4,542)	(518,873)

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****2.34 Summary of effects of changes in accounting treatment on the financial statements (Contd.)****(b) Reclassification of comparatives (Contd.)**

	As previously reported RM'000	Re- classification RM'000	As restated RM'000
<b>General Retakaful Fund</b>			
<b>Income statement</b>			
Gross contribution	37,285	(37,285)	-
Retakaful	(9,847)	9,847	-
(Increase) / decrease in contribution liabilities	(5,536)	5,536	-
Gross earned contributions	-	31,624	31,624
Contributions ceded to retakaful operators	-	(9,722)	(9,722)
Net claims incurred	(26,647)	26,647	-
Gross claims paid	-	(13,788)	(13,788)
Claims ceded to retakaful operators	-	2,390	2,390
Gross change to contract liabilities	-	(11,414)	(11,414)
Change in contract liabilities ceded to retakaful operators	-	(3,835)	(3,835)
Wakalah fees	(7,822)	7,822	-
Net commission	(7,644)	7,644	-
Investment income	427	(427)	-
Net other operating expenses	(470)	470	-
Allowance for doubtful debts	(838)	838	-
Investment income	-	427	427
Fee and commission income	-	1,312	1,312
Other operating revenue	-	4	4
Fee and commission expense	-	(16,842)	(16,842)
Other operating expenses	-	(1,248)	(1,248)

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****2.34 Summary of effects of changes in accounting treatment on the financial statements (Contd.)****(b) Reclassification of comparatives (Contd.)**

	As previously reported RM'000	Re- classification RM'000	As restated RM'000
<b>General Retakaful Fund (Contd.)</b>			
<b>Statement of Financial Position</b>			
<b>31 March 2010</b>			
Loans and receivables	(15,435)	(15,435)	-
Due from shareholder's fund	23,410	(23,410)	-
LAR	-	38,845	38,845
General retakaful fund	(13,779)	13,779	-
Provision for outstanding claims	(33,482)	33,482	-
Retakaful assets	-	11,363	11,363
General retakaful fund	-	(1,645)	(1,645)
Takaful contract liabilities	-	(56,979)	(56,979)
<b>1 April 2009</b>			
Investments	21,328	(21,328)	-
LAR	110	(110)	-
Due from shareholder's fund	3,129	(3,129)	-
HTM investments	-	5,001	5,001
LAR	-	19,566	19,566
General retakaful fund	(7,304)	7,304	-
Provision for outstanding claims	(18,233)	18,233	-
Retakaful assets	-	11,817	11,817
General retakaful fund	-	(706)	(706)
Takaful contract liabilities	-	(36,648)	(36,648)

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****2.34 Summary of effects of changes in accounting treatment on the financial statements (Contd.)****(b) Reclassification of comparatives (Contd.)**

	As previously reported RM'000	Re- classification RM'000	As restated RM'000
<b>Family Retakaful Fund</b>			
<b>Income Statement</b>			
Gross contribution	8,074	(8,074)	-
Retakaful	(3,884)	3,884	-
Gross earned contributions	-	8,074	8,074
Contributions ceded to retakaful operators	-	(3,884)	(3,884)
Benefits paid and payable	(2,355)	2,355	-
Gross claims paid	-	(5,366)	(5,366)
Claims ceded to retakaful operators	-	3,011	3,011
Wakalah fees	(683)	683	-
Net commission	(3)	3	-
Investment income	256	(256)	-
Surplus administration charges	(25)	25	-
Net other operating expenses	(32)	32	-
Investment income	-	256	256
Fee and commission expense	-	(742)	(742)
Other operating expenses	-	(1)	(1)
<b>Statement of Financial Position</b>			
<b>1 April 2009</b>			
Investments	10,489	(10,489)	-
LAR	73	(73)	-
HTM investments	-	2,000	2,000
LAR	-	8,562	8,562

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****2.34 Summary of effects of changes in accounting treatment on the financial statements (Contd.)****(c) Current year effects**

The following tables provide estimates of the extent to which each of the line items in the statement of financial position and income statement for the financial year ended 31 March 2011 are higher or lower than it would have been had the previous policies been applied in the current year.

	<b>Increase/ (decrease) 2011 RM'000</b>
<b>General reinsurance and shareholders' fund</b>	
<b>Effects on Statement of Financial Position</b>	
<b>Assets</b>	
Insurance receivables	576
Deferred tax assets	4,311
	<hr/>
<b>Liabilities and equity</b>	
Expense liabilities	20,630
Retained profits	(15,743)
	<hr/>
<b>Effects on Income Statement</b>	
Other operating expenses:	
Change in expense liabilities	(605)
Impairment loss on insurance receivables	103
Taxation	(126)
	<hr/>
<b>General takaful fund</b>	
<b>Effects on Statement of Financial Position</b>	
<b>Assets</b>	
Takaful receivables	322
Deferred tax assets	(80)
<b>Participants' fund</b>	
General takaful fund	242
	<hr/>
<b>Effects on Income Statement</b>	
Writeback of impairment	3,792
Taxation	948
	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****2.34 Summary of effects of changes in accounting treatment on the financial statements (Contd.)****(c) Current year effects (Contd.)**

	<b>Increase/ (decrease) 2011 RM'000</b>
<b>Family takaful fund</b>	
<b>Effects on Statement of Financial Position</b>	
<b>Assets</b>	
Takaful receivables	(114)
Deferred tax assets	
<b>Liabilities</b>	
Takaful contract liabilities	
Unallocated surplus	(114)
<hr/>	
<b>Effects on Income Statement</b>	
Allowance for impairment	1,609
<hr/>	
<b>General takaful fund</b>	
<b>Effects on Statement of Financial Position</b>	
<b>Assets</b>	
Takaful receivables	1,740
Retakaful assets	195
<b>Liabilities</b>	
Takaful contract liabilities	391
<hr/>	
<b>General takaful fund</b>	
<hr/>	
<b>Effects on Income Statement</b>	
Allowance for impairment	(69)
Increase in contribution liabilities	196
<hr/>	

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****2.35 Standards issued but not yet effective**

As at the date of authorisation of these financial statements, the following FRSs, Amendments to FRS and IC Interpretations have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective at 31 March 2011 and have not been adopted by the Group and the Company.

**Effective for financial periods beginning on or after 1 July 2010**

FRS 1 *First-time Adoption of Financial Reporting Standards*  
 FRS 3 *Business Combinations (Revised)*  
 Amendments to FRS 2 *Share-based Payment*  
 Amendments to FRS 5 *Non-current Assets Held for Sale and Discontinued Operations*  
 Amendments to FRS 127 *Consolidated and Separate Financial Statements*  
 Amendments to FRS 138 *Intangible Assets*  
 Amendments to IC Interpretation 9 *Reassessment of Embedded Derivatives*  
 IC Interpretation 12 *Service Concession Arrangements*  
 IC Interpretation 15 *Agreements for the Construction of Real Estate*  
 IC Interpretation 16 *Hedges of a Net Investment in a Foreign Operation*  
 IC Interpretation 17 *Distributions of Non-cash assets to Owners*

**Effective for financial periods beginning on or after 1 January 2011**

Amendments to FRS 1 *Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters*  
 Amendments to FRS 1 *Additional Exemptions for First-time Adopters*  
 Amendments to FRS 2 *Group Cash-settled Share-based Payment Transactions*  
 Amendments to FRS 7 *Improving Disclosures about Financial Instruments*  
 Amendments to FRSs contained in the document entitled 'Improvements to FRSs (2010)'  
 Amendments to IC Interpretation 14 *Prepayments of a Minimum Funding Requirement*  
 IC Interpretation 4 *Determining whether an Arrangement contains a Lease*  
 IC Interpretation 18 *Transfers of Assets from Customers*  
 TR 3 *Guidance on Disclosures of Transition to IFRSs*  
 TR i -4 *Shariah Compliant Sale Contracts*

**Effective for financial periods beginning on or after 1 July 2011**

IC Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments*

**Effective for financial periods beginning on or after 1 January 2012**

FRS 124 *Related Party Disclosures (Revised)*  
 IC Interpretation 15 *Agreements for the Construction of Real Estate*

The Group plans to adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are expected to have no significant impact to the financial statements of the Group and the Company upon their initial application.

**2.36 Significant accounting estimates and judgements**

The preparation of the Group and 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 could require a material adjustment to the carrying amount of the asset or liability affected in the future.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.36 Significant accounting estimates and judgements (Contd.)

#### (i) Critical judgment made in applying accounting policies

The following is the judgement made by management in the process of applying the Group's accounting policies that have the most significant effect on the amount 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.

#### **Classification between investment properties and property, plant and equipment**

The Group has developed certain criteria based on FRS 140 in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

#### (ii) 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) Depreciation and amortisation

Depreciation and amortisation is based on management's estimates of the future estimated average useful lives and residual values of property, plant and equipment and intangible assets. Estimates may change due to technological developments, expected level of usage, competition, market conditions and other factors, and could impact the estimated average useful lives and the residual values of these assets.

This may result in future changes in the estimated useful lives and in the depreciation or amortisation expenses. Accordingly, at the end of each reporting period, the residual values and estimated useful lives of property, plant and equipment and intangible assets are assessed to determine that they continue to be consistent as disclosed in Notes 2.13(iii) and 2.15, respectively.

As at the reporting date, management has determined that the estimated useful lives of property, plant and equipment and intangible assets of the Group and of the Company remain consistent and there are no residual values.

#### (b) General reinsurance business

The principal uncertainty in the general reinsurance business arises from the technical provisions which include the provisions of premium and claim liabilities. Premium liabilities are recorded as the higher of UPR or URR while claim liabilities are mainly comprise of provision for claims reported, IBNER and IBNR.

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 and claim liabilities will not exactly develop as projected and may vary from the reinsurance subsidiary's projection.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.36 Significant accounting estimates and judgements (Contd.)

#### (ii) Key sources of estimation uncertainty (Contd.)

##### (b) General reinsurance business (Contd.)

The estimates of premium 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.

At each reporting date, the estimates of premium and claim liabilities are re-assessed for adequacy by an appointed actuary and changes will be reflected as adjustments to these liabilities. The appointment of the actuary is approved by BNM.

##### (c) General takaful and retakaful business

The principal uncertainty in the general takaful and retakaful businesses arises from the technical provisions which include the contribution liabilities and claim liabilities.

There may be significant reporting lags between the occurrence of an insured event and the actual time of event. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude of the claim.

Generally, claim liabilities on reported claims or case reserves are estimated based upon historical claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Particularly relevant is past experience of similar cases, historical claims development trends, legislative changes, judicial decisions and economic conditions. It is certain that final claim liabilities may vary from current projection. The uncertainty is also inherent in the projected contribution liabilities as it is correlated to the projected claim liabilities.

The estimates of 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 contribution and claim liabilities may vary from the initial estimates. At the end of each reporting period, the estimates are re-assessed for adequacy by an appointed actuary and changes will be reflected as adjustments to these liabilities. The appointment of the actuary is approved by BNM.

##### (d) Family takaful and retakaful business

The estimation of the ultimate liability arising from claims made under the family takaful and retakaful businesses is a critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liabilities that the family takaful and retakaful funds will ultimately be required to pay as claims.

For family takaful and retakaful contracts, estimates are made for future deaths, disabilities, maturities, investment returns, voluntary terminations and expenses in accordance with contractual and regulatory requirements. The Family takaful and retakaful funds base the estimate of expected number of deaths on statutory mortality tables, adjusted where appropriate to reflect the funds' unique risk exposures. The estimated number of deaths determines the value of possible future benefits to be paid out, which will be factored into ensuring sufficient cover by reserves, which in return is monitored against current and future contributions.

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 life style, could result in significant changes to the expected future exposures.

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 2.36 Significant accounting estimates and judgements (Contd.)

##### (ii) Key sources of estimation uncertainty (Contd.)

###### (d) Family takaful and retakaful business (Contd.)

All of this will give rise to estimation uncertainties of projected ultimate liability of the family takaful and retakaful funds.

At each reporting date, these estimates are reassessed for adequacy and changes will be reflected as adjustments to the liability.

###### (e) Expense liabilities of shareholders' funds

The estimation of the expense liabilities of the shareholders' funds of the takaful and retakaful subsidiaries are subject to the same degree of estimation uncertainties due primarily to the valuation methods used which are consistent with those used to measure the liabilities associated with the general and family takaful and retakaful funds.

Accordingly, similar to the general and family takaful and retakaful funds, the estimates of expense liabilities are reassessed at each reporting date to ensure they remain adequate and changes are reflected as adjustments to the liability.

###### (f) Impairment of non-financial assets

Assets are tested for impairment when indications of potential impairment exist. Indicators of impairment which could trigger an impairment review include evidence of obsolescence or physical damage, significant fall in market values, significant underperformance relative to historical or projected future operating results, significant changes in the use of assets or the strategy of the business, significant adverse industry or economic changes. Recoverable amounts of assets are based on management's estimates and assumptions of the net realisable value, cash flows arising from the future operating performance and revenue generating capacity of the assets and CGUs, and future market conditions. Changes in circumstances may lead to changes in estimates and assumptions, and result in changes to the recoverable amounts of assets and impairment losses needed.

It is also recognised that an initial decline in fair value of investments in new start-up investee companies, which is deemed temporary, may arise due to development and operational losses in the initial years. Based on an assessment performed at the reporting date, the Board of Directors and Management of the Company are of the opinion that there is no further indication of impairment in the Company's investment in unquoted corporations at this juncture.

###### (g) Impairment of unquoted equity investments

The Group and the Company follows the guidance of the applicable FRS in Malaysia in determining whether there is a decline other than temporary in the fair value of its investment in unquoted corporations. This determination requires significant judgement. In making this judgement, the Group and the Company evaluates the quantitative and qualitative factors affecting the market position of the investee including the regulatory support it receives and its longer term business outlook and financial standing. Appropriate considerations are given to the investee's financial gestation period, financial projections, business prospects and the proprietary technology involved.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### 2.36 Significant accounting estimates and judgements (Contd.)

#### (ii) Key sources of estimation uncertainty (Contd.)

##### (h) Impairment of insurance / takaful receivables and reinsurance / retakaful assets

The Group reviews its insurance and takaful receivables on a regular basis to assess whether an allowance for impairment should be recorded in the income statement. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of impairment required. Such estimates are necessarily based on assumptions about the probability of default and probable losses in the event of default, the value of the underlying security, and realisation costs.

These estimates are revisited by management on a frequent basis, at least once a year, to determine if certain assumptions continue to be reasonable. As at the reporting date, the impairment losses recognised on insurance / takaful receivables and reinsurance / retakaful assets reflect the expected recoverable values of these assets.

##### (i) Deferred tax

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depends on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statement of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

The judgements and assumptions used in the estimates of deferred tax liabilities / assets are reassessed at least once a year to determine that they continue to be appropriate.

As at the reporting date, the total carrying value of recognised temporary differences arising from AFS reserves, UPR, allowance for doubtful debts, net amortisation of premium on investments and other items of the Group was RM5,474,000 (2010: RM10,333,000).

The total carrying value of unrecognised temporary deductible differences of the retakaful subsidiary are disclosed in Note 17 to the financial statements.

Management is of the view that recognised deferred tax assets represent a fair estimate of the Group's deductible temporary differences.

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**3. OPERATING REVENUE**

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>General reinsurance and shareholders' funds</b>				
Gross premiums	1,172,385	1,091,186	-	-
Investment income	71,041	58,760	15,299	10,596
Management fees	2,742	1,716	21,963	14,321
Wakalah fees:				
General takaful fund	56,157	55,931	-	-
Family takaful fund	150,378	125,700	-	-
General retakaful fund	9,365	7,822	-	-
Family retakaful fund	1,194	683	-	-
	<b>1,463,262</b>	<b>1,341,798</b>	<b>37,262</b>	<b>24,917</b>

	Group	
	2011 RM'000	2010 RM'000
<b>General takaful fund</b>		
Gross contributions	224,196	217,230
Investment income	8,560	5,764
	<b>232,756</b>	<b>222,994</b>
<b>Family takaful fund</b>		
Gross contributions	486,530	357,610
Investment income	31,121	20,220
	<b>517,651</b>	<b>377,830</b>
<b>General retakaful fund</b>		
Gross contributions	43,772	37,285
Investment income	761	427
	<b>44,533</b>	<b>37,712</b>
<b>Family retakaful fund</b>		
Gross contributions	12,897	8,074
Investment income	446	256
	<b>13,343</b>	<b>8,330</b>

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**4. NET EARNED PREMIUMS**

	Group	
	2011 RM'000	2010 RM'000
<b>General reinsurance and shareholders' funds</b>		
<b>(a) Gross earned premiums</b>		
Insurance contracts	1,172,385	1,091,186
Change in premium liabilities	(20,496)	143,937
	1,151,889	1,235,123
<b>(b) Premiums ceded to reinsurers</b>		
Insurance contracts	(114,718)	(131,707)
Change in premium liabilities	(11,231)	(15,287)
	(125,949)	(146,994)
<b>Net Earned Premiums</b>	1,025,940	1,088,129

	Group			
	General takaful fund		General retakaful fund	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>General takaful and retakaful funds</b>				
<b>(a) Gross earned contribution</b>				
Takaful contracts	224,196	217,230	43,772	37,285
Change in contribution liabilities	(13,670)	(911)	(4,203)	(5,661)
	210,526	216,319	39,569	31,624
<b>(b) Contributions ceded</b>				
Takaful contracts	(22,398)	(25,525)	(6,898)	(9,847)
Change in contribution liabilities	(10,151)	278	(2,060)	125
	(32,549)	(25,247)	(8,958)	(9,722)
<b>Net Earned Contribution</b>	177,977	191,072	30,611	21,902

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**5. INVESTMENT INCOME**

	←———— Group —————→					Company
	General reinsurance and shareholders' fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	General retakaful fund RM'000	Family retakaful fund RM'000	Shareholders' fund RM'000
<b>2011</b>						
<b>Financial assets at FVTPL</b>						
Interest/profit income	2,527	-	-	-	-	-
Dividend income						
- quoted shares in Malaysia	16	16	380	-	-	-
<b>HTM investments</b>						
Interest/profit income	10,961	97	6,643	135	95	123
<b>AFS financial assets</b>						
Interest/profit income	24,912	2,559	11,856	225	83	-
Dividend income:						
- quoted shares in Malaysia	4,615	858	1,149	28	27	15,052
- quoted shares outside Malaysia	81	-	-	-	-	-
<b>Loans and receivables</b>						
Interest/profit income	19,879	5,014	6,958	362	251	124
Dividend income on institutional trusts	318	-	897	-	-	-
Rental income	6,857	-	3,866	-	-	-
Net accretion of discounts on investments	878	16	1,094	11	(10)	-
Investment expenses	(3)	-	(1,722)	-	-	-
	71,041	8,560	31,121	761	446	15,299
<b>2010</b>						
<b>Financial assets at FVTPL</b>						
Interest/profit income	2,511	-	-	-	-	-
Dividend income on quoted shares in Malaysia	13	14	1,026	-	-	-
<b>HTM investments</b>						
Interest/profit income	10,486	1,436	5,308	7	80	256
<b>AFS financial assets</b>						
Interest/profit income	18,145	1,592	8,508	14	7	-
Dividend income on quoted shares in Malaysia	3,922	382	-	1	1	10,200
<b>Loans and receivables</b>						
Interest/profit income	14,927	2,231	3,615	322	167	140
Dividend income on institutional trusts	240	-	668	-	-	-
Rental income	6,432	-	600	-	-	-
Net accretion of discounts on investments	2,087	109	1,018	83	1	-
Investment expenses	(3)	-	(523)	-	-	-
	58,760	5,764	20,220	427	256	10,596

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

## 6. REALISED GAINS AND LOSSES

	← Group →				
	General reinsurance and shareholders' fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	General retakaful fund RM'000	Family retakaful fund RM'000
<b>2011</b>					
<b>Financial assets at FVTPL</b>					
Realised gains on quoted shares in Malaysia	1,175	239	615	11	9
<b>AFS financial assets</b>					
Realised gains:					
Quoted shares in Malaysia	24,045	2,467	3,483	113	114
Shariah approved unit trust funds	-	-	931	-	-
Unquoted corporate debt securities	91	-	-	-	-
Unquoted Islamic private debt securities	-	-	3,044	-	-
	25,311	2,706	8,073	124	123

	← Group →			Company
	General reinsurance and shareholders' fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Shareholders' fund RM'000
<b>2010</b>				
<b>Property, plant and equipment</b>				
Realised gains		94	-	-
<b>Financial assets at FVTPL</b>				
Realised gains on quoted shares in Malaysia		259	78	1,501
<b>AFS financial assets</b>				
Realised gains:				
Quoted shares in Malaysia		21,475	230	51
Unquoted corporate debt securities		1,797	-	-
Shariah approved unit trust funds		-	-	472
		23,625	308	2,024
				435

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**7. FAIR VALUE GAINS AND LOSSES**

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>General reinsurance and shareholders' funds</b>				
Investment properties (Note 14)	5,173	2,200	-	-
Financial assets at FVTPL	536	589	-	-
Impairment of HTM investments	-	(962)	-	-
Reversal of/(Impairment) of AFS financial assets	10,609	(50,416)	227	(44,485)
	16,318	(48,589)	227	(44,485)

	Group	
	2011 RM'000	2010 RM'000
<b>General takaful fund</b>		
Financial assets at FVTPL	(19)	199
Impairment of AFS financial assets	-	389
	(19)	588

<b>Family takaful fund</b>		
Investment properties (Note 14)	(7,490)	22,535
Financial assets at FVTPL	61	4,659
Impairment of AFS financial assets	-	347
	(7,429)	27,541

<b>General retakaful fund</b>		
Financial assets at FVTPL	1	-

<b>Family retakaful fund</b>		
Financial assets at FVTPL	1	-

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**8. FEE AND COMMISSION**

	2011 RM'000	2010 RM'000
<b>Group</b>		
<b>General reinsurance and shareholders' funds</b>		
<u>Fee and commission income</u>		
Management fees	2,742	1,716
Commission income	8,205	11,726
Wakalah fee income	217,094	190,136
Investment fee	3,104	4,562
Surplus administration charges	4,423	8,852
	235,568	216,992
<u>Fee and commission expense</u>		
Commission expense	(400,719)	(365,023)
Brokerage	(1,222)	(1,081)
	(401,941)	(366,104)
<b>General takaful fund</b>		
<u>Fee and commission income</u>		
Commission income	3,938	4,505
<u>Fee and commission expense</u>		
Wakalah fee expense	(56,157)	(55,931)
Surplus administration charges	-	(8,095)
	(56,157)	(64,026)
<b>Family takaful fund</b>		
<u>Fee and commission income</u>		
Commission income	-	63
<u>Fee and commission expense</u>		
Wakalah fee expense	(143,008)	(120,139)
Investment fee expense	(2,377)	(4,468)
Surplus administration charges	(4,341)	(732)
	(149,726)	(125,339)

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**8. FEE AND COMMISSION (CONTD.)**

	2011 RM'000	2010 RM'000
<b>Group (Contd.)</b>		
<b>General retakaful fund</b>		
<u>Fee and commission income</u>		
Commission income	977	2,054
<hr/>		
<u>Fee and commission expense</u>		
Commission expense	(9,998)	(9,698)
Wakalah fee expense	(9,365)	(7,822)
Investment fee expense	(443)	(64)
	(19,806)	(17,584)
<hr/>		
<b>Family retakaful fund</b>		
<u>Fee and commission income</u>		
Commission income	103	-
<hr/>		
<u>Fee and commission expense</u>		
Commission expense	(9)	(3)
Wakalah fee expense	(1,194)	(683)
Investment fee expense	(285)	(31)
Surplus administration charges	(45)	(25)
	(1,533)	(742)
<hr/>		
<b>Company</b>		
<u>Fee and commission income</u>		
Management fee	21,963	14,321
<hr/>		

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**9. MANAGEMENT EXPENSES**

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>General reinsurance and shareholders' funds</b>				
Staff costs:				
Salaries, bonus and other related costs	72,049	75,612	18,705	17,327
Directors' remuneration (Note 10)	10,102	11,595	4,098	4,409
Pension costs - EPF	13,293	10,144	2,904	2,712
Social security costs	163	153	92	84
Retirement benefits	7,576	1,735	3,914	723
Short term accumulating compensated absences	127	140	(29)	13
Depreciation of property, plant and equipment	8,735	7,169	678	576
Amortisation of intangible assets	3,077	2,636	241	209
Amortisation of prepaid land lease payments	55	95	-	-
Property, plant and equipment written off	855	7	-	-
Auditors' remuneration:				
- statutory audit	347	302	29	17
- other services	137	38	19	3
Insurance levy	1,816	1,688	-	-
Share of acquisition costs on quota share retakaful	4,367	4,152	-	-
Marketing and communications	10,197	5,956	-	310
Agency expenses	5,962	4,613	-	-
Electronic data processing costs	3,420	3,446	-	-
Donation	39	123	-	58
Market training expenses	235	33	8	17
Office rental	5,569	2,532	1,004	1,006
Professional and legal fees	878	739	345	461
Advertising and promotion	435	1,157	272	1,027
Other expenses	23,641	24,237	2,407	1,640
	173,075	158,302	34,687	30,592

**10. DIRECTORS' REMUNERATION**

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>General reinsurance and shareholders' funds</b>				
<b>Non-executive directors:</b>				
Fees	2,322	2,203	685	725
Allowances	566	428	131	130
	2,888	2,631	816	855

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**10. DIRECTORS' REMUNERATION (CONTD.)**

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>General reinsurance and shareholders' funds (Contd.)</b>				
<b>Executive directors:</b>				
Salaries and bonus	4,185	4,850	1,560	1,800
Pension costs - EPF	730	796	312	360
Retirement benefits	60	266	60	120
Benefits-in-kind	395	233	79	37
	5,370	6,145	2,011	2,317
<b>Directors of another subsidiary:*</b>				
Salaries and bonus	1,505	2,282	877	1,024
Pension costs - EPF	284	393	168	164
Social security costs	1	1	1	1
Allowances	449	376	304	85
Benefits-in-kind	97	52	46	15
	2,336	3,104	1,396	1,289
Total directors' remuneration	10,594	11,880	4,223	4,461
Total directors' remuneration excluding benefits-in-kind	10,102	11,595	4,098	4,409

\* The directors of another subsidiary refer to management personnel, who are employed by the holding company and reinsurance subsidiary, respectively.

**11. OTHER OPERATING EXPENSES**

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>General reinsurance and shareholders' funds</b>				
Loss on foreign exchange	9,367	11,690	136	586
Impairment loss on investment in subsidiary	-	-	6,869	-
Impairment loss on Qard to general retakaful fund	14,633	-	-	-
Impairment loss on insurance receivables	52	501	-	-
Impairment loss on property, plant and equipment	328	-	-	-
Write off of property, plant and equipment	855	-	-	-
Increase in expense liabilities	1,124	2,362	-	-
Sundry expenses	295	409	-	-
	26,654	14,962	7,005	586

**NOTES TO THE FINANCIAL STATEMENTS**

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**12. TAXATION****(a) General reinsurance and shareholders' funds**

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Income tax:				
Malaysian income tax	33,214	28,631	946	62
(Over)/under provision in prior years	(1,212)	(5,999)	-	1,088
	32,002	22,632	946	1,150
Deferred tax:				
Relating to origination and reversal of temporary differences	9,636	3,947	239	(1,684)
Underprovision in prior year	-	1,583	-	340
	9,636	5,530	239	(1,344)
	41,638	28,162	1,185	(194)

Domestic income tax for general business and shareholders' fund is calculated at the Malaysian statutory tax rate of 25% (2010: 25%) of the estimated assessable profit for the year. Income tax on the Group's offshore insurance / takaful business is calculated at a tax rate of 5% (2010: 5%) of the estimated assessable profit on the Group's offshore insurance / takaful business for the year. A reconciliation of income tax expenses applicable to profit before zakat and tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Profit/(loss) before zakat and tax	164,952	79,261	(13,608)	(59,787)
Taxation at Malaysian statutory tax rate of 25%	41,238	19,815	(3,402)	(14,947)
Effects of different tax rate in respect of offshore insurance	(7,920)	(5,506)	-	-
Income not subject to tax	(7,759)	(1,677)	-	-
Expenses not deductible for tax purposes	5,209	14,989	4,348	13,325
Change in unrecognised temporary differences	4,989	100	-	-
Transfer of deferred tax	9,636	5,530	239	-
Utilisation of current year losses of the general retakaful fund	(2,613)	(673)	-	-
(Over)/under provision of tax expense in prior years	(1,212)	(5,999)	-	1,088
Under provision of deferred tax expense in prior years	70	1,583	-	340
Tax expense for the year	41,638	28,162	1,185	(194)

**NOTES TO THE FINANCIAL STATEMENTS**

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**12. TAXATION (CONTD.)****(b) General takaful fund**

	<b>Group</b>	
	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
Income tax:		
Malaysian income tax	474	2,005
Under provision of tax in previous years	146	-
	<hr/>	<hr/>
	620	2,005
Deferred tax:		
Relating to origination and reversal of temporary differences	807	506
	<hr/>	<hr/>
	1,427	2,511
	<hr/>	<hr/>

Domestic income tax of the general takaful fund is calculated at the Malaysian statutory tax rate of 25% (2010: 25%) of the estimated assessable profit for the year. A reconciliation of income tax expense applicable to surplus/(deficit) before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the funds are as follows:

	<b>Group</b>	
	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
Surplus before taxation	5,872	13,504
	<hr/>	<hr/>
Taxation at Malaysian statutory tax rate of 25%	1,468	3,376
Income not subject to tax	(182)	-
Expenses not deductible for tax purposes	216	1
Utilisation of capital allowances	(279)	(1,514)
Under provision of deferred tax in prior years	58	649
Under provision of tax expense in prior years	146	-
	<hr/>	<hr/>
Tax expense for the year	1,427	2,512
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**NOTES TO THE FINANCIAL STATEMENTS**

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**12. TAXATION (CONTD.)****(c) Family takaful fund**

	Group	
	2011 RM'000	2010 RM'000
Income tax:		
Malaysian income tax	2,830	843
Under provision of tax in previous years	497	-
	3,327	843
Deferred tax:		
Relating to origination and reversal of temporary differences	(344)	1,779
	2,983	2,622

Domestic income tax of the family takaful fund is calculated at the preferential tax rate of 8% (2010: 8%) of taxable investment income for the year. A reconciliation of income tax expense applicable to surplus before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the funds are as follows:

	Group	
	2011 RM'000	2010 RM'000
Surplus for the year	241,348	198,821
Surplus administration charges transferred to shareholders' fund	-	732
	241,348	199,553
Taxation at tax rate of 8%	19,308	15,964
Income not subject to tax	(16,628)	(12,682)
Expenses not deductible for tax purposes	(132)	30
Utilisation of capital allowances allocated from the Shareholder's fund	(193)	(283)
Under/(over) provision of deferred tax in prior years	131	(407)
Under provision of tax expense in prior years	497	-
	2,983	2,622

**(d) General retakaful fund**

Income tax:		
Malaysian income tax	-	-
	-	-

**NOTES TO THE FINANCIAL STATEMENTS**

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**12. TAXATION (CONTD.)****(d) General retakaful fund (Contd.)**

Domestic income tax of the general retakaful fund is calculated at the Malaysian statutory tax rate of 25% (2010: 25%) of the estimated assessable profit for the year. A reconciliation of income tax expense applicable to deficit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the funds are as follows:

	<b>Group</b>	
	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
Deficit before taxation	(14,369)	(21,092)
Taxation at Malaysian statutory tax rate of 25%	(3,592)	(5,273)
Change in unrecognised temporary differences	24	274
Current year losses for which no deferred tax asset was recognised	682	3,985
Utilisation of current year business loss by shareholders' fund and family retakaful fund	2,886	1,014
Tax expense for the year	-	-

**(e) Family retakaful fund**

Income tax:  
Malaysian income tax

-	-
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Domestic income tax of the family retakaful fund is calculated at the Malaysian statutory tax rate of 25% (2010: 25%) of the estimated assessable profit for the year. A reconciliation of income tax expense applicable to surplus before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the funds are as follows:

	<b>Group</b>	
	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
Surplus before taxation	1,095	1,348
Taxation at Malaysian statutory tax rate of 25%	274	337
Expenses not deductible for tax purposes	-	6
Change in unrecognised temporary differences	(1)	-
Utilisation of current year business loss of general retakaful fund	(273)	(341)
Utilisation of previously unrecognised deferred tax assets	-	(2)
Tax expense for the year	-	-

**NOTES TO THE FINANCIAL STATEMENTS**

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**13. PROPERTY, PLANT AND EQUIPMENT****General reinsurance and shareholders' funds**

<b>Group</b>	<b>Freehold land RM'000</b>	<b>Buildings RM'000</b>	<b>Significant parts of buildings RM'000</b>	<b>Computer equipment RM'000</b>	<b>Furniture, fittings and office equipment RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>							
At 1 April 2009	15,886	77,649	20,252	9,190	22,335	3,054	148,366
Additions	-	-	-	840	10,095	874	11,809
Disposals	-	-	-	-	-	(678)	(678)
Write-offs	-	-	-	(51)	(23)	-	(74)
At 31 March 2010	15,886	77,649	20,252	9,979	32,407	3,250	159,423
Additions	-	1,588	1,178	897	4,989	480	9,132
Disposals	-	-	-	(227)	-	-	(227)
Revaluation surplus	-	3,184	-	-	-	-	3,184
Transfer to investment properties * (Note 14)	-	(14,580)	(3,454)	-	-	-	(18,034)
Elimination of accumulated depreciation on revaluation	-	(1,396)	(3,118)	-	-	-	(4,514)
Write-offs	-	-	-	(1,017)	(3,700)	-	(4,717)
Reclassifications	-	-	-	1,042	(1,042)	-	-
At 31 March 2011	15,886	66,445	14,858	10,674	32,654	3,730	144,247
<b>Accumulated depreciation and impairment loss</b>							
At 1 April 2009	-	5,056	6,017	7,366	15,758	1,144	35,341
Depreciation charge for the year	-	1,751	1,838	968	1,887	725	7,169
Disposals	-	-	-	-	-	(543)	(543)
Write-offs	-	-	-	(50)	(17)	-	(67)
At 31 March 2010	-	6,807	7,855	8,284	17,628	1,326	41,900
Depreciation charge for the year	-	1,634	1,490	1,487	3,528	596	8,735
Disposals	-	-	-	(227)	-	-	(227)
Elimination of accumulated depreciation on revaluation	-	(1,396)	(3,118)	-	-	-	(4,514)
Write-offs	-	-	-	(1,015)	(2,847)	-	(3,862)
Impairment loss for the year	-	328	-	-	-	-	328
At 31 March 2011	-	7,373	6,227	8,529	18,309	1,922	42,360
<b>Net Carrying Amount</b>							
At 31 March 2011	15,886	59,072	8,631	2,145	14,345	1,808	101,887
At 31 March 2010	15,886	70,842	12,397	1,695	14,779	1,924	117,523

\* The transfer of property, plant and equipment to investment properties amounting to approximately RM18 million represents the fair value of a building previously classified as self-occupied properties but has now been classified as investment property subsequent to the vacation of the premises by a subsidiary of the Group. The transfer at fair value has been performed in accordance with the requirements of FRS 140 as described in Note 2.14.

**NOTES TO THE FINANCIAL STATEMENTS**

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**13. PROPERTY, PLANT AND EQUIPMENT (CONTD.)**

<b>Company</b>	<b>Computer equipment RM'000</b>	<b>Furniture, fittings and office equipment RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>				
At 1 April 2009	3,150	1,705	1,059	5,914
Additions	195	77	874	1,146
Disposals	-	-	(602)	(602)
At 31 March 2010	3,345	1,782	1,331	6,458
Additions	329	68	-	397
Disposals	(227)	-	-	(227)
At 31 March 2011	3,447	1,850	1,331	6,628
<b>Accumulated depreciation</b>				
At 1 April 2009	2,705	1,434	475	4,614
Charge for the year	203	68	305	576
Disposals	-	-	(482)	(482)
At 31 March 2010	2,908	1,502	298	4,708
Charge for the year	323	89	266	678
Disposals	(227)	-	-	(227)
At 31 March 2011	3,004	1,591	564	5,159
<b>Net carrying amount</b>				
At 31 March 2011	443	259	767	1,469
At 31 March 2010	437	280	1,033	1,750

**NOTES TO THE FINANCIAL STATEMENTS**

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**14. INVESTMENT PROPERTIES**

	Group	
	2011 RM'000	2010 RM'000
<b>General reinsurance and shareholders' funds</b>		
<u>At fair value:</u>		
At beginning of year	34,600	32,400
Fair value gains recognised in income statement (Note 7)	5,173	2,200
Transfer from property, plant and equipment (Note 13)	18,034	-
Transfer from prepaid land lease payments (Note 15)	4,966	-
Transfer to non-current asset held for sale (Note 23)	(34,173)	-
	28,600	34,600
<b>Family takaful fund</b>		
<u>At fair value:</u>		
At beginning of the year	110,000	69,966
Additions	1,008	17,499
Fair value (loss)/gain recognised in income statement (Note 6)	(7,490)	22,535
	103,518	110,000

These properties are carried at their fair values in accordance with the accounting policy disclosed in Note 2.14.

**15. PREPAID LAND LEASE PAYMENTS**

	Group	
	2011 RM'000	2010 RM'000
<b>General reinsurance and shareholders' funds</b>		
<b>Long term leasehold land:</b>		
At beginning of year	5,021	5,116
Amortisation for the year	(55)	(95)
Transfer to investment properties (Note 14)	(4,966)	-
	-	5,021

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**16. INTANGIBLE ASSETS****General reinsurance and shareholders' funds**

<b>Group</b>	<b>Software development cost in progress RM'000</b>	<b>Computer software and licenses RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>			
At 1 April 2009	1,596	24,496	26,092
Additions	1,881	905	2,786
Write-offs	-	(11)	(11)
At 31 March 2010	3,477	25,390	28,867
Additions	1,583	1,362	2,945
Reclassification	(392)	392	-
At 31 March 2011	4,668	27,144	31,812
<b>Accumulated amortisation</b>			
At 1 April 2009	-	13,141	13,141
Amortisation for the year	-	2,636	2,636
Write-offs	-	(11)	(11)
At 31 March 2010	-	15,766	15,766
Amortisation for the year	-	3,077	3,077
At 31 March 2011	-	18,843	18,843
<b>Net carrying amount</b>			
At 31 March 2011	4,668	8,301	12,969
At 31 March 2010	3,477	9,624	13,101

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**16. INTANGIBLE ASSETS (CONTD.)****General reinsurance and shareholders' funds (Contd.)**

<b>Company</b>	<b>Software development cost in progress RM'000</b>	<b>Computer software and licenses RM'000</b>	<b>Total RM'000</b>
<b>Cost</b>			
At 1 April 2009	483	5,677	6,160
Additions	26	109	135
Transferred from reinsurance subsidiary	18	-	18
	<hr/>	<hr/>	<hr/>
At 31 March 2010	527	5,786	6,313
Additions	373	188	561
	<hr/>	<hr/>	<hr/>
At 31 March 2011	900	5,974	6,874
<b>Accumulated amortisation</b>			
At 1 April 2009	-	5,193	5,193
Amortisation for the year	-	209	209
	<hr/>	<hr/>	<hr/>
At 31 March 2010	-	5,402	5,402
Amortisation for the year	-	241	241
	<hr/>	<hr/>	<hr/>
At 31 March 2011	-	5,643	5,643
<b>Net carrying amount</b>			
At 31 March 2011	900	331	1,231
	<hr/>	<hr/>	<hr/>
At 31 March 2010	527	384	911
	<hr/>	<hr/>	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS**

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**17. DEFERRED TAX**

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>General reinsurance and shareholders' funds</b>				
At beginning of year				
- As previously stated	5,878	15,456	3,337	1,993
- Effect of adopting FRS 4 (Note 2.34(a))	4,455	5,707	-	-
At beginning of year (as restated)	10,333	21,163	3,337	1,993
Recognised in income statement	(9,636)	(5,530)	(239)	1,344
Recognised in other comprehensive income	4,777	(5,300)	-	-
At end of year	5,474	10,333	3,098	3,337
Presented after appropriate offsetting as follows:				
- Deferred tax assets	11,335	22,034	3,511	3,608
- Deferred tax liabilities	(5,861)	(11,701)	(413)	(271)
	5,474	10,333	3,098	3,337

	Group	
	2011 RM'000	2010 RM'000
<b>General takaful fund</b>		
At beginning of year, previously stated	1,474	2,629
Effect of adopting FRS 4	867	687
At beginning of year, restated	2,341	3,316
Recognised in income statement	(807)	(507)
Recognised in general takaful fund (Note 29)	36	(467)
At end of year (Note 45)	1,570	2,342
<b>Family takaful fund</b>		
At beginning of year	(2,304)	(253)
Recognised in income statement	344	(1,779)
Recognised in family takaful fund (Note 30)	(175)	(272)
At end of year (Note 45)	(2,135)	(2,304)

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**17. DEFERRED TAX (CONTD.)**

	Group	
	2011 RM'000	2010 RM'000
<b>General retakaful fund</b>		
At beginning of year	(4)	-
Recognised in general retakaful fund (Note 31)	(19)	(4)
	<hr/>	<hr/>
At end of year (Note 45)	(23)	(4)
	<hr/>	<hr/>
<b>Family retakaful fund</b>		
At beginning of year	(4)	-
Recognised in family retakaful fund (Note 32)	(5)	(4)
	<hr/>	<hr/>
At end of year (Note 45)	(9)	(4)
	<hr/>	<hr/>

The following deferred tax assets of the retakaful subsidiary have not been recognised as the probability of recognition cannot be determined with certainty given the recent history of losses recorded:

	2011 RM'000	2010 RM'000
<b>Shareholders' fund</b>		
Temporary differences:		
- net accretion of discounts	75	55
- impairment of investments	16	16
- provisions for bonus	108	168
- expense liabilities	3,658	-
- impairment of Qard	1,371	1,090
	<hr/>	<hr/>
	5,228	1,329
	<hr/>	<hr/>
<b>General retakaful fund</b>		
Unutilised business losses	9,122	5,827
Unabsorbed capital allowances	65	54
Temporary differences:		
- net accretion of discounts	20	18
- contribution liabilities	120	120
- property, plant and equipment	-	(1)
- impairment loss on takaful receivables	386	302
	<hr/>	<hr/>
	9,713	6,320
	<hr/>	<hr/>
<b>Family retakaful fund</b>		
Temporary differences:		
- net amortisation of premiums	(2)	(1)
	<hr/>	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**17. DEFERRED TAX (CONTD.)**

The components and movements of deferred tax assets/(liabilities) during the financial year are as follows:

**General reinsurance and shareholders' funds**

Group	Unabsorbed capital allowances RM'000	Property, plant and equipment RM'000	Receivables RM'000	Premium liabilities RM'000	Impairment losses on investments RM'000	Financial assets RM'000	Others RM'000	Total RM'000
<b>2011</b>								
At 31 March 2010, previously stated	441	(4,663)	293	5,338	7,183	(7,038)	4,324	5,878
Effects of adoption of FRS 4	-	-	4,029	-	-	-	426	4,455
At 31 March 2010, restated	441	(4,663)	4,322	5,338	7,183	(7,038)	4,750	10,333
Recognised in:								
Income statement	153	1,202	(1,119)	(5,321)	(3,463)	(139)	(949)	(9,636)
Other comprehensive income	-	-	-	-	-	4,777	-	4,777
At 31 March 2011	594	(3,461)	3,203	17	3,720	(2,400)	3,801	5,474
<b>2010</b>								
At 1 April 2009, previously stated	211	(1,100)	733	6,981	7,921	(1,582)	2,292	15,456
Effects of adoption of FRS 4	-	-	5,372	-	-	-	335	5,707
At 1 April 2009, restated	211	(1,100)	6,105	6,981	7,921	(1,582)	2,627	21,163
Recognised in:								
Income statement	230	(3,563)	(1,783)	(1,643)	(738)	(156)	2,123	(5,530)
Other comprehensive income	-	-	-	-	-	(5,300)	-	(5,300)
At 31 March 2010	441	(4,663)	4,322	5,338	7,183	(7,038)	4,750	10,333

**NOTES TO THE FINANCIAL STATEMENTS**

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**17. DEFERRED TAX (CONTD.)**

The components and movements of deferred tax assets/(liabilities) during the financial year are as follows (Contd.):

**General reinsurance and shareholders' funds (Contd.)**

Company	Unabsorbed capital allowances RM'000	Property, plant and equipment RM'000	Receivables RM'000	Impairment losses on investments RM'000	Others RM'000	Total RM'000
<b>2011</b>						
At 1 April 2010	441	(271)	-	-	3,167	3,337
Recognised in income statement	153	(142)	52	218	(520)	(239)
At 31 March 2011	594	(413)	52	218	2,647	3,098
<b>2010</b>						
At 1 April 2009	211	(260)	-	351	1,691	1,993
Recognised in income statement	230	(11)	-	(351)	1,476	1,344
At 31 March 2010	441	(271)	-	-	3,167	3,337

**General takaful fund**

Group	Receivables RM'000	Financial assets RM'000	Total RM'000
<b>2011</b>			
At 31 March 2010, previously stated	1,080	394	1,474
Effect of adoption of FRS 4	867	-	867
At 31 March 2010, restated	1,947	394	2,341
Recognised in:			
Income statement	(812)	5	(807)
Other comprehensive income	-	36	36
At 31 March 2011	1,135	435	1,570
<b>2010</b>			
At 1 April 2009, previously stated	1,716	924	2,640
Effect of adoption of FRS 4	687	-	687
At 1 April 2009, restated	2,403	924	3,327
Recognised in:			
Income statement	(456)	(50)	(506)
Other comprehensive income	-	(480)	(480)
At 31 March 2010	1,947	394	2,341

**NOTES TO THE FINANCIAL STATEMENTS**

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**17. DEFERRED TAX (CONTD.)**

The components and movements of deferred tax assets/(liabilities) during the financial year are as follows (Contd.):

**Family takaful fund**

Group	Receivables RM'000	Financial assets RM'000	Total RM'000
<b>2011</b>			
At 1 April 2010	(1,803)	(501)	(2,304)
Recognised in:			
Income statement	599	(255)	344
Other comprehensive income	-	(175)	(175)
At 31 March 2011	(1,204)	(931)	(2,135)
<b>2010</b>			
At 1 April 2009	-	(253)	(253)
Recognised in:			
Income statement	(1,803)	24	(1,779)
Other comprehensive income	-	(272)	(272)
At 31 March 2010	(1,803)	(501)	(2,304)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

**18. INVESTMENT IN SUBSIDIARIES**

	Company	
	2011 RM'000	2010 RM'000
<b>Shareholders' fund</b>		
Unquoted shares, at cost:		
In Malaysia	795,000	795,000
Less: Impairment loss	(6,869)	-
Outside Malaysia	788,131	795,000
	6,370	6,370
	794,501	801,370

**NOTES TO THE FINANCIAL STATEMENTS**

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**18. INVESTMENT IN SUBSIDIARIES (CONTD.)**

Details of the subsidiaries are as follows:

Name of Subsidiaries	Country of incorporation	Principal activities	Effective ownership interest	
			2011 %	2010 %
Malaysian Reinsurance Berhad	Malaysia	Underwriting of all classes of general reinsurance business	100	100
Takaful Ikhlas Sdn. Bhd.	Malaysia	Management of family, general and takaful investment-linked business	100	100
MNRB Retakaful Berhad	Malaysia	Management of family and general retakaful business	100	100
MMIP Services Sdn. Bhd.	Malaysia	Managing the Malaysian Motor Insurance Pool to provide motor insurance to vehicle owners who are unable to obtain insurance protections for their vehicles	100	100
Malaysian Re (Dubai) Ltd.*	Dubai, United Arab Emirates	Marketing and promotional activities and servicing of clients on behalf of Malaysian Re	100	100

\* Audited by a firm of chartered accountants other than Ernst &amp; Young.

The impairment loss of RM6,869,000 was made in respect of retakaful subsidiary, which has recorded a net loss in the current year, due mainly to the impairment of Qard provided to the general retakaful fund. The impairment loss also resulted in the total shareholder's equity of the retakaful subsidiary being lower than issued and paid-up share capital.

**19. INVESTMENT IN ASSOCIATES**

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>General reinsurance and shareholders' funds</b>				
Unquoted shares in Malaysia, at cost	77,615	77,615	1,957	1,957
Share of post acquisition retained profits	24,808	22,120	-	-
Post acquisition foreign exchange translation reserve*	15,119	22,533	-	-
	<b>117,542</b>	<b>122,268</b>	<b>1,957</b>	<b>1,957</b>
Represented by:				
Share of net assets	117,542	122,268	1,957	1,957

**NOTES TO THE FINANCIAL STATEMENTS**

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**19. INVESTMENT IN ASSOCIATES (CONTD.)**

Details of the associates which are all incorporated in Malaysia are as follows:

Name of associates	Year end	Principal activities	Proportion of ownership interest and voting power	
			2011 %	2010 %
<b>Held by the Company:</b>				
Motordata Research Consortium Sdn. Bhd.	31 December	Development and provision of a centralised motor parts price database for the Malaysian insurance industry	40	40
<b>Held by Malaysian Re:</b>				
Labuan Reinsurance (L) Ltd. ("Labuan Re")	31 December	Underwriting of all classes of general reinsurance business in the Federal Territory of Labuan	20	20

\* This is in respect of retranslation of the cost of the investment in Labuan Re at the rate of exchange prevailing at the reporting date.

The financial statements of the above associates are not co-terminous with those of the Group. For the purpose of applying the equity method of accounting, the audited financial statements of the associates for the year ended 31 December 2010 and management financial statements to the end of the accounting period of 31 March 2011 have been used.

The summarised financial information of the associates are as follows:

	2011 RM'000	2010 RM'000
<b>Assets and liabilities:</b>		
Current assets	1,481,973	1,510,064
Non-current assets	36,965	39,409
Total assets	1,518,938	1,549,473
Current liabilities	24,213	23,734
Non-current liabilities	907,387	897,751
Total liabilities	931,600	921,485
<b>Results:</b>		
Revenue	773,901	907,505
Profit for the year	32,671	69,299

**NOTES TO THE FINANCIAL STATEMENTS**

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**20. FINANCIAL ASSETS**

The following table summarises the carrying values of financial assets of the Group and the Company:

	← Group →					Company
	General reinsurance and shareholders' fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	General retakaful fund RM'000	Family retakaful fund RM'000	Shareholder's fund RM'000
<b>2011</b>						
At carrying value:						
Malaysian government securities	100,414	-	-	-	-	-
Government investment issues	87,653	50,940	163,241	4,004	3,007	-
Islamic BNM monetary notes	4,996	-	-	-	-	-
Debt securities	764,400	106,933	328,174	6,369	4,349	6,967
Equity securities	111,820	9,757	17,820	70	35	2,602
Institutional trust deposit	58,595	-	18,592	-	-	-
Shariah approved unit trust funds	-	5,888	8,585	-	-	-
Structured products	12,019	-	-	-	-	-
Fixed and call deposits	560,810	-	-	-	-	4,069
Islamic investment accounts	230,444	50,826	150,869	10,562	7,706	3,813
Islamic repo placements	12,668	5,814	113,967	-	-	-
Units held in investment-linked fund	10,000	-	-	-	-	-
Other loans and receivables	162,057	3,809	18,861	34,531	118	2,877
	2,115,876	233,967	820,109	55,536	15,215	20,328
<b>2010</b>						
At carrying value:						
Malaysian government securities	117,770	-	-	-	-	-
Government investment issues	46,689	38,719	173,836	-	3,014	-
Islamic BNM monetary notes	5,998	-	-	-	-	-
Debt securities	507,718	44,765	221,485	5,995	500	6,967
Equity securities	159,278	11,661	29,610	297	297	5,025
Institutional trust deposit	55,887	-	17,732	-	-	-
Shariah approved unit trust funds	-	-	3,850	-	-	-
Structured products	46,256	-	-	-	-	-
Fixed and call deposits	527,929	-	-	-	-	16,900
Islamic investment accounts	245,210	68,724	141,612	15,418	8,783	-
Islamic repo placements	37,689	51,202	57,234	-	-	-
Units held in investment-linked fund	5,000	-	-	-	-	-
Other loans and receivables	153,134	1,555	4,623	23,427	51	4,329
	1,908,558	216,626	649,982	45,137	12,645	33,221

**NOTES TO THE FINANCIAL STATEMENTS**

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**20. FINANCIAL ASSETS (CONTD.)**

	← Group →				
	General reinsurance and shareholders' fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	General retakaful fund RM'000	Family retakaful fund RM'000
<b>2011</b>					
<b>(a) Financial assets at FVTPL</b>					
At fair value:					
Quoted Shariah approved equities in Malaysia	2,878	1,090	1,832	70	35
Structured products	12,019	-	-	-	-
Warrants	15	15	-	-	-
	14,912	1,105	1,832	70	35

	← Group →					Company
	General reinsurance and shareholders' fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	General retakaful fund RM'000	Family retakaful fund RM'000	Shareholders' fund RM'000
<b>(b) HTM investments</b>						
(i) At amortised cost/cost:						
Islamic BNM monetary notes	4,996	-	-	-	-	-
Malaysian government securities	100,414	-	-	-	-	-
Unquoted corporate debt securities:						
Government guaranteed	65,041	-	-	-	-	-
Secured	37,719	-	-	-	701	6,967
Government investment issues	87,653	50,940	163,241	4,004	3,007	-
Short term commercial papers	14,534	-	-	-	-	-
Islamic commercial papers	2,992	-	-	-	-	-
Unquoted Islamic private debt securities:						
Government guaranteed	15,026	14,324	24,103	-	-	-
Unsecured	1,383	2,004	25,043	-	-	-
	329,758	67,268	212,387	4,004	3,708	6,967

## NOTES TO THE FINANCIAL STATEMENTS

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## 20. FINANCIAL ASSETS (CONTD.)

	← Group →					Company
	General reinsurance and shareholders' fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	General retakaful fund RM'000	Family retakaful fund RM'000	Shareholders' fund RM'000
<b>2011 (Contd.)</b>						
<b>(b) HTM investments (Contd.)</b>						
(ii) <u>At fair value:</u>						
Islamic BNM						
Monetary notes	4,996	-	-	-	-	-
Malaysian government securities	100,842	-	-	-	-	-
Unquoted corporate debt securities:						
Government guaranteed	65,602	-	-	-	-	-
Secured	38,115	-	-	-	704	6,967
Government investment issues	88,092	51,521	164,112	4,062	2,998	-
Short term commercial papers	14,545	-	-	-	-	-
Islamic commercial papers	2,993	-	-	-	-	-
Malaysian Islamic treasury bills	-	-	-	-	-	-
Unquoted islamic private debt securities:						
Government guaranteed	15,087	14,383	24,164	-	-	-
Unsecured	1,495	2,036	25,542	-	-	-
	331,767	67,940	213,818	4,062	3,702	6,967

**(c) AFS financial assets**At fair value:

Unquoted secured corporate debt securities	571,948	-	-	-	-	-
Islamic private debt securities	-	-	-	6,369	3,648	-
Unquoted shares in Malaysia <sup>(i)</sup>	46,152	-	-	-	-	1,649
Golf club memberships	228	-	-	-	-	50
Quoted shares in Malaysia:						
Shariah approved equities	38,383	8,652	15,988	-	-	-
Others	23,823	-	-	-	-	903
Quoted shares outside Malaysia	341	-	-	-	-	-
Shariah approved unit trust funds	-	5,888	8,585	-	-	-
Unquoted unsecured Islamic private debt securities	55,757	90,605	279,028	-	-	-
	736,632	105,145	303,601	6,369	3,648	2,602

**NOTES TO THE FINANCIAL STATEMENTS**

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**20. FINANCIAL ASSETS (CONTD.)**

	←———— Group —————→					Company
	General reinsurance and shareholders' fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	General retakaful fund RM'000	Family retakaful fund RM'000	Shareholders' fund RM'000
<b>2011 (Contd.)</b>						
<b>(d) Loans and receivables</b>						
<i>At amortised cost/cost/fair value:</i>						
Fixed and call deposits with licensed:						
Commercial banks	129,776	-	-	-	-	3,069
Investment banks	431,034	-	-	-	-	1,000
Islamic investment accounts with licensed:						
Co-operative bank	81,451	-	-	-	3,618	-
Islamic banks	127,252	32,249	90,006	10,562	4,088	3,813
Investment banks	-	-	1,507	-	-	-
Development bank	13,472	18,577	59,356	-	-	-
Building society	8,269	-	-	-	-	-
Institutional trust deposit	58,595	-	18,592	-	-	-
Islamic repo placements	12,668	5,814	113,967	-	-	-
Units held in investment-linked fund	10,000	-	-	-	-	-
Secured staff loans	12,618	-	-	-	-	2,334
Qard given to <sup>(ii)</sup> :						
General takaful fund	12,043	-	-	-	-	-
General retakaful fund <sup>(iii)</sup> (net of impairment loss of RM14.6 million)	36,295	-	-	-	-	-
Due from <sup>(iv)</sup> :						
General takaful fund	2,739	-	12,970	-	-	-
Family takaful fund	29,110	-	-	-	-	-
Family retakaful fund	11,120	-	-	-	-	-
Shareholder's fund	-	-	-	34,343	-	-
Subsidiaries	-	-	-	-	-	459
Holding company	-	-	5,247	-	-	-
Income due and accrued	16,213	2,160	199	188	118	26
Due from insurance Pool accounts	19,971	-	-	-	-	-
Other receivables and deposits	21,948	1,649	445	-	-	58
	1,034,574	60,449	302,289	45,093	7,824	10,759

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

## 20. FINANCIAL ASSETS (CONTD.)

	← Group →		
	General reinsurance and shareholders' fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
<b>2010</b>			
<b>(a) Financial assets at FVTPL</b>			
<u>At fair value:</u>			
Quoted shares in Malaysia:			
Shariah approved equities	4,265	1,411	17,923
Others	564	-	-
Structured products	46,256	-	-
Warrants	230	118	-
	51,315	1,529	17,923

	← Group →					Company
	General reinsurance and shareholders' fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	General retakaful fund RM'000	Family retakaful fund RM'000	Shareholders' fund RM'000
<b>2010 (Contd.)</b>						
<b>(b) HTM investments</b>						
<u>At amortised cost/cost:</u>						
Islamic BNM						
Monetary notes	5,998	-	-	-	-	-
Malaysian government securities	117,770	-	-	-	-	-
Unquoted corporate debt securities:						
Government guaranteed	45,057	-	-	-	-	-
Secured	57,677	-	-	-	-	6,967
Government investment issues	46,689	38,719	173,836	-	3,014	-
Short term commercial papers	19,480	-	-	-	-	-
Islamic commercial papers	2,994	-	-	-	-	-
Malaysian Islamic treasury bills	999	-	-	4,995	-	-
Unquoted Islamic private debt securities:						
Government guaranteed	-	-	8,933	-	-	-
Unsecured	385	2,006	23,027	-	-	-
	297,049	40,725	205,796	4,995	3,014	6,967

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

## 20. FINANCIAL ASSETS (CONTD.)

	← Group →					Company
	General reinsurance and shareholders' fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	General retakaful fund RM'000	Family retakaful fund RM'000	Shareholders' fund RM'000
<b>2010 (Contd.)</b>						
<b>(b) HTM investments (Contd.)</b>						
<i>At fair value:</i>						
Islamic BNM monetary notes	5,997	-	-	-	-	-
Malaysian government securities	118,684	-	-	-	-	-
Unquoted corporate debt securities:						
Government guaranteed	45,325	-	-	-	-	-
Secured	58,307	-	-	-	-	6,967
Government investment issues	47,004	38,904	174,248	-	3,013	-
Short term commercial papers	19,478	-	-	-	-	-
Islamic commercial papers	2,994	-	-	-	-	-
Malaysian Islamic treasury bills	999	-	-	4,993	-	-
Unquoted Islamic private debt securities:						
Government guaranteed	-	-	8,795	-	-	-
Unsecured	385	2,032	23,490	-	-	-
	299,173	40,936	206,533	4,993	3,013	6,967

**(c) AFS financial assets***At fair value:*

Unquoted secured corporate debt securities	353,601	-	-	-	-	-
Islamic private debt securities	-	-	-	1,000	500	-
Quoted shares outside Malaysia	343	-	-	-	-	-
Unquoted shares in Malaysia <sup>(i)</sup>	49,478	-	-	-	-	4,975
Golf club memberships	110	-	-	-	-	50
Quoted shares in Malaysia:						
Shariah approved equities	33,402	10,132	11,687	297	297	-
Others	70,886	-	-	-	-	-
Shariah approved unit trust funds	-	-	3,850	-	-	-
Unquoted unsecured Islamic private debt securities	27,525	42,759	189,525	-	-	-
	535,345	52,891	205,062	1,297	797	5,025

## NOTES TO THE FINANCIAL STATEMENTS

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## 20. FINANCIAL ASSETS (CONTD.)

	←———— Group —————→					Company
	General reinsurance and shareholders' fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	General retakaful fund RM'000	Family retakaful fund RM'000	Shareholders' fund RM'000
<b>2010 (Contd.)</b>						
<b>(d) Loans and receivables</b>						
<i>At amortised cost/cost/fair value:</i>						
Fixed and call deposits with licensed:						
Commercial banks	357,548	-	-	-	-	16,900
Investment banks	170,381	-	-	-	-	-
Islamic investment accounts with licensed:						
Co-operative bank	60,192	-	-	1,500	1,817	-
Islamic banks	148,024	35,100	63,150	13,918	6,966	-
Investment banks	13,039	7,960	72,425	-	-	-
Development bank	4,631	4,926	6,037	-	-	-
Building society	19,324	20,738	-	-	-	-
Institutional trust deposit	55,887	-	17,732	-	-	-
Islamic repo placements	37,689	51,202	57,234	-	-	-
Units held in investment-linked fund	5,000	-	-	-	-	-
Secured staff loans	14,692	-	-	-	-	2,787
Qard given to <sup>(iii)</sup> :						
- General takaful fund	12,043	-	-	-	-	-
- General retakaful fund	38,190	-	-	-	-	-
Due from <sup>(iv)</sup> :						
General takaful fund	11,594	-	522	-	-	-
Family takaful fund	13,469	-	-	-	-	-
Family retakaful fund	10,856	-	-	-	-	-
Shareholder's fund	-	-	-	23,410	-	-
Subsidiaries	-	-	-	-	-	1,219
Holding company	-	-	363	-	-	-
Income due and accrued	12,419	1,152	3,724	17	51	23
Due from insurance Pool accounts	16,995	-	-	-	-	-
Other receivables and deposits	22,876	403	14	-	-	300
	1,024,849	121,481	221,201	38,845	8,834	21,229

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**20. FINANCIAL ASSETS (CONTD.)****(d) Loans and receivables (Contd.)**

The carrying values of loans and receivables approximate their fair values as they are either receivable within 12 months from the date of recognition or are issued at interest / profit rates comparable to those for similar instruments issued in the market.

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

	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
- 27,500,000 ordinary shares of RM1.00 each of Financial Park (Labuan) Sdn. Bhd. ("FPL"), representing an equity shareholding of 9%. Less: Impairment loss	28,283 (4,759)	28,283 (4,759)
	<hr/> 23,524	<hr/> 23,524
20,000,000 redeemable preference shares of RM1.00 each of FPL	20,569	20,569
	<hr/> 44,093	<hr/> 44,093
- 410,000 ordinary shares of Malaysian Rating Corporation Berhad ("MARC") of RM1.00 each, representing an equity shareholding of 4%.	410	410
	<hr/> 44,503	<hr/> 44,503
	<hr/> <hr/>	<hr/> <hr/>

- (ii) Qard represents a loan to the general takaful and general retakaful funds to make good any underwriting deficit experienced during a financial period. The amount is unsecured, not subject to any profit elements and has no fixed terms of repayment. The management expects to recover the balance from the future profits of general takaful and general retakaful funds.
- (iii) The impairment loss on Qard given to the general retakaful fund was made during the current financial year on account of continued underwriting losses being experienced. The impaired amount represents the balance that is expected not to be recoverable, based on future business projections of the general retakaful fund, by the directors of the company.
- (iv) These amounts are non-trade in nature, are unsecured, not subject to any interest/profit elements and repayable on demand.

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**20. FINANCIAL ASSETS (CONTD.)**

The following tables show financial assets recorded at fair value analysed by the different bases of fair values as follows:

Group	Financial assets at FVTPL RM'000	2011 AFS financial assets RM'000	Total RM'000	Financial assets at FVTPL RM'000	2010 AFS financial assets RM'000	Total RM'000
<b>General reinsurance and shareholders' funds</b>						
Quoted market price	2,893	62,547	65,440	5,059	104,631	109,690
Valuation techniques - market observable inputs	12,019	627,705	639,724	46,256	381,126	427,382
At cost less impairment	-	46,380	46,380	-	49,588	49,588
	14,912	736,632	751,544	51,315	535,345	586,660
<b>General takaful fund</b>						
Quoted market price	1,105	8,652	9,757	1,529	10,132	11,661
Valuation techniques - market observable inputs	-	96,493	96,493	-	42,759	42,759
	1,105	105,145	106,250	1,529	52,891	54,420
<b>Family takaful fund</b>						
Quoted market price	1,832	15,988	17,820	17,923	11,687	29,610
Valuation techniques - market observable inputs	-	287,613	287,613	-	193,375	193,375
	1,832	303,601	305,433	17,923	205,062	222,985

**NOTES TO THE FINANCIAL STATEMENTS**

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**20. FINANCIAL ASSETS (CONTD.)**

	Financial assets at FVTPL RM'000	2011 AFS financial assets RM'000	Total RM'000	Financial assets at FVTPL RM'000	2010 AFS financial assets RM'000	Total RM'000
<b>Group (Contd.)</b>						
<b>General retakaful fund</b>						
Quoted market price	70	-	70	-	297	297
Valuation techniques - market observable inputs	-	6,369	6,369	-	1,000	1,000
	70	6,369	6,439	-	1,297	1,297
<b>Family retakaful fund</b>						
Quoted market price	35	-	35	-	297	297
Valuation techniques - market observable inputs	-	3,648	3,648	-	500	500
	35	3,648	3,683	-	797	797
<b>Company</b>						
<b>Shareholders' funds</b>						
Quoted market price	-	903	903	-	-	-
At cost less impairment	-	1,699	1,699	-	5,025	5,025
	-	2,602	2,602	-	5,025	5,025

**NOTES TO THE FINANCIAL STATEMENTS**

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**21. INSURANCE/TAKAFUL CONTRACT LIABILITIES****(a) General reinsurance and shareholders' funds**

	2011			2010		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Claim liabilities <sup>(i)</sup>	1,131,439	(128,201)	1,003,238	1,073,150	(123,025)	950,125
Premium liabilities <sup>(ii)</sup>	260,638	(18,396)	242,242	240,142	(29,627)	210,515
Expense liabilities <sup>(iii)</sup>	20,630	-	20,630	20,110	-	20,110
	1,412,707	(146,597)	1,266,110	1,333,402	(152,652)	1,180,750

  

	2009		
	Gross RM'000	Reinsurance RM'000	Net RM'000
Claim liabilities <sup>(i)</sup>	895,294	(144,884)	750,410
Premium liabilities <sup>(ii)</sup>	384,079	(44,914)	339,165
Expense liabilities <sup>(iii)</sup>	23,487	-	23,487
	1,302,860	(189,798)	1,113,062

The movement of insurance / takaful contract liabilities of the General reinsurance and shareholders' funds of the Group are as follows:

	2011			2010		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
<b>(i) Claim liabilities</b>						
At beginning of the year	1,073,150	(123,025)	950,125	895,294	(144,884)	750,410
Adjustment to claims incurred:						
- Outstanding reserves for current underwriting year	140,486	(26,973)	113,513	103,720	(2,570)	101,150
- Movements in outstanding reserve from prior underwriting years	514,534	(19,441)	495,093	659,946	(148,173)	511,773
- Movement in IBNR and PRAD	(113)	1,050	937	17,121	106,675	123,796
- Claims paid during the year	(596,618)	40,188	(556,430)	(602,931)	65,927	(537,004)
At end of the year	1,131,439	(128,201)	1,003,238	1,073,150	(123,025)	950,125

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**21. INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONTD.)****(a) General reinsurance and shareholders' funds (Contd.)**

The movement of insurance / takaful contract liabilities of the General reinsurance and shareholders' funds of the Group are as follows:

	2011			2010		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
<b>(ii) Premium liabilities</b>						
At beginning of the year	240,142	(29,627)	210,515	384,079	(44,914)	339,165
Premiums written in the year	1,172,385	(114,718)	1,057,667	1,091,186	(131,707)	959,479
Premiums earned during the year	(1,151,889)	125,949	(1,025,940)	(1,235,123)	146,994	(1,088,129)
At end of the year	260,638	(18,396)	242,242	240,142	(29,627)	210,515

	2011 Gross/net RM'000	2010 Gross/net RM'000
<b>(iii) Expense liabilities</b>		
At beginning of the year, previously stated	-	-
Effect of adoption of FRS 4	20,110	23,487
At beginning of the year, restated	20,110	23,487
General takaful and retakaful funds:		
- Wakalah fee received during the year	65,522	63,753
- Wakalah fee earned during the year	(64,161)	(61,254)
- Movement in provision for expense deficiency	1,630	1,209
Family takaful fund:		
- Movement in provision for UER	(2,471)	(7,085)
At end of the year	20,630	20,110

	2011			2010			2009		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
<b>(b) General takaful fund</b>									
Provision for claims reported by contract holders	116,482	(23,418)	93,064	82,766	(10,170)	72,596	66,888	(13,775)	53,113
Provision for IBNR	66,597	(7,789)	58,808	46,852	(5,954)	40,898	33,635	(5,253)	28,382
Provision for PRAD	10,033	(1,203)	8,830	13,685	(1,453)	12,232	-	-	-
Claim liabilities <sup>o</sup>	193,112	(32,410)	160,702	143,303	(17,577)	125,726	100,523	(19,028)	81,495
Contribution liabilities <sup>o</sup>	98,621	(1,941)	96,680	84,951	(12,092)	72,859	84,040	(11,814)	72,226
	291,733	(34,351)	257,382	228,254	(29,669)	198,585	184,563	(30,842)	153,721

**NOTES TO THE FINANCIAL STATEMENTS**

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**21. INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONTD.)****(b) General takaful fund (Contd.)**

The movement of the general takaful contract liabilities of the Group are as follows:

	2011			2010		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
<b>(i) Claim liabilities of general takaful fund</b>						
At beginning of year	143,303	(17,577)	125,726	100,523	(19,028)	81,495
Claims incurred in the current accident year	172,075	(23,637)	148,438	137,296	(12,492)	124,804
Adjustment to claims incurred in prior accident years due to changes in assumptions:						
Change in PRAD	(3,655)	250	(3,405)	13,685	(1,453)	12,232
Change in Expected Ultimate Loss Ratio	(17,330)	741	(16,589)	(20,606)	5,289	(15,317)
Movements in claims incurred in prior accident years	3,155	818	3,973	(4)	747	743
Claims paid during the year	(104,436)	6,995	(97,441)	(87,591)	9,360	(78,231)
At end of the year	193,112	(32,410)	160,702	143,303	(17,577)	125,726

**(ii) Contribution liabilities of general takaful fund**

At beginning of the year	84,951	(12,092)	72,859	84,040	(11,814)	72,226
Contributions written in the year	224,196	(22,398)	201,798	217,230	(25,525)	191,705
Contributions earned during the year	(210,526)	32,549	(177,977)	(216,319)	25,247	(191,072)
At end of the year	98,621	(1,941)	96,680	84,951	(12,092)	72,859

**(c) Family takaful fund<sup>(m)</sup>**

	2011			2010			2009		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Provision for claims reported by contract holders	33,668	(24,395)	9,273	30,013	(7,855)	22,158	18,406	(4,609)	13,797
Participants' Account ("PA")	916,304	(91,770)	824,534	683,746	(60,015)	623,731	609,830	(128,704)	481,126
Participants' Special Account ("PSA")	51,868	(21,218)	30,650	89,141	(37,941)	51,200	13,092	-	13,092
	1,001,840	(137,383)	864,457	802,900	(105,811)	697,089	641,328	(133,313)	508,015

**NOTES TO THE FINANCIAL STATEMENTS**

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**21. INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONTD.)****(c) Family takaful fund (Contd.)**

The movement of the family takaful contract liabilities of the Group are as follows:

	<b>Gross RM'000</b>	<b>2011 Retakaful RM'000</b>	<b>Net RM'000</b>	<b>Gross RM'000</b>	<b>2010 Retakaful RM'000</b>	<b>Net RM'000</b>
<b>(i) Family takaful fund</b>						
At beginning of the year	802,900	(105,811)	697,089	641,328	(133,313)	508,015
Increase in PA reserve	232,558	(31,755)	200,803	73,916	68,689	142,605
Benefits and claims experience variation	3,655	(16,540)	(12,885)	11,607	(3,246)	8,361
Increase/(decrease) in participants' risk fund	(252,036)	64,622	(187,414)	(63,442)	(60,797)	(124,239)
Contributions received	486,530	(44,244)	442,286	357,610	8,807	366,417
Benefits paid for death, maturities, surrenders, benefits and claims	(117,700)	(3,655)	(121,355)	(92,780)	14,049	(78,731)
Fees deducted	(149,726)	-	(149,726)	(124,607)	-	(124,607)
Transfer to shareholder's fund	(4,341)	-	(4,341)	(732)	-	(732)
	<b>1,001,840</b>	<b>(137,383)</b>	<b>864,457</b>	<b>802,900</b>	<b>(105,811)</b>	<b>697,089</b>

**(d) General retakaful fund**

	<b>Gross RM'000</b>	<b>2011 Retakaful RM'000</b>	<b>Net RM'000</b>	<b>Gross RM'000</b>	<b>2010 Retakaful RM'000</b>	<b>Net RM'000</b>
Claim liabilities <sup>(i)</sup>	54,582	(6,837)	47,745	42,254	(8,772)	33,482
Contribution liabilities <sup>(ii)</sup>	18,928	(531)	18,397	14,725	(2,591)	12,134
	<b>73,510</b>	<b>(7,368)</b>	<b>66,142</b>	<b>56,979</b>	<b>(11,363)</b>	<b>45,616</b>

	<b>Gross RM'000</b>	<b>2009 Retakaful RM'000</b>	<b>Net RM'000</b>
Claim liabilities <sup>(i)</sup>	27,584	(9,351)	18,233
Contribution liabilities <sup>(ii)</sup>	9,064	(2,466)	6,598
	<b>36,648</b>	<b>(11,817)</b>	<b>24,831</b>

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**21. INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONTD.)****(d) General retakaful fund (Contd.)**

The movement of the general retakaful contract liabilities of the Group are as follows:

	Gross RM'000	2011 Retakaful RM'000	Net RM'000	Gross RM'000	2010 Retakaful RM'000	Net RM'000
<b>(i) Claim liabilities</b>						
At beginning of the year	42,254	(8,772)	33,482	27,584	(9,351)	18,233
Adjustment to claims incurred in prior accident years due to changes in assumptions:						
- Movements in outstanding reserves	20,941	1,219	22,160	24,429	(1,617)	22,812
- Movement in IBNR	4,023	(143)	3,880	4,029	(194)	3,835
- Claims paid during the year	(12,636)	859	(11,777)	(13,788)	2,390	(11,398)
At end of the year	54,582	(6,837)	47,745	42,254	(8,772)	33,482
<b>(ii) Contribution liabilities</b>						
At beginning of the year	14,725	(2,591)	12,134	9,064	(2,466)	6,598
Contributions written in the year	43,772	(6,898)	36,874	37,285	(9,847)	27,438
Contributions earned during the year	(39,569)	8,958	(30,611)	(31,624)	9,722	(21,902)
At end of the year	18,928	(531)	18,397	14,725	(2,591)	12,134

**(e) Family retakaful fund**Actuarial liabilities of the family retakaful fund

	Gross RM'000	Retakaful RM'000	Net RM'000
At 1 April 2009	341	(32)	309
At 31 March 2010	1,778	(661)	1,117
At 31 March 2011	2,494	(656)	1,838

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**21. INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONTD.)****(e) Family retakaful fund (Contd.)**

The movement of the family retakaful contract liabilities of the Group are as follows:

<b>Takaful contract liabilities</b>	<b>Gross RM'000</b>	<b>2011 Retakaful RM'000</b>	<b>Net RM'000</b>	<b>Gross RM'000</b>	<b>2010 Retakaful RM'000</b>	<b>Net RM'000</b>
At beginning of the year	1,778	(661)	1,117	341	(32)	309
Adjustments due to changes in assumptions:						
Mortality	564	33	597	1,406	(630)	776
Dread diseases	116	(31)	85	-	-	-
Personal accident / disability	(1)	-	(1)	(2)	1	(1)
Others	2	3	5	(8)	-	(8)
Movement in special reserve	35	-	35	41	-	41
	<b>2,494</b>	<b>(656)</b>	<b>1,838</b>	<b>1,778</b>	<b>(661)</b>	<b>1,117</b>

**22. INSURANCE AND TAKAFUL RECEIVABLES**

	<b>Group</b>	
	<b>2011 RM'000</b>	<b>2010 RM'000</b>
<b>General reinsurance and shareholders' funds</b>		
Amount due from brokers and ceding companies	143,993	154,893
Less: Allowance for impairment	(5,820)	(5,984)
	<b>138,173</b>	<b>148,909</b>

Included in amount due from brokers and ceding companies is an amount of RM551,000 (2010: RM356,000) due from an associate, Labuan Reinsurance (L) Ltd. The amount receivable is subject to settlement terms stipulated in the reinsurance contracts.

**General takaful fund**

	<b>Group</b>	
	<b>2011 RM'000</b>	<b>2010 RM'000</b>
Contributions receivables	33,525	45,388
Due from agents, retakaful operators and brokers	7,328	1,877
Less: Allowance for impairment	(8,055)	(11,109)
	<b>32,798</b>	<b>36,156</b>

**Family takaful fund**

Contributions receivables	84,700	39,007
Less: Allowance for impairment	(882)	(246)
	<b>83,818</b>	<b>38,761</b>

**NOTES TO THE FINANCIAL STATEMENTS**

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**22. INSURANCE AND TAKAFUL RECEIVABLES (CONTD.)**

	Group	
	2011 RM'000	2010 RM'000
<b>General retakaful fund</b>		
Due from ceding companies and brokers	15,474	8,683
Less: Allowance for impairment	(1,545)	(1,209)
	13,929	7,474
<b>Family retakaful fund</b>		
Due from ceding companies and brokers	942	1,174
Less: Allowance for impairment	(22)	-
	920	1,174

**23. NON-CURRENT ASSET HELD FOR SALE**

	Group 2011 RM'000
<b>General reinsurance and shareholders' funds</b>	
Freehold land and building transferred from investment properties (Note 14)	34,173

On 23 March 2011, a letter of offer was received and the reinsurance subsidiary entered into negotiations to dispose of a building previously classified as investment property. As at 31 March 2011, a draft sale and purchase agreement has been agreed to by management of the reinsurance subsidiary and the buyer. At the date of authorisation of these financial statements, the disposal has yet to be completed.

**24. ISLAMIC MEDIUM TERM NOTES**

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<u>At amortised cost:</u>				
RM200.0 million IMTN due in 2012	150,000	150,000	200,000	200,000

13487-A

MNRB Holdings Berhad  
(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS

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### 24. ISLAMIC MEDIUM TERM NOTES (CONTD.)

	2011 RM'000	2010 RM'000
IMTN held by subsidiaries:		
Malaysian Reinsurance Berhad	40,000	40,000
MNRB Retakaful Berhad	10,000	10,000
	<hr/> 50,000	<hr/> 50,000

Upon obtaining the approval of the Securities Commission on 21 September 2007, the Company issued RM200.0 million in nominal value of Islamic Medium Term Notes ("IMTN") under an IMTN Programme on 10 December 2007.

The IMTN Programme was issued under the Islamic financing principle of Musyarakah and has a tenure of 5 years from the date of first issuance. The tenure of the IMTN is for a period of more than 1 year up to 5 years as the Company may elect, provided that the IMTN mature prior to the expiry of the IMTN Programme. The IMTN are unsecured and carry a profit rate of 4.75% per annum. Profit is payable semi-annually in arrears from the date of issue of the IMTN with the last profit payment on the maturity date of the IMTN.

At 31 March 2011, the subsidiaries, Malaysian Reinsurance Berhad and MNRB Retakaful Berhad had invested in a total of RM50.0 million nominal value of the Company's IMTN.

### 25. INSURANCE AND TAKAFUL PAYABLES

	Group	
	2011 RM'000	2010 RM'000
<b>General reinsurance and shareholders' funds</b>		
Due to brokers and retrocessionaires	51,896	63,119
Due to agents, retakaful operators and brokers	13,498	15,873
	<hr/> 65,394	<hr/> 78,992

Included in amount due to brokers and retrocessionaires is an amount of RM183,000 (2010: RM672,000) due to an associate, Labuan Reinsurance (L) Ltd. The amount payable is subject to settlement terms stipulated in the reinsurance contracts.

**NOTES TO THE FINANCIAL STATEMENTS**

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**25. INSURANCE AND TAKAFUL PAYABLES (CONTD.)**

	Group	
	2011 RM'000	2010 RM'000
<b>General takaful fund</b>		
Due to agents and retakaful operators	7,932	5,641
<b>Family takaful fund</b>		
Due to agents and retakaful operators	34,406	19,464
<b>General retakaful fund</b>		
Due to agents, retakaful operators and co-insurers	3,250	5,480
<b>Family retakaful fund</b>		
Due to agents, retakaful operators and co-insurers	2,007	895

**26. OTHER PAYABLES**

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>General reinsurance and shareholders' funds</b>				
Due to general retakaful fund *	34,343	23,410	-	-
Outstanding commissions	15,457	6,031	-	-
Provisions	34,076	22,798	10,562	9,898
Amount due to subsidiaries *	-	-	-	1,560
Sundry payables and accruals	10,983	24,707	3,364	3,633
	94,859	76,946	13,926	15,091

\* The amount due to subsidiaries are non-trade in nature, unsecured, not subject to any profit / interest elements and have no fixed terms of repayment.

**NOTES TO THE FINANCIAL STATEMENTS**

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**26. OTHER PAYABLES (CONTD.)**

	Group	
	2011 RM'000	2010 RM'000
<b>General takaful fund</b>		
Deposit contributions	-	11,181
Advance contributions	-	2,844
Amount due to shareholders' fund *	2,739	11,594
Amount due to family takaful fund *	12,970	522
Other accruals and payables	23,765	16,773
	39,474	42,914
<b>Family takaful fund</b>		
Deposit contributions	30,232	20,881
Amount due to shareholders' fund *	28,932	13,400
Amount due to takaful investment-linked fund *	3	118
Other accruals and payables	6,587	4,086
	65,754	38,485
<b>Family retakaful fund</b>		
Amount due to shareholders' fund *	11,120	10,857

\* These amounts are non-trade in nature, unsecured, not subject to any interest / profit elements and are repayable upon demand.

**27. SHARE CAPITAL**

	Number of ordinary shares of RM1.00 each		Amount	
	2011 '000	2010 '000	2011 RM'000	2010 RM'000
Authorised	500,000	500,000	500,000	500,000
Issued and fully paid:				
At beginning and end of the year	213,070	213,070	213,070	213,070

**NOTES TO THE FINANCIAL STATEMENTS**

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**28. RETAINED PROFITS**

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividends paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances.

Companies also have an irrevocable option to disregard their accumulated tax credits under Section 108 of the Income Tax Act, 1967 ("Section 108 balance") and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Company may utilise the credits in the Section 108 balance as at 31 December 2007 to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act 2007. The Company also has tax exempt income available for distribution of approximately RM60,461,000 (2010: RM60,251,000) as at 31 March 2011. As at 31 March 2011, the Company has sufficient tax credits in the Section 108 balance to pay franked dividends out of its entire retained earnings.

**29. GENERAL TAKAFUL FUND**

	<b>Group</b>	
	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Accumulated deficit</b>		
At beginning of the year, previously stated	(4,730)	(14,102)
Effects of adoption of FRS 4	(2,602)	(2,059)
	<hr/>	<hr/>
At beginning of the year, restated	(7,332)	(16,161)
Net surplus of the general takaful fund	4,445	10,270
Transfer from special fund	-	(1,361)
Hibah (profit) paid to participants during the year	(1)	(80)
	<hr/>	<hr/>
At end of the year	(2,888)	(7,332)
	<hr/>	<hr/>
<b>Qard</b>		
At beginning of the year	12,043	18,043
Decrease in Qard	-	(6,000)
	<hr/>	<hr/>
At end of the year	12,043	12,043
	<hr/>	<hr/>
<b>AFS reserves</b>		
At beginning of the year	1,482	40
Net gain on fair value changes	2,287	2,152
Realised gain transferred to income statement	(2,467)	(230)
Deferred tax on fair value changes	36	(480)
	<hr/>	<hr/>
At end of the year	1,338	1,482
	<hr/>	<hr/>
<b>General takaful fund at end of the year</b>		
Accumulated deficit	(2,888)	(7,332)
Qard	12,043	12,043
AFS reserves	1,338	1,482
	<hr/>	<hr/>
	10,493	6,193
	<hr/>	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**29. GENERAL TAKAFUL FUND (CONTD.)**

Qard is a benevolent loan provided by the shareholders' fund to the general takaful fund. It does not have any profit elements, is unsecured and is repayable out of future surpluses of the fund.

**30. FAMILY TAKAFUL FUND**

	Group	
	2011 RM'000	2010 RM'000
At beginning of the year	43,187	2,981
Effect of adopting FRS 4 (Note 2.27)	-	1,495
At beginning of the year, as restated	43,187	4,476
Available-for-sale net gains on fair value changes	9,482	3,927
Deferred tax effect on fair value changes on AFS financial assets	(175)	(272)
Realised loss on AFS financial assets transferred to other comprehensive income	(7,458)	(523)
Transfer to special fund	(698)	(87)
Surplus for the year	238,365	196,199
Increase in reserve	(180,354)	(160,533)
At end of the year	102,349	43,187

**31. GENERAL RETAKAFUL FUND**

	Group	
	2011 RM'000	2010 RM'000
<b>Accumulated deficit</b>		
At beginning of the year, previously stated	(38,190)	(16,171)
Effects of adoption of FRS 4	1,633	706
At beginning of the year, restated	(36,557)	(15,465)
Net deficit of the general retakaful fund	(14,369)	(21,092)
At end of the year	(50,926)	(36,557)
<b>Qard</b>		
At beginning of the year	38,190	16,171
Increase in Qard	12,736	22,019
At end of the year	50,926	38,190

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**31. GENERAL RETAKAFUL FUND (CONTD.)**

	Group	
	2011 RM'000	2010 RM'000
<b>AFS reserves</b>		
At beginning of the year	12	-
Net (loss)/gain on fair value changes	(36)	16
Realised gain transferred to income statement	113	-
Deferred tax on fair value changes	(19)	(4)
At end of the year	70	12
<b>General retakaful fund at end of the year</b>		
Accumulated deficit	(50,926)	(36,557)
Qard*	50,926	38,190
AFS reserves	70	12
	70	1,645

\* Qard is a benevolent loan provided by the shareholders' fund to make good the current year underwriting deficit experienced by the general retakaful fund. It does not have any profit elements, is unsecured and is repayable out of future surpluses of the fund.

**32. FAMILY RETAKAFUL FUND**

	Group	
	2011 RM'000	2010 RM'000
<b>Accumulated surplus</b>		
At beginning of the year	943	403
Net surplus of the family retakaful fund	1,095	1,348
Increase in takaful contract liabilities	(721)	(808)
At end of the year	1,317	943
<b>AFS reserves</b>		
At beginning of the year	12	-
Net (loss)/gain on fair value changes	(92)	16
Realised gain transferred to income statement	114	-
Deferred tax on fair value changes	(5)	(4)
At end of the year	29	12
<b>Family retakaful fund at end of the year</b>		
Accumulated surplus	1,317	943
AFS reserves	29	12
	1,346	955

**NOTES TO THE FINANCIAL STATEMENTS**

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**33. INVESTMENT-LINKED FUND****(a) Income statement**

	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Income</b>		
Investment income (Note (c))	516	227
Realised gains and losses (Note (d))	4,660	2,471
Financial assets at FVTPL's fair value gains and losses	3,342	1,067
Retakaful commission income	21	-
	<hr/> 8,539	<hr/> 3,765
<b>Outgo</b>		
Gross benefits paid representing net claims	(6,255)	(1,112)
Fee expenses (Note (e))	(7,407)	(5,561)
Other operating expenses	(966)	(255)
	<hr/> (14,628)	<hr/> (6,928)
<b>Deficit of income over outgo before tax</b>	(6,089)	(3,163)
Taxation (Note (h))	(614)	(161)
<b>Deficit of income over outgo after tax</b>	<hr/> (6,703)	<hr/> (3,324)

**(b) Statement of financial position**

	<b>2011</b>	<b>2010</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Assets</b>		
Financial instruments (Note (f)):		
Financial assets at fair value through statement of comprehensive income	86,949	33,648
Loans and receivables	3,216	6,474
Takaful contracts receivables	87	64
Cash and bank balances	2,840	3,205
<b>Total Investment-linked business assets</b>	<hr/> 93,092	<hr/> 43,391
<b>Liabilities</b>		
Tax payable	505	175
Deferred tax liabilities	362	95
Other payables (Note (g))	1,998	403
<b>Total Investment-linked business liabilities</b>	<hr/> 2,865	<hr/> 673
Participants' fund	90,227	42,718
<b>Total liabilities and participants' fund</b>	<hr/> 93,092	<hr/> 43,391

**NOTES TO THE FINANCIAL STATEMENTS**

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**33. INVESTMENT-LINKED FUND (CONTD.)****(c) Investment income**

	<b>2011 RM'000</b>	<b>2010 RM'000</b>
<b>Financial assets at FVTPL:</b>		
Profit income	217	109
Dividend income		
- quoted shares in Malaysia	175	89
<b>Loans and receivables:</b>		
Profit income	124	29
	516	227

**(d) Realised gains and losses**

	<b>2011 RM'000</b>	<b>2010 RM'000</b>
<b>Financial assets at FVTPL:</b>		
Unquoted Islamic private debt securities:		
Unsecured	44	4
Quoted shares in Malaysia	227	168
Shariah approved unit trust funds	4,389	2,299
	4,660	2,471

**(e) Fee expense**

	<b>2011 RM'000</b>	<b>2010 RM'000</b>
Wakalah fees	(7,370)	(5,561)
Surplus administrative charges	(37)	-
	(7,407)	(5,561)

**NOTES TO THE FINANCIAL STATEMENTS**

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**33. INVESTMENT-LINKED FUND (CONTD.)****(f) Financial assets/investments****(i) Financial assets at FVTPL**

	<b>2011 RM'000</b>	<b>2010 RM'000</b>
<b>At amortised cost/cost:</b>		
Unquoted Islamic private debt securities:		
Government guaranteed	259	-
Unsecured	4,229	3,881
Government investment issues	701	-
Quoted shares in Malaysia:		
Shariah approved equities	8,423	2,923
Shariah approved unit trust funds	68,777	22,839
	<hr/> 82,389	<hr/> 29,643

**At fair value:**

Unquoted Islamic private debt securities:		
Government guaranteed	251	-
Unsecured	4,236	1,855
Government investment issues	698	-
Quoted shares in Malaysia:		
Shariah approved equities	8,751	4,396
Shariah approved unit trust funds	73,013	27,397
	<hr/> 86,949	<hr/> 33,648

**(ii) Loans and receivables**

	<b>2011 RM'000</b>	<b>2010 RM'000</b>
<b>At cost:</b>		
Islamic repo placements	3,237	1,694
Due from:		
General takaful fund	4	2
Family takaful fund	-	118
Income due and accrued	(25)	4,660
	<hr/> 3,216	<hr/> 6,474
<b>At fair value:</b>		
Islamic repo placements	3,237	1,694
Due from:		
General takaful fund	4	2
Family takaful fund	-	118
Income due and accrued	(25)	4,660
	<hr/> 3,216	<hr/> 6,474

**NOTES TO THE FINANCIAL STATEMENTS**

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**33. INVESTMENT-LINKED FUND (CONTD.)**

	2011 RM'000	2010 RM'000
<b>(g) Other payables</b>		
Deposit contributions	340	285
Amount due to shareholders' fund*	174	69
Amount due to family takaful fund*	3	-
Other accruals and payables	1,481	49
	1,998	403

\* The amounts due to shareholders' fund and family takaful fund are non-trade in nature, unsecured, not subject to any profit elements and has no fixed terms of repayment.

**(h) Taxation**

	2011 RM'000	2010 RM'000
Current year's provision	347	161
Deferred tax relating to origination and reversal of temporary differences	267	-
	614	161

Investment-linked business is taxed at the preferential tax rate of 8% of taxable investment income for the period.

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

	2011 RM'000	2010 RM '000
Surplus before taxation	(6,089)	(3,163)
Taxation at Malaysian statutory tax rate of 8%	(487)	(253)
Income not subject to tax	(3,331)	(2,866)
Expenses not deductible for tax purposes	487	99
Overprovision of prior year deferred tax	7	-
	(3,324)	(3,020)

**34. DIVIDENDS**

No dividend has been paid or declared by the Company since the end of the previous financial year.

**NOTES TO THE FINANCIAL STATEMENTS**

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**35. EARNINGS/(LOSS) PER SHARE**

The basic earnings/(loss) per share [EPS/(LPS)] is calculated by dividing the net profit/(loss) for the year by the number of ordinary shares in issue during the year.

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Net profit/(loss) for the year (RM'000)	122,942	50,713	(14,793)	(59,593)
Number of ordinary shares in issue ('000)	213,070	213,070	213,070	213,070
Basic EPS/(LPS) (sen)	57.7	23.8	(6.9)	(28.0)

**36. OPERATING LEASE ARRANGEMENTS****(a) The Group as lessee**

The Group has entered into non-cancellable operating lease agreements for the use of office premises. This lease is for a period of 5 years and subject to review every 2 years. There are no restrictions placed upon the Group by entering into this lease.

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:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Future minimum rental payments:				
Not later than 1 year	4,902	5,569	1,151	1,004
Later than 1 year and not later than 5 years	20,381	20,174	2,195	3,346
	25,283	25,743	3,346	4,350

**(b) The Group as lessor**

The Group has entered into non-cancellable operating lease agreements on its portfolio of investment properties. These leases have remaining non-cancellable lease terms of between 5 and 10 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.

**NOTES TO THE FINANCIAL STATEMENTS**

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**36. OPERATING LEASE ARRANGEMENTS (CONTD.)****(b) The Group as lessor (Contd.)**

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:

**Group**

Future minimum rental receipts:

	<b>2011</b> <b>RM'000</b>	<b>2010</b> <b>RM'000</b>
<b>General reinsurance and shareholders' funds</b>		
Not later than 1 year	7,337	6,857
Later than 1 year and not later than 5 years	11,152	9,257
	<hr/> 18,489	<hr/> 16,114
<b>Family takaful fund</b>		
Not later than 1 year	4,204	3,866
Later than 1 year and not later than 5 years	17,046	16,988
	<hr/> 21,250	<hr/> 20,854

**37. COMMITMENTS**

The commitments of the Group and of the Company as at the financial year-end are as follows:

**General reinsurance and shareholders' funds**

	<b>Group</b>		<b>Company</b>	
	<b>2011</b> <b>RM'000</b>	<b>2010</b> <b>RM'000</b>	<b>2011</b> <b>RM'000</b>	<b>2010</b> <b>RM'000</b>
Authorised and contracted for:				
- software development costs	6,146	6,865	-	-
- rooftop constructions	5,800	6,750	-	-
	<hr/> 11,946	<hr/> 13,615	<hr/> -	<hr/> -

**Family takaful fund**

	<b>Group</b>	
	<b>2011</b> <b>RM'000</b>	<b>2010</b> <b>RM'000</b>
Authorised and contracted for:		
- outstanding payment on new office building, payable within 12 months	543	2,015
	<hr/> 543	<hr/> 2,015

**NOTES TO THE FINANCIAL STATEMENTS**

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**38. RELATED PARTY DISCLOSURES**

For the purposes of these financial statements, parties are considered to be related to the Group and the Company if the Group and the Company have 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 Group and the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

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 the Directors of the Group and the Company, and certain members of senior management of the Group and the Company.

**(a) The significant transactions with related parties are as follows:**

Income/(expenses):	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Transactions with subsidiaries:</b>				
Management fees received	-	-	21,963	14,321
Net dividend received	-	-	11,508	7,500
Rental paid	-	-	1,004	(941)
Profit on IMTN payable	-	-	(2,375)	(2,375)
<b>Transactions with takaful funds of a subsidiary:</b>				
Takaful contributions paid	(476)	(1,398)	-	(565)
Net reinsurance inwards	-	66	-	-
<b>Transactions with retakaful funds of a subsidiary:</b>				
Net reinsurance inwards	492	1,061	-	-
Net reinsurance outwards	(5,019)	(2,657)	-	-
<b>Transactions with an associate, Labuan Reinsurance (L) Ltd:</b>				
Net reinsurance inwards	1,421	1,288	-	-
Net reinsurance outwards	(715)	(897)	-	-
Net dividend received	3,980	3,042	-	-
Rental received	746	710	-	-
<b>Transactions with an associate, Motordata Research Consortium Sdn Bhd:</b>				
Net dividend received	-	-	210	200

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

Outstanding balances arising from the transactions above as at 31 March have been disclosed in Notes 22 and 24 of the financial statements as well as on the face of statements of financial position.

**NOTES TO THE FINANCIAL STATEMENTS**

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**38. RELATED PARTY DISCLOSURES (CONTD.)****(b) The key management personnel compensations are as follows:**

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>General reinsurance and shareholders' funds</b>				
Directors' fees	2,322	2,203	685	725
Directors' allowances	566	428	131	130
Directors' remuneration:				
Salaries and bonus	5,690	7,132	2,437	2,824
Pension costs - EPF	1,014	1,189	480	524
Social security cost	1	1	1	1
Retirement benefits	203	266	60	120
Allowances	449	376	304	85
Benefits-in-kind	349	285	125	52
Other key management personnel's remuneration:				
Salary and bonus	9,502	9,487	2,856	2,903
Pension costs - EPF	1,640	1,470	519	488
Social security cost	4	4	2	2
Allowances	2,257	1,158	822	381
Benefits-in-kind	365	285	92	33
	<b>24,362</b>	<b>24,284</b>	<b>8,514</b>	<b>8,268</b>

**39. SUBSEQUENT EVENTS**

Subsequent to the financial year end, on 6 April 2011, MNRB had obtained a short term revolving credit facility ("facility") of up to RM120 million from MIDF Amanah Investment Bank Berhad. RM10 million of the facility was retained by the Company for working capital purposes. The remainder of the facility was utilised as follows:

- (i) MNRB's investment in Malaysian Re was increased by RM10 million, via the issuance of 10 million new ordinary shares of RM1.00 each in Malaysian Re at an issue price of RM1.00 per share; and
- (ii) MNRB's investment in Takaful Ikhlas was increased by RM100 million, via the issuance of 100 million new ordinary shares of RM1.00 each in Takaful Ikhlas at an issue price of RM1.00 per share.

The new ordinary shares issued by Malaysian Re and Takaful IKHLAS rank *pari passu* with the ordinary shares of the two subsidiaries in existence as at the issue date above.

**NOTES TO THE FINANCIAL STATEMENTS**

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**40. SEGMENT INFORMATION**

Group	Investment Holding RM'000	Reinsurance Business RM'000	Takaful Operator RM'000	Retakaful Operator RM'000	Elimination RM'000	Consolidated RM'000
<b>2011</b>						
<b>Revenue</b>						
External	247	1,238,093	211,910	13,012	-	1,463,262
Inter-segment	37,015	11,342	-	475	(48,832)	-
						1,463,262
<b>Results</b>						
Net earned premiums	-	1,025,940	-	-	-	1,025,940
Interest/profit income	247	53,369	4,514	2,524	(2,375)	58,279
Other revenue	37,337	75,381	215,255	12,730	(49,345)	291,358
Net claims	-	(609,542)	-	-	-	(609,542)
Other expenses	(40,773)	(360,344)	(200,388)	(24,647)	37,129	(589,023)
Depreciation	(678)	(3,195)	(4,101)	(96)	(665)	(8,735)
Amortisation	(241)	(1,653)	(1,169)	(14)	-	(3,077)
Finance cost	(9,500)	-	-	-	2,375	(7,125)
<b>(Loss)/profit from operations</b>	(13,608)	179,956	14,111	(9,503)	(12,881)	158,075
Share of results of associates	278	6,600	-	-	-	6,878
<b>(Loss)/profit before zakat and tax</b>	(13,330)	186,556	14,111	(9,503)	(12,881)	164,953
Zakat	-	-	(400)	28	-	(372)
Tax expense	(1,185)	(39,017)	(4,770)	-	3,333	(41,639)
<b>Net (loss)/profit for the year</b>	(14,515)	147,539	8,941	(9,475)	(9,548)	122,942

**NOTES TO THE FINANCIAL STATEMENTS**

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**40. SEGMENT INFORMATION (CONTD.)**

Group (Contd.)	Investment Holding RM'000	Reinsurance Business RM'000	Takaful Operator RM'000	Retakaful Operator RM'000	Elimination RM'000	Consolidated RM'000
<b>2010</b>						
<b>Revenue</b>						
External	396	1,145,210	190,190	10,469	-	1,346,265
Inter-segment	24,521	10,981	-	475	(35,977)	-
						1,346,265
<b>Results</b>						
Net earned premiums	-	1,088,129	-	-	-	1,088,129
Interest/profit income	396	42,477	3,529	2,042	(2,375)	46,069
Other revenue	(19,505)	54,360	198,546	9,435	(29,385)	213,451
Net claims	-	(736,719)	-	-	-	(736,719)
Other expenses	(30,393)	(328,893)	(178,378)	(9,197)	17,298	(529,563)
Depreciation	(576)	(3,101)	(2,250)	(104)	(1,138)	(7,169)
Amortisation	(209)	(1,633)	(781)	(13)	-	(2,636)
Finance cost	(9,500)	-	-	-	2,375	(7,125)
<b>(Loss)/profit from operations</b>	(59,787)	114,620	20,666	2,163	(13,225)	64,437
Share of results of associates	511	14,313	-	-	-	14,824
<b>(Loss)/profit before zakat and tax</b>	(59,276)	128,933	20,666	2,163	(13,225)	79,261
Zakat	-	-	(385)	(1)	-	(386)
Tax expense	194	(24,346)	(6,510)	-	2,500	(28,162)
<b>Net (loss)/profit for the year</b>	(59,082)	104,587	13,771	2,162	(10,725)	50,713

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**40. SEGMENT INFORMATION (CONTD.)**

Group (Contd.)	Investment Holding RM'000	Reinsurance Business RM'000	Takaful Operator RM'000	Retakaful Operator RM'000	Elimination RM'000	Consolidated RM'000
<b>2011</b>						
<b>Assets</b>						
Segment assets	828,561	2,198,417	1,792,926	227,129	(811,107)	4,235,926
Investment in associates	1,957	75,658	-	-	-	77,615
Add: Consolidation adjustments on investment in associates	520	39,407	-	-	-	39,927
	831,038	2,313,482	1,792,926	227,129	(811,107)	4,353,468
<b>Liabilities</b>						
Segment liabilities						
Borrowings	200,000	-	-	-	(56,383)	143,617
Insurance and takaful contract liabilities	-	1,392,077	15,146	5,486	-	1,412,709
Other liabilities	13,926	72,467	525,354	127,011	-	738,758
	213,926	1,464,544	540,500	132,497	(56,383)	2,295,084
<b>Equities</b>						
Segment equities						
General reinsurance and shareholders' funds	616,592	809,531	194,173	93,216	(754,724)	958,788
Add: Consolidation adjustments	520	39,407	-	-	-	39,927
Takaful funds	-	-	1,058,253	-	-	1,058,253
Retakaful funds	-	-	-	1,416	-	1,416
	617,112	848,938	1,252,426	94,632	(754,724)	2,058,384
	831,038	2,313,482	1,792,926	227,129	(811,107)	4,353,468

**NOTES TO THE FINANCIAL STATEMENTS**

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**40. SEGMENT INFORMATION (CONTD.)**

Group (Contd.)	Investment Holding RM'000	Reinsurance Business RM'000	Takaful Operator RM'000	Retakaful Operator RM'000	Elimination RM'000	Consolidated RM'000
<b>2010</b>						
<b>Assets</b>						
Segment assets	846,237	2,001,499	1,381,579	210,104	(813,659)	3,625,760
Investment in associates	1,957	75,658	-	-	-	77,615
Add: Consolidation adjustments on investment in associates	452	44,200	-	-	-	44,652
	848,646	2,121,357	1,381,579	210,104	(813,659)	3,748,027
<b>Liabilities</b>						
Segment liabilities						
Borrowings	200,000	-	-	-	(54,406)	145,594
Insurance and takaful contract liabilities	-	1,313,292	15,750	4,360	-	1,333,402
Other liabilities	15,091	78,068	413,407	100,323	-	606,889
	215,091	1,391,360	429,157	104,683	(54,406)	2,085,885
<b>Equities</b>						
Segment equities						
General reinsurance and shareholders' funds	633,103	685,797	185,393	102,821	(759,253)	847,861
Add: Consolidation adjustments	452	44,200	-	-	-	44,652
Takaful funds	-	-	767,029	-	-	767,029
Retakaful funds	-	-	-	2,600	-	2,600
	633,555	729,997	952,422	105,421	(759,253)	1,662,142
	848,646	2,121,357	1,381,579	210,104	(813,659)	3,748,027

# NOTES TO THE FINANCIAL STATEMENTS

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## 41. RISK MANAGEMENT FRAMEWORK

### (a) Risk governance framework

The Group's Risk Management Framework is designed to determine the level of risk acceptable to the Group relating to its core operations by setting the appropriate Board approved limits for adherence by management after taking into account the risk parameters, the nature, the size, mix and complexity of business and operations. An enterprise risk management process is adopted to identify and evaluate key business risks that may affect the organisation and to establish and implement an appropriate system of internal controls to manage these risks while ensuring full and effective control over significant strategic, financial, organisational and compliance matters.

The key objectives of the risk management framework are to:

- (i) provide information on risk governance and accountabilities;
- (ii) provide guidance to a standard approach to managing risks;
- (iii) create a risk awareness culture; and
- (iv) enhance professionalism, increase profitability and value for shareholders.

The Risk Management Governance structure is as follows:

- (i) The Board of Directors is responsible for the management of risks. The Risk Management Committee of the Board ("RMCB") assesses the adequacy of risk management policies and the risk management framework for identifying, measuring, monitoring and controlling risks; ensures adequate infrastructure, resources and systems for effective management of risks are in place; and is also responsible to review and recommend to the Board proposed risk management strategies, policies and risk tolerance limits;
- (ii) The Operational Risk Management Committee ("ORMC") which comprises the President/Group Chief Executive Officer and senior management assists the RMCB in identifying, measuring, monitoring and controlling risks within the Group to ensure the adequacy and effectiveness of infrastructure, resources and systems in place;
- (iii) The Risk Management Department assists the RMCB and ORMC in developing and maintaining the Risk Management Framework in consultation with stakeholders;
- (iv) Other Departments in the Group implement risk management policies, that are consistent with the Risk Management Framework, to address specific Departmental requirements and ensure that they are in compliance with day-to-day operations; and
- (v) The Line Managers of each Department in the Group are responsible for using the various components of the Risk Management Framework as an integral part of their normal processes and procedures.

The Group has an Investment Committee to further manage risks associated with investments and asset allocation.

### (b) Capital Management Objectives, Policies and Approach

The Capital Management Plan ("CMP") of MNRB is designed to ensure effective capital management so as to maximise the Group's value by optimising capital structure in place and enhancing capital efficiency. It is also designed to address the funding requirements of the Group to meet its various financial obligations.

The CMP also includes descriptions of triggers and action plans in place for the Group to monitor the Capital Adequacy Ratio ("CAR") and Solvency Margin Ratio ("SMR") of its subsidiaries and to carry out corrective measures when necessary to maintain the financial health of the Group. It is intended that capital will be utilised more efficiently in a controlled manner so that the Group will be able to manage its capital position above the internal target of its subsidiaries.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

## 41. RISK MANAGEMENT FRAMEWORK (CONTD.)

### (b) Capital Management Objectives, Policies and Approach (Contd.)

#### 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 Group's risk profile. The key objective of the CMP is to trigger appropriate action plans to be taken by the Board and the management of the Group in event of internal capital levels falling below the internal target requirement. This includes remedial actions that must be undertaken by the Board and the management to improve the Group's capital position.

#### Capital Management Policies

The key capital management policies are as follows:

- (i) Ensure the Group has adequate capital within a range that supports stakeholders' objectives; and
- (ii) Establish responsibility of the Board and Group's management in developing an internal capital adequacy assessment process and setting capital targets that are commensurate with its risk profile and control environment.

#### Approach to capital management

The Group conducts stress test and in the case of its relevant subsidiaries, the stress tests are in compliance with BNM/RH/GL 003-23: Guidelines of Stress Testing for Insurer and BNM/RH/GL 004-16: Guidelines of Stress Testing for Takaful Operators. The impact of the adverse scenarios on the capital position of the Group on the SMR / CAR is assessed quarterly focusing on short to medium term views.

### (c) Regulatory framework

The reinsurance subsidiary and the takaful and retakaful subsidiaries are required to comply with the Insurance Act and Regulations 1996 and the Takaful Act 1984, respectively, which are administered by Bank Negara Malaysia (BNM). BNM is primarily interested in protecting the rights of policyholders and participants and monitoring the subsidiaries closely to ensure prudent management of its business operations. At the same time, BNM is also interested in ensuring that the subsidiaries maintain an appropriate solvency position to meet unforeseen liabilities arising from economic cycle or natural disasters.

In addition, the Company is required to comply with the Listing Requirements of Bursa Malaysia Securities Berhad, Guidelines issued by the Securities Commission and the Capital Markets and Services Act 2007 as a result of its status as a listed company on the Main Market of Bursa Malaysia Securities Berhad.

**NOTES TO THE FINANCIAL STATEMENTS**

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**42. UNDERWRITING RISK****(a) General reinsurance****(i) Nature of risk**

The reinsurance subsidiary principally underwrites the following main classes of general reinsurance 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. For general reinsurance, the most significant risks arise from adverse development of the loss ratios and catastrophic loss events. These risk vary significantly in relation to economic conditions and territories from which the risk originates.

The above risks are mitigated by diversification across a large portfolio of business to ensure a balanced mix and spread of business as required by underwriting policies. 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 conservative estimates are secured on its insurance contract liabilities.

The reinsurance subsidiary also manages its loss exposure through the use of retrocession programmes which are reviewed annually by the ORMC and RMCB, and subsequently approved by the Board. Prudent standards are applied in the assessment of the security of the Company's key retrocessionaires. To manage its underwriting risk, the reinsurance subsidiary also complies with guidelines imposed by BNM in conducting the underwriting of business.

**(ii) Concentration of risk by type of business**

The table below measures the concentration of contracts by liabilities exposure:

	<b>Gross RM'000</b>	<b>Retrocession RM'000</b>	<b>Net RM'000</b>
<b>2011</b>			
Fire	457,190	(41,635)	415,555
Motor	424,694	120	424,814
Marine	211,699	(94,162)	117,537
Miscellaneous	298,494	(10,920)	287,574
	<hr/> 1,392,077	146,597	<hr/> 1,245,480
Local	1,083,270	(144,333)	938,937
Overseas	308,807	(2,264)	306,543
	<hr/> 1,392,077	(146,597)	<hr/> 1,245,480

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

## 42. UNDERWRITING RISK (CONTD.)

### (a) General reinsurance (Contd.)

#### (iii) Reserving risk

The reinsurance subsidiary's claim liabilities -- and consequently, some of the inputs used in determining its premium 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, the reinsurance subsidiary sets aside reserves to meet the expected ultimate loss arising from this claim. These claim reserves are updated periodically for further developments via advice from cedants.

At each reporting date, the reinsurance subsidiary performs a test on the adequacy of its liabilities via the services of an independent qualified external actuary engaged for the purpose of ensuring that claim and premium liabilities are objectively assessed and adequately provided for. Any such deficiency is recognised in the financial statements.

#### (iv) 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 the relevant contracts and interpretation of circumstances. Particularly relevant are past experiences with similar cases, historical claims development trends, legislative changes, judicial decisions and economic conditions.

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

##### Sensitivity analysis

As a general reinsurer, the insurance contract liabilities of the reinsurance subsidiary are sensitive to various key factors which are both internal and external. External factors to which the reinsurance subsidiary is sensitive to include:

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

In general, due to the number of cedants providing business to the reinsurance subsidiary, the impact of changes to such variables cannot be reliably predicted. Accordingly, Management believes that an analysis to provide an accurate reflection of the sensitivity of the general reinsurance business to changes in these factors cannot be reliably performed.

The main internal factors to which the reinsurance subsidiary is sensitive to pertain to the loss ratios observed from its claims experience. The most significant component of this would be large or catastrophic claims reported by cedants to the reinsurance subsidiary. Based on historical trends and claims performance, large losses reported by cedants are increasing in terms of frequency and severity. Accordingly, the sensitivity analysis is performed by determining the estimated large losses that Management believes would reasonably occur over the next 12 months as noted below.

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**42. UNDERWRITING RISK (CONTD.)****(a) General reinsurance (Contd.)****(iv) Impact on liabilities, profit and equity (Contd.)****Sensitivity analysis (Contd.)**

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

	<b>Impact on Gross Liabilities RM'000</b>	<b>Impact on Net Liabilities RM'000</b>	<b>Impact on Profit before Tax RM'000</b>	<b>Impact on Equity* RM'000</b>
<b>2011</b>				
Fire	26,799	14,543	14,543	10,908
Marine	16,656	9,039	9,039	6,779
Motor	91	91	91	69
Miscellaneous	6,297	3,418	3,418	2,563
	49,843	27,091	27,091	20,319

\* The impact on the equity reflects the after tax impact.

**(v) Claims development table**

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

In setting provisions for claims, the reinsurance subsidiary relies on advice by its 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 significant 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.

Beginning 1 April 2009, the methodology used in the valuation of general reinsurance liabilities was changed. This change involved a more granular segregation of the business of the reinsurance subsidiary into specific portfolios with the intention of achieving greater accuracy in the estimation process. Accordingly, data pertaining to the gross general reinsurance liabilities prior to underwriting year 2009 was not available and hence only post underwriting year 2009 developments in gross general reinsurance liabilities are disclosed.

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**42. UNDERWRITING RISK (CONTD.)****(v) Claims Development table (Contd.)****Gross General Reinsurance Liabilities for 2011:**

Underwriting Year	Before									Sub Total
	2003 RM'000	2003 RM'000	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	
At the end of accident year		-	-	-	-	-	418,389	573,070	640,777	
One year later		-	-	-	-	408,945	496,009	570,029	-	
Two year later		-	-	-	403,736	448,593	493,161	-	-	
Three year later		-	-	334,075	417,448	464,785	-	-	-	
Four year later		-	352,998	338,991	399,937	-	-	-	-	
Five year later		322,570	357,333	326,336	-	-	-	-	-	
Six year later		288,868	345,542	-	-	-	-	-	-	
Seven year later		271,056	-	-	-	-	-	-	-	

**Current estimate of booked  
ultimate claims  
incurred (a)**

<b>271,053</b>	<b>345,528</b>	<b>326,144</b>	<b>399,062</b>	<b>461,086</b>	<b>483,090</b>	<b>533,575</b>	<b>365,939</b>
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At the end of accident year	42,452	69,606	45,677	42,356	53,719	63,614	92,548	81,664
One year later	139,587	210,770	178,766	217,724	224,029	256,339	301,430	-
Two year later	200,142	263,625	240,126	294,220	333,537	358,844	-	-
Three year later	219,409	291,312	265,782	335,359	379,990	-	-	-
Four year later	232,395	308,433	290,901	355,014	-	-	-	-
Five year later	246,072	321,954	303,512	-	-	-	-	-
Six year later	255,423	331,801	-	-	-	-	-	-
Seven year later	261,529	-	-	-	-	-	-	-

**Cumulative payments  
to-date (b)**

<b>261,529</b>	<b>331,801</b>	<b>303,512</b>	<b>355,014</b>	<b>379,990</b>	<b>358,844</b>	<b>301,430</b>	<b>81,664</b>
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**Local and Overseas  
Portfolio (a) - (b)**

68,314	9,524	13,727	22,632	44,048	81,096	124,246	232,145	284,275	880,007
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**Other portfolios**

164,327

Best Estimate of Claim Liabilities

1,044,334

Claim handling expenses

3,657

Fund PRAD at 75% Confidence Interval

83,448

**Net General Reinsurance Claim Liabilities**

1,131,439

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**42. UNDERWRITING RISK (CONTD.)****(v) Claims Development table (Contd.)****Net General Insurance Contract Liabilities for 2011:**

Accident year	Before									Sub Total RM'000
	2003 RM'000	2003 RM'000	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	
At the end of accident year		325,527	310,161	310,464	305,287	317,442	496,557	537,097	579,606	
One year later		315,177	313,641	309,925	328,514	418,288	480,442	545,438	-	
Two year later		315,154	305,092	316,181	366,752	439,019	476,491	-	-	
Three year later		293,606	304,165	331,467	371,474	441,533	-	-	-	
Four year later		295,676	333,395	325,088	350,415	-	-	-	-	
Five year later		259,441	332,761	309,569	-	-	-	-	-	
Six year later		259,935	320,117	-	-	-	-	-	-	
Seven year later		248,997	-	-	-	-	-	-	-	

<b>Current estimate of booked ultimate claims incurred (a)</b>	<b>248,994</b>	<b>320,103</b>	<b>309,402</b>	<b>349,553</b>	<b>438,230</b>	<b>467,130</b>	<b>510,989</b>	<b>320,132</b>	
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At the end of accident year	41,485	67,623	44,469	40,581	52,635	62,609	91,038	70,948	
One year later	132,552	199,078	172,437	194,490	219,484	251,249	296,382	-	
Two year later	183,084	246,603	230,790	257,795	324,757	350,613	-	-	
Three year later	201,411	269,840	255,442	288,807	368,751	-	-	-	
Four year later	213,811	286,358	276,466	307,552	-	-	-	-	
Five year later	227,010	299,224	288,622	-	-	-	-	-	
Six year later	235,949	308,687	-	-	-	-	-	-	
Seven year later	241,768	-	-	-	-	-	-	-	

<b>Cumulative payments to-date (b)</b>	<b>241,768</b>	<b>308,687</b>	<b>288,622</b>	<b>307,552</b>	<b>368,751</b>	<b>350,613</b>	<b>296,382</b>	<b>70,948</b>	
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<b>Local and Overseas Portfolio (a) - (b)</b>	59,673	7,226	11,416	20,780	42,001	69,479	116,517	214,607	249,184	790,883
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<b>Other portfolios</b>	<b>148,489</b>
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Best Estimate of Claim Liabilities	939,372
Claim handling expenses	3,657
Fund PRAD at 75% Confidence Interval	75,260
Less: Retrocession recoveries	(15,052)

<b>Net General Reinsurance Claim Liabilities</b>	<b>1,003,237</b>
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**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**42. UNDERWRITING RISK (CONTD.)****(b) General takaful fund****(i) Nature of risk**

The takaful subsidiary principally issues the following types of general takaful contracts: motor, household and commercial fire, business interruption, personal accident, and other miscellaneous commercial contracts. Risks under these contracts usually cover a twelve month duration other than long term fire which may cover durations up to thirty years or more. For general takaful business, the risk arises from the frequency and severity of loss events. These risks vary significantly in relation to the location of risks, type of risks covered and industry.

The above risks are mitigated by diversification across a large portfolio of business. The portfolio experience is improved via the implementation of underwriting strategies and claim management policies which attempt to minimise losses.

The takaful subsidiary also manages its loss exposure by the use of retakaful arrangements. The retakaful treaty arrangements are reviewed annually by the RMCB and approved by the Board.

**(ii) Concentration of risk by type of contracts**

The table below sets out the concentration of takaful contracts liabilities by class:

<b>2011</b>	<b>Gross RM'000</b>	<b>Retakaful RM'000</b>	<b>Net RM'000</b>
Fire	30,727	(5,443)	25,284
Motor	217,398	(2,594)	214,804
Marine, Aviation & Transit	5,217	(1,785)	3,432
Miscellaneous	38,391	(24,529)	13,863
	291,733	(34,351)	257,382

All business of the general takaful fund is derived from participants in Malaysia; accordingly, disclosure of concentration risk by geographical region is not relevant to the general takaful fund.

**(iii) Impact on liabilities, profit and equity****Key Assumptions**

The principal assumptions underlying the estimation of liabilities is that the takaful subsidiary's future claims development will follow a similar pattern to past claims development experience.

Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example, isolated occurrence, changes in market factors such as public attitudes to claims notification and reporting, economic conditions, as well as internal factors, such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors, such as judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in profit rates and delays in settlement.

**NOTES TO THE FINANCIAL STATEMENTS**

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**42. UNDERWRITING RISK (CONTD.)****(b) General takaful fund (Contd.)****(iii) Impact on liabilities, profit and equity (Contd.)****Sensitivity analysis**

The general takaful claim liabilities are sensitive to the key assumptions shown below. It has not been possible to quantify the sensitivity of certain assumptions, such as, legislative changes or uncertainty in the estimation process.

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on Gross and Net liabilities, profit before Tax and the general takaful fund. The correlation of assumptions have a significant effect in determining the ultimate claims liabilities; however, for purposes of the sensitivity analysis, changes in assumptions are considered individually. It should be noted that movements in these assumptions are non-linear.

The sensitivity analysis has been performed for the major classes only which are the Motor Act and Motor Others class by considering the ultimate loss ratio with an extra charge for the provision in adverse deviation.

	<b>Change in assumption of Ultimate Claims Ratio</b>	<b>Impact on Gross Liabilities RM'000</b>	<b>Impact on Net Liabilities RM'000</b>	<b>Impact on Surplus before Tax RM'000</b>	<b>Impact on General Takaful fund* RM'000</b>
<b>2011</b>					
Motor Act Average Severity	+5%	85,673	69,312	(64,867)	(72,201)
Motor Others Expected Loss Ratio	+10%	21,424	21,095	(16,650)	(23,984)

\* The impact on the general takaful fund reflects the after tax impact.

A downward change in assumption would have an equivalent, but opposite, impact on the gross and net liabilities, surplus before tax and the general takaful fund.

**(iv) Claims development table**

The following tables show the estimate of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each financial year end, together with cumulative payments to-date.

In setting provisions for claims, the takaful subsidiary gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves when there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to ensure adequacy of provision is relatively at its highest. As claims develop and the ultimate cost of claims becomes more certain, the relative level of margin maintained would decrease.

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

## 42. UNDERWRITING RISK (CONTD.)

## General takaful fund (Contd.)

## (v) Claims Development table (Contd.)

## Gross General Takaful Contract Liabilities for 2011:

Accident year	Note	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	Total RM'000
At the end of accident year		-	-	-	-	-	87,138	121,715	151,688	360,541
One year later		-	-	-	-	51,010	93,829	137,789	-	282,628
Two year later		-	-	-	34,384	51,674	89,238	-	-	175,296
Three year later		-	-	25,802	33,823	50,688	-	-	-	110,313
Four year later		-	8,145	25,451	33,071	-	-	-	-	66,667
Five year later		782	8,031	24,949	-	-	-	-	-	33,762
Six year later		742	7,900	-	-	-	-	-	-	8,642
Seven year later		740	-	-	-	-	-	-	-	740

Current estimate of cumulative claims incurred (a)	740	7,900	24,949	33,071	50,688	89,238	137,789	151,688	1,038,589
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At the end of accident year	203	3,957	8,984	13,366	17,599	29,070	43,215	48,128	164,522
One year later	610	6,632	18,976	25,083	34,059	64,212	83,077	-	232,649
Two year later	614	7,123	20,128	27,784	39,159	72,939	-	-	167,747
Three year later	687	7,436	21,967	30,245	44,893	-	-	-	105,228
Four year later	714	7,728	23,560	31,292	-	-	-	-	63,294
Five year later	730	7,807	24,474	-	-	-	-	-	33,011
Six year later	730	7,826	-	-	-	-	-	-	8,556
Seven year later	734	-	-	-	-	-	-	-	734

Cumulative payments to-date (b)	734	7,826	24,474	31,292	44,893	72,939	83,077	48,128	775,741
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## Gross general takaful contracts liabilities per Statement of Financial Position:

Best Estimate of Claims  
Liabilities (incl. ALAE) (a) - (b)  
Fund PRAD at 70%  
Total

23	6	74	475	1,779	5,795	16,299	54,712	103,560
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**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**42. UNDERWRITING RISK (CONTD.)****General takaful fund (Contd.)****(v) Claims Development table (Contd.)****Net General Takaful Contract Liabilities for 2011:**

Accident year	Note	2004	2005	2006	2007	2008	2009	2010	2011	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At the end of accident year		-	-	-	33,895	47,452	83,588	114,776	134,955	414,666
One year later		-	-	26,062	34,140	47,361	82,112	119,456	-	309,131
Two year later		-	8,675	25,794	33,195	48,106	78,446	-	-	194,216
Three year later	736	8,488	24,073	31,725	47,484	-	-	-	-	112,506
Four year later	737	7,398	23,580	31,341	-	-	-	-	-	63,056
Five year later	721	7,084	23,128	-	-	-	-	-	-	30,933
Six year later	679	6,903	-	-	-	-	-	-	-	7,582
Seven year later	674	-	-	-	-	-	-	-	-	674

<b>Current estimate of accumulative claims incurred (a)</b>	<b>674</b>	<b>6,903</b>	<b>23,128</b>	<b>31,341</b>	<b>47,484</b>	<b>78,446</b>	<b>119,456</b>	<b>134,955</b>	<b>1,132,764</b>
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At the end of accident year	203	3,121	8,406	11,984	16,995	27,613	40,682	44,714	153,718
One year later	544	5,636	18,391	23,422	32,713	56,404	79,479	-	216,589
Two year later	548	6,128	19,542	23,422	37,616	64,559	-	-	154,410
Three year later	621	6,440	21,101	28,199	42,202	-	-	-	98,563
Four year later	648	6,732	22,694	29,091	-	-	-	-	59,165
Five year later	665	6,811	22,968	-	-	-	-	-	30,444
Six year later	665	6,831	-	-	-	-	-	-	7,496
Seven year later	668	-	-	-	-	-	-	-	668

<b>Cumulative payments to-date (b)</b>	<b>668</b>	<b>6,831</b>	<b>22,968</b>	<b>29,091</b>	<b>42,202</b>	<b>64,559</b>	<b>79,479</b>	<b>44,714</b>	<b>721,053</b>
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**Net general takaful  
contracts liabilities  
per Statement of  
Financial Position**

Best Estimate of Claims

Liabilities (incl. ALAE) (a) - (b)

Fund PRAD at 70%

Total

6	72	160	2,250	5,282	13,887	39,977	90,241
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**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**42. UNDERWRITING RISK (CONTD.)****(c) Family takaful fund****(i) Nature of risk**

The takaful subsidiary principally issues the following types of family takaful contracts: Family Takaful Plans, Mortgage Takaful Plans, Group Takaful Plans and Investment-linked Takaful Plans.

Family takaful underwriting risk arises when actual claims experience is different from the assumptions used in setting the prices for products and establishing the technical provisions and liabilities for claims. Sources of risk include contract lapses and contract claims such as mortality, morbidity and expenses.

The takaful subsidiary utilises retakaful to manage mortality and morbidity risks. The takaful subsidiary's retakaful management strategy and policy are reviewed by the ALCO and RMCB, and approved by the Board. Retakaful structures are set based on the type of risk to be recovered.

The takaful subsidiary reviews the actual mortality, morbidity, lapsation and surrender experience, as well as expense experience to ensure that the policies, guidelines and limits put in place to manage these risks remain adequate and appropriate.

For investment-linked funds, the risk exposure for the participant's risk fund is limited only to the underwriting aspect as all investment risks are borne by the participant.

Stress Testing ("ST") is performed twice a year. The purpose of the ST is to test the solvency of the family takaful fund under the various scenarios according to regulatory guidelines, simulating drastic changes in major parameters such as new business volume, investment environment, mortality/morbidity patterns and lapse rates.

**(ii) Concentration of risk by type of contracts**

<b>2011</b>	<b>Gross</b>	<b>Retakaful</b>	<b>Net</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Family takaful plans	255,843	-	255,843
Investment-linked takaful plans	563	-	563
Mortgage takaful plans	368,534	(68,936)	299,598
Group credit takaful plans	126,764	(8,986)	117,778
Risk Fund	78,272	(21,218)	57,054
Special Fund	68,192	-	68,192
Others	173,125	(13,848)	159,277
	<u>1,071,293</u>	<u>(112,988)</u>	<u>958,305</u>

All business of the family takaful fund is derived from participants in Malaysia; accordingly, disclosure of concentration risk by geographical region is not relevant to the family takaful fund.

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**42. UNDERWRITING RISK (CONTD.)****(c) Family takaful fund****(iii) Key Assumptions**

Judgement is required in determining the liabilities of the family takaful fund and in the selection of assumptions used in the estimation of those liabilities. Assumptions in use 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 estimates are determined at the date of valuation and no credit is taken for the possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

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

**(i) Mortality and Morbidity rates**

Assumptions on mortality rates are based on those rates detailed in the Actuarial Contract submitted to Bank Negara Malaysia. They reflect the historical experience in the market and are adjusted, when appropriate, to reflect the Participants' own experience. Assumptions are differentiated by gender, occupational class and product group.

An increase in rates will lead to a larger number of claims (as claims could occur sooner than anticipated), which will reduce the surplus from the Risk Fund and subsequently reduce profits for the shareholders in terms of lower surplus administration charge income.

**(ii) Discount rates**

Family takaful liabilities of credit-related products (Mortgage Reducing Term Takaful ("MRTT") and Group Credit Takaful ("GCT")) are determined as the sum of the discounted value of the expected benefits less the discounted value of the expected tabarru' (risk charge) that would be required to meet these future cash outflows. Discount rates are based on the Family Fund's historical investment performance and adjusted downwards for conservatism.

A decrease in the discount rate will increase the value of the family takaful liability and therefore reduce profits for the shareholders in terms of lower surplus administration charge income.

The assumptions that have a significant effect on the statement of financial position and income statement of the family takaful fund are listed below by portfolio assumptions impacting net liabilities:

	<b>Type of Business</b>	<b>Mortality and morbidity rates</b> <sup>1</sup>	<b>Discount rates</b>
<b>2011</b>	Credit related (MRTT and GCT)	Base mortality and adjusted for retakaful rates <sup>2</sup>	3%
	Others	Base mortality	3%

<sup>1</sup> These rates are obtained from the various industry mortality and morbidity experience tables that were used to determine the contribution rates.

<sup>2</sup> Retakaful rates are derived from the fund's retakaful arrangements with respect to the MRTT and GCT business.

**NOTES TO THE FINANCIAL STATEMENTS**

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**42. UNDERWRITING RISK (CONTD.)****(c) Family takaful fund (Contd.)****(iv) Sensitivity analysis**

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

	<b>Change in Assumptions</b>	<b>Impact on Gross Liabilities</b>	<b>Impact on Net liabilities</b>	<b>Impact on Surplus Before Tax</b>	<b>Impact on Family takaful fund *</b>
<b>Family Takaful Contracts</b>					
<b>2011</b>					
Mortality/morbidity	+ 10%	9,548	9,548	(915)	(668)
Discount rates	+ 1%	(1,378)	(1,378)	93	68

\* Impact on Family takaful fund reflects adjustments for tax, where applicable.

A downward change in assumption would have an equivalent, but opposite, impact on the gross and net liabilities, surplus before tax and the general takaful fund.

**(d) General retakaful fund****(i) Nature of risk**

The retakaful subsidiary principally writes facultative and proportional and non proportional treaty businesses accepted from Takaful and Retakaful operators. Portfolios are segregated by class and by domestic and overseas businesses.

For general retakaful, the most significant risks arise from adverse development of the loss ratios and catastrophic loss events. These risks vary significantly in relation to economic conditions and territories from which the risk originates.

The retakaful subsidiary also manages its loss exposure by the use of retotakaful arrangements. The retotakaful arrangements are reviewed annually by the RMCB and approved by the Board.

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**42. UNDERWRITING RISK (CONTD.)****(d) General retakaful fund (Contd.)****(ii) Concentration of risk**

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

<b>2011</b>	<b>Gross</b>	<b>Retakaful</b>	<b>Net</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Fire	40,921	(4,580)	36,341
Motor	5,197	-	5,197
Marine, Aviation & Transit	9,365	(2,686)	6,679
Miscellaneous	18,027	(102)	17,925
	<hr/>	<hr/>	<hr/>
	73,510	(7,368)	66,142
	<hr/>	<hr/>	<hr/>
Local	47,685	(1,346)	46,339
Overseas	25,825	(6,022)	19,803
	<hr/>	<hr/>	<hr/>
	73,510	(7,368)	66,142
	<hr/>	<hr/>	<hr/>

**(iii) Impact on liabilities, profit and equity****Key Assumptions**

The principal assumptions underlying the estimation of liabilities is that the retakaful subsidiary's future claims development will follow a similar pattern to past claims development experience.

Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example, isolated occurrence, changes in market factors such as public attitudes to claims notification and reporting, economic conditions, as well as internal factors, such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors, such as judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in profit rates and delays in settlement.

**Sensitivity analysis**

The general retakaful fund's claim liabilities are sensitive to changes in the loss ratio especially in the event of large or catastrophic claims. However, as the business is still relatively new, the amount of information available to conduct a sensitivity analysis is limited.

Due to limited information, the analysis below is carried out by assuming the IBNR provision is insufficient and that the ultimate loss requires a 5% top-up. The top-up is applied to all classes of business and does not have any impact on the retotakaful programme.

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**42. UNDERWRITING RISK (CONTD.)****(d) General retakaful fund (Contd.)****(iii) Impact on liabilities, profit and equity (Contd.)****Sensitivity analysis (Contd.)**

This analysis assumes all other parameters are held constant.

	<b>Impact on Gross Liabilities RM'000</b>	<b>Impact on Net Liabilities RM'000</b>	<b>Impact on Surplus before Tax RM'000</b>	<b>Impact on General retakaful fund* RM'000</b>
<b>2011</b>				
Fire	1,544	1,544	1,544	1,544
Motor	288	288	288	288
Marine, Aviation & Transit	259	259	259	259
Miscellaneous	968	968	968	968

\* The impact on the general retakaful fund reflects the after tax impact.

**(iv) Claims Development table**

As this is only the fourth financial year since the incorporation of the retakaful subsidiary, it is not meaningful to present the claims development table in the financial statements.

**(e) Family retakaful fund****(i) Nature of risk**

The retakaful subsidiary principally issues the following types of family retakaful treaty: Individual Family Retakaful Plans, Group Family Retakaful Plans and Individual Medical Retakaful Plans.

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 term fees for retakaful products. Deviations in actual claims experience compared to the assumptions used may be due to deviations in actual mortality, morbidity and expense experience.

The retakaful subsidiary utilises retrotakaful to manage the mortality and morbidity risks. The retakaful subsidiary's retrotakaful strategy and policy are reviewed annually by the ORMC and RMCB, and approved by the Board. Retrotakaful structures are established based on the type of risk covered.

The retakaful subsidiary reviews the actual experience of mortality, morbidity and expense experience to ensure that appropriate policies, guidelines and limits put in place to manage these risks remain adequate and appropriate.

Stress Testing ("ST") is performed twice a year. The purpose of the ST 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.

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**42. UNDERWRITING RISK (CONTD.)****(e) Family retakaful fund (Contd.)****(ii) Concentration of risk**

The table below sets out the concentration of retakaful contract liabilities by local and overseas treaties:

	<b>Gross Retakaful RM'000</b>	<b>RM'000</b>	<b>Net RM'000</b>
<b>2011</b>			
Local Treaties	2,265	(619)	1,646
Overseas Treaties	154	(37)	117
	2,419	(656)	1,763

Business of the family retakaful fund is derived from Malaysia and overseas risks. Accordingly, liabilities of the family retakaful fund are mainly spread along these regions namely Malaysia, Brunei and Indonesia.

**(iii) Impact on liabilities, profit and equity****Key Assumptions**

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

The estimation of liabilities is particularly sensitive to the assumption of loss ratios due to the nature of the pricing of family retakaful products which are based on yearly renewable terms.

**Sensitivity analysis**

	<b>Change in assumptions</b>	<b>Impact on Surplus before Tax RM'000</b>	<b>Impact on actuarial reserve RM'000</b>
<b>2011</b>			
Loss ratio	-20%	(430)	(430)
Loss ratio	+20%	650	650

# NOTES TO THE FINANCIAL STATEMENTS

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## 43. FINANCIAL RISK

Transactions in financial instruments may result in the Group assuming financial risks. These include credit risk, liquidity risk and market risk. This note presents information about the Group's exposure to each of the above risks and the Group'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, takaful, 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 due to a rating downgrade, default, or widening of credit spreads. Changes in credit spreads are also affected by the liquidity of the stock, but since the liquidity is usually closely related to credit risk, the risk is managed as credit risk;
- (ii) 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 Group does not transact in derivatives and is not exposed to this risk; and
- (iii) Reinsurance/retakaful counterparty risk which is the risk of financial loss arising from a default by the retrocessionaire/retakaful operator, or the deterioration of the solvency position of the retrocessionaire/retakaful operator.

The Group is exposed to investment credit risk on its investment portfolio, primarily from investments in corporate bonds. A creditworthiness assessment for new and existing investments is undertaken by the Group in accordance with the Investment Policy as approved by the Investment Committee. In addition, the credit ratings of the bond portfolio are regularly monitored and any downgrade in credit ratings will be evaluated to determine the required actions. As at the reporting date, the Group's bond portfolio has no material exposure below investment grade.

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

- (i) as a result of recoveries owing from the retrocessionaire/retakaful operators for
- (ii) from the advance settlement of premiums/contributions to the reinsurer/retakaful operator; and
- (iii) as a result of reserves held by the reinsurer/retakaful operator which would have to be met by the reinsurance/takaful/retakaful subsidiary in the event of default.

### Management of credit risk

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

- (i) Investment policies prescribe the minimum credit rating for bonds that may be held. In addition, the policies are further aimed at investing in a diverse portfolio of bonds in order to reduce the potential impact that may arise from individual companies defaulting;
- (ii) Counterparty limits are set for investments, cash deposits and foreign exchange trade exposure to ensure that there is no concentration of credit risk;
- (iii) The Group's investment portfolio is managed to ensure diversification and focuses on high quality investment grade fixed income securities. For the financial year ended 31 March 2011, the average credit quality of the Group's investment portfolio was AAA as determined by Rating Agency Malaysia ("RAM") or Malaysian Rating Corporation Berhad ("MARC"); and

**NOTES TO THE FINANCIAL STATEMENTS**

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**43. FINANCIAL RISK (CONTD.)****(a) Credit Risk (Contd.)****Management of credit risk (Contd.)**

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

**Credit exposure by credit rating**

The table below provides information regarding the credit risk exposures of the Group by classifying assets according to the Group's credit ratings of counterparties.

**General reinsurance and shareholders' funds**

	<b>Not subject to credit risk RM'000</b>
<b>2011</b>	
<b>Financial assets at FVTPL</b>	
<u>At fair value:</u>	
Quoted shares in Malaysia:	
Shariah approved equities	2,878
Structured products	12,019
Warrants	15
	<hr/> 14,912 <hr/>

	<b>Government guaranteed RM'000</b>	<b>BBB to AAA RM'000</b>	<b>C to BB RM'000</b>	<b>Not rated RM'000</b>	<b>Total RM'000</b>
<b>2011</b>					
<b>HTM investments</b>					
<u>At amortised cost/cost:</u>					
Islamic Bank Negara Monetary notes	4,996	-	-	-	4,996
Malaysian government securities	100,414	-	-	-	100,414
Unquoted corporate debt securities:					
Government guaranteed	65,041	-	-	-	65,041
Secured	-	30,074	-	7,645	37,719
Government investment issues	87,653	-	-	-	87,653
Short term commercial papers	-	14,534	-	-	14,534
Islamic commercial papers	-	2,992	-	-	2,992
Unquoted islamic private debt securities:					
Government guaranteed	15,026	-	-	-	15,026
Unsecured	-	998	385	-	1,383
	<hr/> 273,130 <hr/>	48,598	385	7,645	329,758 <hr/>

**NOTES TO THE FINANCIAL STATEMENTS**

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**43. FINANCIAL RISK (CONTD.)****(a) Credit Risk (Contd.)****Credit exposure by credit rating (Contd.)****General reinsurance and shareholders' funds (Contd.)**

	Government guaranteed RM'000	BBB to AAA RM'000	Not subject to credit risk RM'000	Total RM'000
<b>2011 (Contd.)</b>				
<b>AFS financial assets</b>				
<u>At fair value:</u>				
Unquoted corporate debt securities	3,014	568,934	-	571,948
Islamic private debt securities	-	-	-	-
Unquoted shares in Malaysia	-	-	46,152	46,152
Golf club memberships	-	-	228	228
Quoted shares in Malaysia:				
Shariah approved equities	-	-	38,383	38,383
Others	-	-	23,823	23,823
Quoted shares outside Malaysia	-	-	341	341
Shariah approved unit trust funds	-	-	-	-
Unquoted Islamic private debt securities:				
Unsecured	-	55,757	-	55,757
	3,014	624,691	108,927	736,632

	BBB to AAA RM'000	Not subject to credit risk RM'000	Not rated RM'000	Total RM'000
<b>2011 (Contd.)</b>				
<b>Loans and receivables</b>				
<u>At amortised cost/cost:</u>				
Fixed and call deposits with licensed:				
Commercial banks	-	129,776	-	129,776
Investment banks	-	431,034	-	431,034
Islamic investment accounts with licensed:				
Co-operative bank	-	81,451	-	81,451
Islamic banks	-	127,252	-	127,252
Development bank	-	13,472	-	13,472
Building society	-	8,269	-	8,269
Institutional trust deposit	-	58,595	-	58,595
Islamic repo placements	5,000	-	7,668	12,668
Units held in investment-linked fund	-	-	10,000	10,000
Staff loans	-	-	12,618	12,618
Qard:				
General takaful fund	-	-	12,043	12,043
General retakaful fund	-	-	36,295	36,295

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**43. FINANCIAL RISK (CONTD.)****(a) Credit Risk (Contd.)****Credit exposure by credit rating (Contd.)****General reinsurance and shareholders' funds (Contd.)**

	BBB to AAA RM'000	Not subject to credit risk RM'000	Not rated RM'000	Total RM'000
<b>2011 (Contd.)</b>				
<b>Loans and receivables (Contd.)</b>				
<u>At amortised cost/cost:</u>				
Due from:				
General takaful fund	-	-	2,739	2,739
Family takaful fund	-	-	29,110	29,110
Family retakaful fund	-	-	11,120	11,120
Subsidiaries	-	-	-	-
Income due and accrued	-	-	16,213	16,213
Due from insurance Pool accounts	-	-	19,971	19,971
Other receivables, deposits and prepayments	-	-	21,952	21,952
	-	-	907,985	1,034,578

**General takaful fund**

	Government guaranteed RM'000	BBB to AAA RM'000	C to BB RM'000	Not Rated RM'000	Not subject to credit risk RM'000	Total RM'000
<b>2011 (Contd.)</b>						
<b>Financial investments at FVTPL</b>						
Quoted shares in Malaysia:						
Shariah approved equities	-	-	-	-	1,090	1,090
Warrants	-	-	-	-	15	15
<b>HTM financial investments</b>						
Unquoted Islamic private debt securities:						
Government guaranteed	14,324	-	-	-	-	14,324
Unsecured	-	-	-	2,004	-	2,004
Government investment issues	50,940	-	-	-	-	50,940
<b>AFS financial investments</b>						
Unquoted Islamic private debt securities:						
Unsecured	-	38,509	-	52,096	-	90,605
Quoted shares in Malaysia:						
Shariah approved equities	-	-	-	-	8,652	8,652
Shariah approved unit trust funds	-	-	-	-	5,888	5,888

\* Based on public ratings assigned by external rating agencies including Rating Agency Malaysia ("RAM") and Malaysian Rating Corporation ("MARC")

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**43. FINANCIAL RISK (CONTD.)****(a) Credit Risk (Contd.)****Credit exposure by credit rating (Contd.)****General takaful fund (Contd.)**

	Government guaranteed RM'000	BBB to AAA RM'000	C to BB RM'000	Not Rated RM'000	Not subject to credit risk RM'000	Total RM'000
<b>2011 (Contd.)</b>						
<b>Loans and receivables</b>						
Islamic investment accounts with licensed:						
Islamic banks	-	4,085	-	28,164	-	32,249
Development bank	-	-	-	18,577	-	18,577
Islamic repo placements	-	4,978	-	836	-	5,814
Income due and accrued	-	-	-	-	2,160	2,160
Other receivables, deposits and prepayments	-	-	-	-	1,649	1,649
Cash and bank balances	-	47,437	-	74	-	47,511
	65,264	105,479	-	124,079	53,805	348,627

**Family takaful fund****Financial investments at FVTPL**

Quoted shares in Malaysia:

Shariah approved equities

-	-	-	-	1,832	1,832
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**HTM financial investments**

Unquoted Islamic private debt securities:

Government guaranteed

24,103	-	-	-	-	24,103
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Unsecured

-	25,043	-	-	-	25,043
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Government investment issues

163,241	-	-	-	-	163,241
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**AFS financial investments**

Unquoted Islamic private debt securities:

Unsecured

-	279,028	-	-	-	279,028
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Quoted shares in Malaysia:

Shariah approved equities

-	-	-	-	15,988	15,988
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Shariah approved unit trust funds

-	-	-	8,585	-	8,585
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**Loans and receivables**

Islamic investment accounts with licensed:

Islamic banks

-	68,564	-	21,442	-	90,006
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Investment banks

-	1,507	-	-	-	1,507
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Development bank

-	40,496	-	18,860	-	59,356
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Islamic repo placements

-	97,244	-	16,723	-	113,967
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Institutional trust fund

-	-	-	18,592	-	8,592
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Due from:

General takaful fund

-	-	-	-	12,967	12,967
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Investment-linked fund

-	-	-	3	-	3
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Amount due from holding company

-	-	-	-	5,247	5,247
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Income due and accrued

-	-	-	-	199	199
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Other receivables, deposits and prepayments

-	-	-	-	445	445
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Retakaful contract assets

-	-	-	137,383	-	137,383
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Takaful contract receivables

-	2,648	-	81,170	-	83,818
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Cash and bank balances

-	62,163	-	754	-	62,917
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**43. FINANCIAL RISK (CONTD.)****(a) Credit Risk (Contd.)****Credit exposure by credit rating (Contd.)**

The table below provides information regarding the credit risk exposure of the retakaful funds by classifying assets according to the credit ratings of counterparties:

	Government guaranteed RM '000	BBB to AAA RM '000	Not subject to credit risk RM '000	Not Rated RM '000	Total RM '000
<b>General retakaful fund</b>					
<b>2011</b>					
<b>Financial assets at FVTPL</b>					
Shariah approved equities	-	-	70	-	70
<b>HTM investments</b>					
Government investment issues	4,004	-	-	-	4,004
<b>AFS financial assets</b>					
Unquoted secured corporate debt securities	502	5,867	-	-	6,369
<b>Loans and receivables</b>					
Islamic investment accounts with licensed:					
Islamic banks	-	-	10,562	-	10,562
Income due and accrued	-	-	-	188	188
Due from Shareholder's fund	-	-	-	35,568	35,568
Retakaful assets	-	-	-	7,368	7,368
Takaful receivables	-	214	-	13,715	13,929
Cash and bank balances	-	-	14	-	14
	4,506	6,081	10,646	56,839	78,072

**Family retakaful fund****2011****Financial assets at FVTPL**

Shariah approved equities	-	-	35	-	35
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**HTM investments**

Unquoted secured corporate debt securities	701	-	-	-	701
Government investment issues	3,007	-	-	-	3,007

**AFS financial assets**

Unquoted secured corporate debt securities	1,507	2,141	-	-	3,648
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**Loans and receivables**

Islamic investment accounts with licensed:					
Co-operative bank	-	-	3,618	-	3,618
Islamic banks	-	-	4,088	-	4,088
Income due and accrued	-	-	-	118	118
Takaful receivables	-	-	-	920	920
Cash and bank balances	-	-	181	-	181
	5,215	2,141	7,922	1,038	16,316

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**43. FINANCIAL RISK (CONTD.)****(a) Credit Risk (Contd.)****Loan**

The fair values of loans receivable are equivalent to their carrying value as they are either receivable within 12 months from the date of recognition or are issued at interest rates comparable to those for similar instruments in the market.

**Movement of allowance for impairment losses on receivables**

	<b>General reinsurance and shareholders' fund RM'000</b>	<b>General takaful fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>General retakaful fund RM'000</b>	<b>Family retakaful fund RM'000</b>
<b>2011</b>					
At beginning of year	5,984	11,109	246	1,209	-
Charge for the year	52	-	636	336	22
Recoveries	-	(3,054)	-	-	-
Written-off	(216)	-	-	-	-
At end of year	5,820	8,055	882	1,545	22

**(b) Liquidity Risk**

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

The Group assesses its liquidity risk by ensuring the following:

- (i) the Group is able to meet its payment obligations under normal and stressed operating environments without suffering any loss;
- (ii) additions/withdrawals from the Group's investment funds are managed efficiently;
- (iii) appropriate measures are in place to respond to liquidity risk.

As part of its liquidity management strategy, the Group has in place a framework capable of measuring and reporting on:

- (i) daily cash flows;
- (ii) minimum liquidity holdings;
- (iii) cash flow forecasts covering a minimum period of 2 months and up to a maximum of 1 year;
- (iv) the composition and market values of company's investment portfolios, including liquid holdings; and
- (v) the holding of liquid assets in the respective reinsurance, takaful and retakaful funds.

In order to manage the liquidity of the reinsurance/takaful/retakaful funds, the investment mandate requires that a certain proportion of the fund is maintained as liquid assets. Accordingly, the Group is required to maintain a minimum holding of low risk assets of 10% and no maximum limit on its placements in fixed and call deposits.

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**43. FINANCIAL RISK (CONTD.)****(b) Liquidity Risk (Contd.)****Maturity Profiles**

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

For insurance contracts/takaful and retakaful contracts liabilities and reinsurance/retakaful contract assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance/takaful liabilities.

Unearned premiums/contributions and the reinsurers'/retakaful operator's share of unearned premiums/contributions have been excluded from the analysis as they are not contractual obligations.

The table below summarise the maturity profile of the Group's and the Company's assets and liabilities at the reporting date based on undiscounted contractual cashflows:

**General reinsurance and shareholders' funds**

	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
<b>2011</b>						
<b>(a) Financial assets at FVTPL</b>						
<u>At fair value:</u>						
Quoted shares in Malaysia:						
Shariah approved equities	2,878	-	-	-	2,878	2,878
Structured products	12,019	-	12,019	-	-	12,019
Warrants	15	-	-	-	15	15
	14,912	-	12,019	-	2,893	14,912

**(b) HTM investments**At amortised cost/cost:

Islamic Bank Negara Monetary notes	4,996	5,000	-	-	-	5,000
Malaysian government securities	100,414	59,286	45,968	-	-	105,254
Unquoted corporate debt securities:						
Government guaranteed	65,041	22,319	44,849	5,193	-	72,361
Secured	37,719	12,245	29,006	-	-	41,251
Government investment issues	87,653	7,822	42,829	57,462	-	108,113
Short term commercial papers	14,534	15,001	-	-	-	15,001
Islamic commercial papers	2,992	3,001	-	-	-	3,001
Unquoted islamic private debt securities:						
Government guaranteed	15,026	612	3,054	15,550	-	19,216
Unsecured	1,383	1,000	-	383	-	1,383
	329,758	126,286	165,706	78,588	-	370,580

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**43. FINANCIAL RISK (CONTD.)****(b) Liquidity Risk (Contd.)****Maturity profiles (Contd.)**

	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
<b>(c) AFS financial assets</b>						
<u>At fair value:</u>						
Unquoted corporate debt securities	571,948	82,753	405,041	191,980	-	679,774
Islamic private debt securities	-	-	-	-	-	-
Unquoted shares in Malaysia	46,152	-	-	-	46,152	46,152
Golf club memberships	228	-	-	-	228	228
Quoted shares in Malaysia:						
Shariah approved equities	38,383	-	-	-	38,383	38,383
Others	23,823	-	-	-	23,823	23,823
Quoted shares outside Malaysia	341	-	-	-	341	341
Shariah approved unit trust funds	-	-	-	-	-	-
Unquoted Islamic private debt securities:						
Unsecured	55,757	7,507	33,212	27,856	-	68,575
	<b>736,632</b>	<b>90,260</b>	<b>438,253</b>	<b>219,836</b>	<b>108,927</b>	<b>857,276</b>

**(d) Loans and receivables**At amortised cost/cost:

Fixed and call deposits with licensed:						
Commercial banks	129,776	130,109	-	-	-	130,109
Investment banks	431,034	432,692	-	-	-	432,692
Islamic investment accounts with licensed:						
Co-operative bank	81,451	81,915	-	-	-	81,915
Islamic banks	127,252	127,733	-	-	-	127,733
Investment banks	-	-	-	-	-	-
Development bank	13,472	13,472	-	-	-	13,472
Building society	8,269	8,269	-	-	-	8,269
Institutional trust deposi	58,595	2,607	57,068	-	6,592	66,267
Islamic repo placements	12,668	12,668	-	-	-	12,668
Units held in investment-linked fund	10,000	-	-	-	10,000	10,000
Staff loans	12,618	3,281	9,337	-	-	12,618
Qard:						
General takaful fund	12,043	-	-	-	12,043	12,043
General retakaful fund	36,295	-	-	36,295	-	36,295

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**43. FINANCIAL RISK (CONTD.)****(b) Liquidity Risk (Contd.)****Maturity Profiles (Contd.)**

	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
<b>(d) Loans and receivables (Contd.)</b>						
At amortised cost/cost:						
Due from:						
General takaful fund	2,739	-	-	-	2,739	2,739
Family takaful fund	29,110	-	-	-	29,109	29,109
Family retakaful fund	11,120	1,118	-	-	10,002	11,120
Income due and accrued	16,213	15,191	-	-	1,022	16,213
Due from insurance Pool accounts	19,971	-	19,971	-	-	19,971
Other receivables, deposits and prepayments	21,952	16,593	-	-	5,359	21,952
	1,034,578	845,648	86,376	36,295	76,866	1,045,185

	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
<b>Company</b>						
<b>HTM investment</b>						
Unquoted, secured corporate debt securities	6,967	130	7,011	-	-	7,141
<b>AFS financial assets</b>						
Unquoted shares in Malaysia	1,649	-	-	-	1,649	1,649
Quoted shares in Malaysia	903	-	-	-	903	903
Golf club memberships	50	-	-	-	50	50
<b>Loans and receivables</b>						
Fixed and call deposits with:						
Commercial banks	3,069	3,069	-	-	-	3,069
Investment banks	1,000	1,000	-	-	-	1,000
Islamic investment accounts with licensed Islamic banks	3,813	3,813	-	-	-	3,813
Secured staff loans	2,334	2,334	-	-	-	2,334
Due from subsidiaries	459	459	-	-	-	459
Income due and accrued	26	26	-	-	-	26
Other receivables and deposits	58	58	-	-	-	58
<b>Total assets</b>	20,328	10,889	7,011	-	2,602	20,502
Islamic medium term notes	200,000	9,500	209,500	-	-	219,000
Other payables	13,926	13,926	-	-	-	13,926
<b>Total liabilities</b>	213,926	23,426	209,500	-	-	232,926

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**43. FINANCIAL RISK (CONTD.)****(b) Liquidity Risk (Contd.)****Maturity Profiles (Contd.)****General takaful fund**

	Carrying value RM' 000	Up to 1 year RM' 000	Over 1-5 years RM' 000	Over 5 years RM' 000	No maturity RM' 000	Total RM' 000
<b>2011</b>						
<b>(a) Financial assets at FVTPL</b>						
<u>At fair value:</u>						
Quoted shares in Malaysia:						
Shariah approved equities	1,090	-	-	-	1,090	1,090
Warrants	15	-	-	-	15	15
	1,105	-	-	-	1,105	1,105
<b>(b) HTM investments</b>						
<u>At amortised cost/cost:</u>						
Unquoted Islamic private debt securities:						
Government guaranteed	14,324	584	2,912	14,825	-	18,321
Unsecured	2,004	97	2,106	-	-	2,203
Government investment issues	50,940	3,990	20,669	41,146	-	65,805
	67,268	4,671	25,687	55,971	-	86,329
<b>(c) AFS financial assets</b>						
<u>At fair value:</u>						
Unquoted Islamic private debt securities:						
Unsecured	90,605	6,156	78,557	23,756	-	108,469
Quoted shares in Malaysia:						
Shariah approved equities	8,652	-	-	-	8,652	8,652
Shariah approved unit trust funds	5,888	-	-	-	5,888	5,888
	105,145	6,156	78,557	23,756	14,540	123,009

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**43. FINANCIAL RISK (CONTD.)****(b) Liquidity Risk (Contd.)****Maturity Profiles (Contd.)****General takaful fund (Contd.)**

	Carrying value RM' 000	Up to 1 year RM' 000	Over 1-5 years RM' 000	Over 5 years RM' 000	No maturity RM' 000	Total RM' 000
<b>2011</b>						
<b>(d) Loans and receivables</b>						
<u>At amortised cost/cost:</u>						
Islamic investment accounts with licensed:						
Islamic banks	32,249	32,249	-	-	-	32,249
Development bank	18,577	18,577	-	-	-	18,577
Islamic repo placements	5,814	5,814	-	-	-	5,814
Income due and accrued	2,160	-	-	-	2,160	2,160
Other receivables, deposits and prepayments	1,649	-	-	-	1,649	1,649
Retakaful contract assets	34,351	1,710	111	120	32,410	34,351
Takaful contract receivables	32,798	21,300	3,868	7,630	-	32,798
Cash and bank balances	47,511	-	-	-	47,511	47,511
<b>Total Assets</b>	<b>175,109</b>	<b>79,650</b>	<b>3,979</b>	<b>7,750</b>	<b>83,730</b>	<b>175,109</b>
Takaful contract liabilities	291,733	-	1,610	18,406	193,112	213,128
Takaful contract payables	7,932	-	-	-	7,932	7,932
Other payables	39,475	-	-	-	39,475	39,475
<b>Total Liabilities</b>	<b>339,140</b>	<b>-</b>	<b>1,610</b>	<b>18,406</b>	<b>240,519</b>	<b>260,535</b>

**Family takaful fund****2011****(a) Financial assets at FVTPL**At fair value:

Quoted shares in Malaysia:

Shariah approved equities	1,832	-	-	-	1,832	1,832
	1,832	-	-	-	1,832	1,832

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**43. FINANCIAL RISK (CONTD.)****(b) Liquidity Risk (Contd.)****Maturity Profiles (Contd.)****Family takaful fund (Contd.)**

	Carrying value RM' 000	Up to 1 year RM' 000	Over 1-5 years RM' 000	Over 5 years RM' 000	No maturity RM' 000	Total RM' 000
<b>2011</b>						
<b>(b) HTM investments</b>						
<u>At amortised cost/cost:</u>						
Unquoted Islamic private debt securities:						
Government guaranteed	24,103	805	13,430	15,550	-	29,785
Unsecured	25,043	12,814	9,721	5,387	-	27,922
Government investment issues	163,241	45,431	63,357	88,323	-	197,111
	212,387	59,050	86,508	109,260	-	254,818

**(c) AFS financial assets**At fair value:

Unquoted Islamic private debt securities:						
Unsecured	279,028	12,917	162,630	194,998	-	370,545
Quoted shares in Malaysia:						
Shariah approved equities	15,988	-	-	-	15,988	15,988
Shariah approved unit trust funds	8,585	-	-	-	8,585	8,585
	303,601	12,917	162,630	194,998	24,573	395,118

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**43. FINANCIAL RISK (CONTD.)****(b) Liquidity Risk (Contd.)****Maturity Profiles (Contd.)****Family takaful fund (Contd.)**

	Carrying value RM' 000	Up to 1 year RM' 000	Over 1-5 years RM' 000	Over 5 years RM' 000	No maturity RM' 000	Total RM' 000
<b>2011</b>						
<b>(d) Loans and receivables</b>						
<u>At amortised cost/cost:</u>						
Islamic investment accounts with licensed:						
Islamic banks	90,006	86,458	3,548	-	-	90,006
Investment banks	1,507	1,507	-	-	-	1,507
Development bank	59,356	59,082	274	-	-	59,356
Islamic repo placements	113,967	113,967	-	-	-	113,967
Institutional trust fund	18,592	-	-	-	18,592	18,592
Due from:						
General takaful fund	12,967	-	-	-	12,967	12,967
Investment-linked fund	3	-	-	-	3	3
Amount due from holding company	5,247	-	-	-	5,247	5,247
Income due and accrued	199	-	-	-	199	199
Other receivables, deposits and prepayments	445	-	-	-	445	445
Retakaful contract assets	137,383	-	-	563	136,820	137,383
Takaful contract receivables	83,818	76,801	7,017	-	-	83,818
Cash and bank balances	62,917	-	-	-	62,917	62,917
<b>Total Assets</b>	<b>586,407</b>	<b>337,815</b>	<b>10,839</b>	<b>563</b>	<b>237,190</b>	<b>586,407</b>
Takaful contract liabilities						
Takaful contract liabilities	1,104,189	4,434	21,617	806,445	271,693	1,104,189
Takaful contract payables	34,406	-	-	-	34,406	34,406
Other payables	65,754	-	-	-	65,754	65,754
<b>Total Liabilities</b>	<b>1,204,349</b>	<b>4,434</b>	<b>21,617</b>	<b>806,445</b>	<b>371,853</b>	<b>1,204,349</b>

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**43. FINANCIAL RISK (CONTD.)****(b) Liquidity Risk (Contd.)**Maturity profiles

	Carrying value RM' 000	Up to 1 year RM' 000	Over 1-5 years RM' 000	Over 5 years RM' 000	No maturity date RM' 000	Total RM' 000
<b>General retakaful fund</b>						
<b>2011</b>						
<b>Financial assets at FVTPL</b>						
Shariah approved equities	70	-	-	-	70	70
<b>HTM investments</b>						
Government investment issues	4,004	172	857	4,554	-	5,583
<b>AFS financial assets</b>						
Unquoted secured corporate debt securities	6,369	296	6,437	1,215	-	7,948
<b>Loans and receivables</b>						
Islamic investment accounts with licensed						
Islamic banks	10,562	10,583	-	-	-	10,583
Income due and accrued	188	188	-	-	-	188
Due from Shareholder's fund	34,343	-	-	-	34,343	34,343
Retakaful assets	7,368	-	-	-	7,368	7,368
Takaful receivables	13,929	13,929	-	-	-	13,929
Cash and bank balances	14	14	-	-	-	14
<b>Total Assets</b>	<b>76,847</b>	<b>25,182</b>	<b>7,294</b>	<b>5,769</b>	<b>41,781</b>	<b>80,026</b>
Takaful contract liabilities						
Takaful payables	3,250	2,818	432	-	-	3,250
Other payables	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>76,760</b>	<b>76,328</b>	<b>432</b>	<b>-</b>	<b>-</b>	<b>76,760</b>

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**43. FINANCIAL RISK (CONTD.)****(b) Liquidity Risk (Contd.)****Maturity profiles**

	Carrying value RM' 000	Up to 1 year RM' 000	Over 1-5 years RM' 000	Over 5 years RM' 000	No maturity date RM' 000	Total RM' 000
<b>Family retakaful fund</b>						
<b>2011</b>						
<b>Financial assets at FVTPL</b>						
Shariah approved equities	35	-	-	-	35	35
<b>HTM investments</b>						
Unquoted secured corporate debt securities	701	28	142	727	-	897
Government investment issues	3,007	93	3,010	-	-	3,103
<b>AFS financial assets</b>						
Unquoted secured corporate debt securities	3,648	165	3,670	788	-	4,623
<b>Loans and receivables</b>						
Islamic investment accounts with licensed:						
Co-operative bank	3,618	3,627	-	-	-	3,627
Islamic banks	4,088	4,092	-	-	-	4,092
Income due and accrued	118	118	-	-	-	118
Retakaful assets	7,368	7,368	-	-	-	7,368
Takaful receivables	920	920	-	-	-	920
Cash and bank balances	181	181	-	-	-	181
<b>Total Assets</b>	<b>23,684</b>	<b>16,592</b>	<b>6,822</b>	<b>1,515</b>	<b>35</b>	<b>24,964</b>
Other financial liabilities						
Takaful payables	9	-	-	-	9	9
Other payables	2,007	-	-	-	2,007	2,007
	11,120	11,120	-	-	-	11,120
<b>Total Liabilities</b>	<b>13,136</b>	<b>11,120</b>	<b>-</b>	<b>-</b>	<b>2,016</b>	<b>13,136</b>

**(c) Market Risk**

Market risk is the risk of loss arising from a change in the values of, or the income from, 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.

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**43. FINANCIAL RISK (CONTD.)****(c) Market Risk (Contd.)****Equity risk**

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

The Group's equity risk exposures relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices.

The Group's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each country, sector, market and issuer, having regard also to such limits as stipulated by BNM for its reinsurance, takaful and retakaful subsidiaries. The Group complied with such limits as stipulated by BNM during the financial year and has no significant concentration of price risk.

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.

Sensitivity analysis

	Changes in market indices	Group Impact on Profit/ Surplus before Tax RM'000	Impact on Equity/ Funds RM'000
<b>2011</b>			
<b>General reinsurance and shareholders' funds</b>			
Bursa Malaysia	+5%	777	4,330
Bursa Malaysia	-5%	(777)	(4,330)
<b>General takaful fund</b>			
Bursa Malaysia	+5%	153	641
Bursa Malaysia	-5%	(153)	(641)
<b>Family takaful fund</b>			
Bursa Malaysia	+5%	260	1,004
Bursa Malaysia	-5%	(260)	(1,004)
<b>General retakaful fund</b>			
Bursa Malaysia	+5%	4	37
Bursa Malaysia	-5%	(4)	(37)
<b>Family retakaful fund</b>			
Bursa Malaysia	+5%	3	34
Bursa Malaysia	-5%	(3)	(34)
			261

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

### 43. FINANCIAL RISK (CONTD.)

#### (c) Market Risk (Contd.)

##### Foreign exchange risk/currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to volatility in foreign exchange rates.

As the Group's business is conducted primarily in Malaysia, the Group's functional and presentation currency is Malaysian Ringgit. The Group's main foreign exchange risk from recognised assets and liabilities are resulting from reinsurance and retakaful transactions of the reinsurance and retakaful subsidiaries. These balances are expected to be settled and realised on net basis within 12 months; accordingly the impact arising from sensitivity in foreign exchange rates is deemed to be minimal.

##### Interest/Profit rate risk

The Group is exposed to fair value interest/profit rate risk where changes to interest/profit rates result in changes to fair values rather than cash flows on assets such as fixed interest income assets. Conversely, floating rate loans expose the Group to cash flow interest/profit rate risk.

The earnings of the Group 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. In addition, changes in market interest/profit rates will have an inverse relationship on the value of the Group's and the Company's fixed income portfolio.

The Group 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 Group'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.

The following tables set out the carrying amount, by maturity, of the Group's financial instruments that are exposed to interest/profit rate risk.

##### Sensitivity analysis

A change of 25 basis points ("bp") in interest/profit rates at the reporting date would have increased/(decreased) the value of the portfolio of fixed-income investment by the amounts shown below.

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**43. FINANCIAL RISK (CONTD.)****(c) Market Risk (Contd.)****Interest/Profit rate risk (Contd.)**

	<b>Changes in variable</b>	<b>Impact on Equity/ Funds RM'000</b>
<b>2011</b>		
<b>General reinsurance and shareholders' funds</b>		
Interest/profit rates	+25 bp	(7,008)
Interest/profit rates	-25 bp	6,262
<b>General takaful fund</b>		
Interest/profit rates	+25 bp	(912)
Interest/profit rates	-25 bp	928
<b>Family takaful fund</b>		
Interest/profit rates	+25 bp	(4,049)
Interest/profit rates	-25 bp	4,146
<b>General retakaful fund</b>		
Interest/profit rates	+25 bp	(94)
Interest/profit rates	-25 bp	68
<b>Family retakaful fund</b>		
Interest/profit rates	+25 bp	(42)
Interest/profit rates	-25 bp	41

**44. OTHER RISKS****Property Risk**

Property risk is the risk associated with the Group's investment in property or real estate for own occupancy, investment or rental purpose. The Operational Risk of the Group's Property is controlled by having detailed operation manual. The manual describes the responsibilities in relation to management of the properties to maintain quality and satisfied tenants.

The financial risk of declining tenant's are managed through careful selection of properties, having quality tenants with long term tenancies and continuously maintaining and upgrading facilities.

The Group has no significant exposure of property risk.

**Operational Risk**

Operational Risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Group cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Group is able to manage risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit. Business risks such as changes in environment, technology and the industry are monitored through the Group's strategic planning and budgeting process.

## **NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

### **44. OTHER RISKS (CONTD.)**

#### **Shariah Non-Compliance Risk**

Shariah Non-Compliance risk refers to possible failure to meet the obligation of Shariah principles. When controls fail to perform, Shariah non-compliance risk can cause reputational and operational damage, have regulatory implications or can even lead to financial loss and finally, impediment from Allah's barakah or blessing. The takaful and retakaful subsidiaries expect to mitigate such risk by initiating, monitoring and responding to robust Shariah control framework. Controls include effective oversight of the Shariah Committee, supported by internal Shariah Compliance Department in all aspects of the takaful and retakaful subsidiaries' operations. Other relevant controls include staff awareness training and internal operating guidelines, including the use of internal and external Shariah audit.

#### **Compliance Risk**

Compliance risk is the risk arising from violations of, or non conformance with business principles, internal policies and procedures, related laws, rules and regulations governing the Group's products, services and activities.

Consequently, the exposure to this risk can damage the Group's reputation, lead to legal or regulatory sanctions and/or financial loss.

The Group has established a Compliance Department at the Group and subsidiary level to oversee and monitor all compliance aspects in observing regulatory requirements. In this respect, it has developed internal policies and procedures to ensure compliance with all applicable laws and guidelines issued by the regulatory authorities.

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**45. TAKAFUL AND RETAKAFUL FUNDS****GENERAL TAKAFUL INCOME STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2011**

	Note	2011 RM'000	2010 RM'000 (Restated)
Operating revenue	3	232,756	223,383
Gross earned contribution	4(a)	210,526	216,319
Earned contribution ceded to retakaful operators	4(b)	(32,549)	(25,247)
<b>Net earned contribution</b>		177,977	191,072
Investment income	5	8,560	5,764
Realised gains and losses	6	2,706	308
Fair value gains and losses	7	(19)	588
Fee and commission income	8	3,938	4,505
<b>Other revenue</b>		15,185	11,165
Gross claims paid		(104,436)	(87,591)
Claims ceded to retakaful operators		6,995	9,360
Gross change to contract liabilities		(48,224)	(40,625)
Change in contract liabilities ceded to retakaful operators		13,248	(3,605)
<b>Net claims</b>		(132,417)	(122,461)
Fee expenses	8	(56,157)	(64,026)
Other operating income / (expenses)		1,284	(2,969)
<b>Other expenses</b>		(54,873)	(66,995)
<b>Surplus before taxation</b>		5,872	12,781
Taxation	12(b)	(1,427)	(2,511)
Net surplus for the year		4,445	10,270

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MNRB Holdings Berhad  
(Incorporated in Malaysia)

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

### 45. TAKAFUL AND RETAKAFUL FUNDS (CONTD.)

#### GENERAL TAKAFUL STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2011

	2011 RM'000	2010 RM'000
<b>Net surplus for the year</b>	4,445	10,270
<b>Other comprehensive income:</b>		
AFS financial assets:		
Net gains on fair value changes	2,287	2,152
Deferred tax on fair value changes	36	(480)
Realised gain transferred to income statement	(2,467)	(230)
<b>Total comprehensive income for the year</b>	4,301	11,712

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**45. TAKAFUL AND RETAKAFUL FUNDS (CONTD.)****GENERAL TAKAFUL STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2011**

	Note	2011 RM'000	2010 RM'000 (Restated)	1 April 2009 RM'000 (Restated)
<b>Assets</b>				
Financial assets:				
Financial assets at FVTPL	20(a)	1,105	1,529	329
HTM investments	20(b)	67,268	40,725	32,456
AFS financial assets	20(c)	105,145	52,891	21,293
Loans and receivables	20(d)	60,449	121,481	93,170
Retakaful contract assets	21(b)	34,351	29,669	30,842
Takaful contract receivables	22	32,798	36,156	17,319
Deferred tax	17	1,570	2,341	3,316
Cash and bank balances		47,511	226	4,698
<b>Total general takaful assets</b>		<b>350,197</b>	<b>285,018</b>	<b>203,423</b>
<b>Liabilities</b>				
Takaful contract liabilities	21(b)	291,733	228,254	184,563
Takaful contract payables	24	7,932	5,641	4,786
Tax payable		565	2,016	9
Other payables	26	39,474	42,914	12,143
<b>Total general takaful liabilities</b>		<b>339,704</b>	<b>278,825</b>	<b>201,501</b>
<b>General takaful fund</b>		<b>10,493</b>	<b>6,193</b>	<b>1,922</b>
<b>Total general takaful liabilities and participants' fund</b>		<b>350,197</b>	<b>285,018</b>	<b>203,423</b>

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**45. TAKAFUL AND RETAKAFUL FUNDS (CONTD.)****FAMILY TAKAFUL INCOME STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2011**

	Note	2011 RM'000	2010 RM'000 (Restated)
Operating revenue		569,270	419,835
Gross contribution		486,530	357,610
Contribution ceded to retakaful operators		(44,244)	8,807
<b>Net contribution</b>		442,286	366,417
Investment income	5	31,121	20,220
Realised gains and losses	6	8,073	2,024
Fair value gains and losses	7	(7,429)	27,541
Fee and commission income	8	-	63
<b>Other revenue</b>		31,765	49,848
Gross benefits paid		(117,700)	(92,780)
Benefits ceded to retakaful operators		25,303	14,049
Gross change to contract liabilities		(3,655)	(11,607)
Change in contract liabilities ceded to retakaful operators		16,540	3,246
<b>Net claims</b>		(79,512)	(87,092)
Fee expenses	8	(149,726)	(125,339)
Other operating expenses		(3,465)	(5,013)
<b>Other expenses</b>		(153,191)	(130,352)
<b>Surplus before taxation</b>		241,348	198,821
Taxation	12(c)	(2,983)	(2,622)
Net surplus for the year		238,365	196,199

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### 45. TAKAFUL AND RETAKAFUL FUNDS (CONTD.)

#### FAMILY TAKAFUL STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2011

	Note	2011 RM'000	2010 RM'000
<b>Net surplus for the year</b>		238,365	196,199
<b>Other comprehensive income:</b>			
AFS financial assets:			
Net gains on fair value changes		9,482	3,927
Deferred tax on fair value changes		(175)	(272)
Realised gain transferred to income statement		(7,458)	(523)
<b>Total comprehensive income for the year</b>		240,214	199,331

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**45. TAKAFUL AND RETAKAFUL FUNDS (CONTD.)****FAMILY TAKAFUL STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2011**

	Note	2011 RM'000	2010 RM'000 (Restated)	1 April 2009 RM'000 (Restated)
<b>Assets</b>				
Investment properties	14	103,518	110,000	69,966
Financial assets:				
Financial assets at FVTPL	20(a)	1,832	17,923	17,090
HTM investments	20(b)	212,387	205,796	133,123
AFS financial assets	20(c)	303,601	205,062	143,185
Loans and receivables	20(d)	302,289	221,201	192,668
Retakaful contract assets	21(c)	137,383	105,811	133,313
Takaful contract receivables	22	83,818	38,761	30,467
Cash and bank balances		62,916	2,832	8,559
Investment-linked business assets		93,092	43,391	6,663
<b>Total family takaful assets</b>		<b>1,300,836</b>	<b>950,777</b>	<b>735,034</b>
<b>Liabilities</b>				
Takaful contracts liabilities	21(c)	1,001,840	802,900	641,328
Takaful payables	24	34,406	19,464	13,104
Tax payable		1,260	1,046	205
Deferred tax	17	2,135	2,304	-
Other payables	26	65,754	38,485	49,079
Investment-linked business liabilities		2,865	673	399
<b>Total family takaful liabilities</b>		<b>1,108,260</b>	<b>864,872</b>	<b>704,115</b>
<b>Participants' Fund</b>				
Family takaful fund		102,349	43,187	24,655
Investment-linked fund		90,227	42,718	6,264
		192,576	85,905	30,919
<b>Total family takaful liabilities and participants' fund</b>		<b>1,300,836</b>	<b>950,777</b>	<b>735,034</b>

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**45. TAKAFUL AND RETAKAFUL FUNDS (CONTD.)****GENERAL RETAKAFUL INCOME STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2011**

	Note	2011 RM'000	2010 RM'000
Operating revenue	3	44,533	37,712
Gross earned contribution	4(a)	39,569	31,624
Contribution ceded to retakaful operators	4(b)	(8,958)	(9,722)
<b>Net earned contribution</b>		30,611	21,902
Investment income	5	761	427
Realised gains and losses	6	124	-
Fair value gains and losses	7	1	-
Fee and commission income	8	977	2,054
Other operating revenue		9	4
<b>Other revenue</b>		1,872	2,485
Gross claims paid		(12,636)	(13,788)
Claims ceded to reinsurers		859	2,390
Gross change to contract liabilities		(12,328)	(14,670)
Change in contract liabilities ceded to reinsurers		(1,935)	(579)
<b>Net claims</b>		(26,040)	(26,647)
Fee and commission expense	8	(19,806)	(17,584)
Other operating expenses		(1,006)	(1,248)
<b>Other expenses</b>		(20,812)	(18,832)
<b>Surplus before taxation</b>		(14,369)	(21,092)
Taxation	12(d)	-	-
<b>Net surplus for the year</b>		(14,369)	(21,092)

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### 45. TAKAFUL AND RETAKAFUL FUNDS (CONTD.)

#### GENERAL RETAKAFUL STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2011

	2011 RM'000	2010 RM'000
<b>Net surplus for the year</b>	(14,369)	(21,092)
Other comprehensive income:		
AFS financial assets:		
(Loss)/gain on fair value changes	(35)	16
Realised gain transferred to income statement	113	-
Deferred tax relating to components of other comprehensive income	(19)	(4)
<b>Total comprehensive income for the year</b>	<u>(14,310)</u>	<u>(21,080)</u>

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**45. TAKAFUL AND RETAKAFUL FUNDS (CONTD.)****GENERAL RETAKAFUL STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2011**

	Note	2011 RM'000	2010 RM'000 (Restated)	1 April 2009 RM'000 (Restated)
<b>Assets</b>				
Financial assets:				
Financial assets at FVTPL	20(a)	70	-	-
HTM investments	20(b)	4,004	4,995	5,001
AFS financial assets	20(c)	6,369	1,297	-
Loans and receivables	20(d)	45,093	38,845	19,566
Retakaful assets	21(d)	7,368	11,363	11,817
Takaful receivables	22	13,929	7,474	3,933
Tax recoverable		6	-	-
Cash and bank balances		14	134	101
<b>Total general retakaful fund assets</b>		<b>76,853</b>	<b>64,108</b>	<b>40,418</b>
<b>Liabilities</b>				
Deferred tax	17	23	4	-
Takaful contract liabilities	21(d)	73,510	56,979	36,648
Takaful payables	25	3,250	5,480	3,064
<b>Total general retakaful fund liabilities</b>		<b>76,783</b>	<b>62,463</b>	<b>39,712</b>
<b>General retakaful fund</b>	31	<b>70</b>	<b>1,645</b>	<b>706</b>
<b>Total liabilities and general retakaful fund</b>		<b>76,853</b>	<b>64,108</b>	<b>40,418</b>

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**45. TAKAFUL AND RETAKAFUL FUNDS (CONTD.)****FAMILY RETAKAFUL INCOME STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2011**

	Note	2011 RM'000	2010 RM'000
Operating revenue	3	13,343	8,330
Gross earned contribution		12,897	8,074
Contribution ceded to retakaful operators		(4,163)	(3,884)
<b>Net earned contribution</b>		<b>8,734</b>	<b>4,190</b>
Investment income	5	446	256
Realised gains and losses	6	123	-
Fair value gains and losses	7	1	-
Fee and commission income	8	103	-
Other operating revenue		15	-
<b>Other revenue</b>		<b>688</b>	<b>256</b>
Gross benefits paid		(11,036)	(5,366)
Claims ceded to reinsurers		4,263	3,011
Gross change to contract liabilities		(716)	(1,438)
Change in contract liabilities ceded to reinsurers		(5)	630
<b>Net claims</b>		<b>(7,494)</b>	<b>(3,163)</b>
Fee and commission expense	8	(1,533)	(742)
Other operating expenses		(21)	(1)
<b>Other expenses</b>		<b>(1,554)</b>	<b>(743)</b>
<b>Surplus before taxation</b>		<b>374</b>	<b>540</b>
Taxation	12(e)	-	-
<b>Net surplus for the year</b>		<b>374</b>	<b>540</b>

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### 45. TAKAFUL AND RETAKAFUL FUNDS (CONTD.)

#### FAMILY RETAKAFUL STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2011

	2011 RM'000	2010 RM'000
<b>Net surplus for the year</b>	374	540
Other comprehensive income:		
AFS financial assets:		
(Loss)/gain on fair value changes	(92)	16
Realised gain transferred to income statement	114	-
Deferred tax relating to components of other comprehensive income	(5)	(4)
<b>Total comprehensive income for the year</b>	<b>391</b>	<b>552</b>

**NOTES TO THE FINANCIAL STATEMENTS**

31 MARCH 2011

**45. TAKAFUL AND RETAKAFUL FUNDS (CONTD.)****FAMILY RETAKAFUL STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2011**

	Note	2011 RM'000	2010 RM'000 (Restated)	1 April 2009 RM'000 (Restated)
<b>Assets</b>				
Financial assets:				
Financial assets at FVTPL	20(a)	35	-	-
HTM investments	20(b)	3,708	3,014	2,000
AFS financial assets	20(c)	3,648	797	-
Loans and receivables	20(d)	7,824	8,834	8,562
Takaful receivables	22	920	1,174	296
Tax recoverable		4	-	-
Cash and bank balances		181	9	2
<b>Total family retakaful fund assets</b>		<b>16,320</b>	<b>13,828</b>	<b>10,860</b>
<b>Liabilities</b>				
Deferred tax liabilities	17	9	4	-
Takaful contract liabilities	21	1,838	1,117	309
Takaful payables	24	2,007	895	53
Other payables	26	11,120	10,857	10,095
<b>Total family retakaful fund liabilities</b>		<b>14,974</b>	<b>12,873</b>	<b>10,457</b>
<b>Family retakaful fund</b>	32	<b>1,346</b>	<b>955</b>	<b>403</b>
<b>Total liabilities and family retakaful fund</b>		<b>16,320</b>	<b>13,828</b>	<b>10,860</b>

**NOTES TO THE FINANCIAL STATEMENTS**

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**46. SUPPLEMENTARY INFORMATION - BREAKDOWN OF RETAINED PROFITS INTO REALISED AND UNREALISED PROFITS OR LOSSES**

The breakdown of the retained profits of the Group and of the Company as at 31 March 2011 into realised and unrealised profits or losses is presented in accordance with the directives issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and 20 December 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	<b>Group 2011 RM'000</b>	<b>Company 2011 RM'000</b>
Realised and unrealised profits/(losses) of the Company and its subsidiaries:		
- Realised	634,986	295,893
- Unrealised	13,098	3,098
	<hr/> 648,084	<hr/> 298,991
Share of retained profits from associated Company:		
- Realised	18,067	-
- Unrealised	6,741	-
	<hr/> 672,892	<hr/> 298,991
Less: Consolidation adjustments	(21,745)	-
Total retained profits	<hr/> 651,147	<hr/> 298,991