FINANCIAL STATEMENTS

The Directors hereby present their report together with the audited financial statements of the Company and of the Group for the financial year ended 31 March 2017.

PRINCIPAL ACTIVITIES

The Company is an investment holding company, principally engaged in the provision of management services to its subsidiaries.

The principal activities of the subsidiaries have been disclosed in Note 17 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Net profit/(loss) for the financial year	71,170	(18,200)

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 Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the current financial year.

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM213,070,000 to RM319,605,000 by way of the issuance of bonus shares through capitalisation of share premium of RM105,051,000 and retained earnings of RM1,484,000, as disclosed in Note 26 to the financial statements.

DIRECTORS

The names of the Directors of the Company in office since the beginning of the financial year to the date of this report are:

Sharkawi bin Alis
Mohd Din bin Merican
Megat Dziauddin bin Megat Mahmud
Paisol bin Ahmad
Hijah Arifakh binti Othman
Mustaffa bin Ahmad
Rosinah binti Mohd Salleh (Appointed with effect from 1 January 2017)
Arul Sothy A/L Mylvaganam (Appointed with effect from 1 January 2017)
Noor Rida binti Hamzah (Appointed with effect from 1 January 2017)
Yusoff bin Yaacob (Resigned with effect from 1 January 2017)
P. Raveenderen (Resigned with effect from 1 July 2016)

DIRECTORS (CONT'D.)

In accordance with Article 86 of the Company's Articles of Association, Paisol bin Ahmad and Hijah Arifakh binti Othman will be retiring by rotation at the forthcoming Annual General Meeting. Paisol bin Ahmad had expressed his intention not to seek re-election and Hijah Arifakh binti Othman, being eligible, offers herself for re-election. In accordance with Article 92 of the Company's Articles of Association, Rosinah binti Mohd Salleh, Arul Sothy Mylvaganam and Noor Rida binti Hamzah shall retire and being eligible offer themselves for re-election.

Other than the Directors listed above, the following is the list of Directors who held office in the subsidiaries of the Company:

Directors	Subsidiaries
Zainudin bin Ishak	Malaysian Reinsurance Berhad ("MRE"), Malaysian Re (Dubai) Ltd. ("MRDL") and MMIP Services Sdn. Bhd. ("MSSB")
Datuk Ab Latiff bin Abu Bakar	Takaful Ikhlas Berhad ("TIB")
Md Adnan bin Md Zain	MRE and TIB
Datin Zaimah binti Zakaria	MRE
Yahaya bin Besah	MNRB Retakaful Berhad ("MRT")
Dr. Syed Musa bin Syed Jaafar Alhabshi	MRT
Datuk Nik Moustpha bin Nik Hassan	Takaful IKHLAS
Norazman bin Hashim	MSSB

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 or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors from the Company or the fixed salary and benefits receivable as a full-time employee of the Company as disclosed in Notes 9, 10 and 31 to the financial statements or benefits receivable from related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest to be disclosed under Fifth Schedule, Part I Section 3 of the Companies Act, 2016.

During the financial year, the Company purchased a Directors and Officers Insurance cover that provide indemnity to all directors of the Company and its subsidiaries for a total amount up to RM50,000,000 for all the directors.

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, none of the Directors in office at the end of the financial year had any interest in shares of the Company or its related corporations during the financial year.

OTHER STATUTORY INFORMATION

(a) Before the income statements and statements of financial position of the Company and of the Group 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 allowance for doubtful debts and satisfied themselves that all known bad debts had been written-off and that adequate allowance 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 render:

  (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Company and of the Group inadequate to any substantial extent; and

  (ii) the values attributed to the current assets in the financial statements of the Company and of the Group misleading.

(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 Company and of the Group 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 Company and of the Group 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 other than those arising in the normal course of business of the Company and of the Group.

(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 and associate companies.

AUDITORS

The retiring auditors, Messrs. Ernst & Young, have expressed their willingness to accept re-appointment. Details of Auditors' remuneration for their services as auditors are disclosed in Note 9 to the statutory financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 22 June 2017.

Sharkawi bin Alis | **Mohd Din bin Merican**

Kuala Lumpur, Malaysia

Statement by Directors

Pursuant to Section Section 251(2) of the Companies Act, 2016

We, Sharkawi bin Alis and Mohd Din bin Merican, 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 118 to 236 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia, so as to give a true and fair view of the financial position of the Company and of the Group as at 31 March 2017 and of the results and the cash flows of the Company and of the Group for the year then ended.

In the opinion of the Directors, the information set out in Note 39 and page 237 of the financial statements has been compiled in accordance with the Guidance On Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" issued by the Malaysian Institute of Accountants on 20 December 2010, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 22 June 2017.

Sharkawi bin Alis **Mohd Din bin Merican**

Kuala Lumpur, Malaysia

Statutory Declaration

Pursuant to Section 251(1)(b) of the Companies Act, 2016

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 118 to 237 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 22 June 2017.) **Norazman bin Hashim**

Before me,

Commissioner of Oaths

Independent Auditors' Report
to the Members of MNRB Holdings Berhad
(Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of MNRB Holdings Berhad, which comprise the statements of financial position as at 31 March 2017 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 notes to the financial statements, including a summary of significant accounting policies, as set out on pages 118 to 236.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 March 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

<u>Insurance/takaful Contract Liabilities of the Group</u>

The Group's insurance/takaful contract liabilities as at 31 March 2017 amounted to RM5.2 billion (as disclosed in Note 20 to the financial statements) or approximately 84% of its total liabilities. The insurance/takaful contract liabilities include the following liabilities of the reinsurance, retakaful and takaful subsidiaries, Malaysian Reinsurance Berhad, MNRB Retakaful Berhad and Takaful Ikhlas Berhad respectively:

(a) Premium/contribution and claim liabilities of the general reinsurance, retakaful and takaful business;
(b) Actuarial liabilities of the family retakaful and takaful business;
(c) Investment-linked participants' account of the family takaful business; and
(d) Expense liabilities in respect of the shareholder's fund of the takaful and retakaful business.

These liabilities have been estimated based on standard actuarial valuation methodologies and other estimation models as allowed under the Risk-based Capital Framework and Risk-based Capital Framework for Takaful Operators issued by Bank Negara Malaysia as well as the accounting policies described in Notes 2.4, 2.5 and 2.6 for the valuation of the insurance/takaful contract liabilities of the Group.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)

Key audit matters (cont'd.)

Insurance/takaful Contract Liabilities of the Group (cont'd.)

The complexity of the actuarial valuation methodologies and other estimation models applied to derive the insurance/takaful contract liabilities may give rise to estimation errors as a result of inadequate or incomplete data, the design and application of the relevant models by the management's experts (i.e. the Appointed Actuaries) and the use of inappropriate assumptions. Significant professional judgement is applied by the Group in deriving the assumptions (as described in Note 3 to the financial statements) and any significant changes thereon may have a material effect on the insurance/takaful contract liabilities.

Our audit procedures were focused on the following key areas:

- Understanding and documenting the qualifications, objectivity and independence of the Appointed Actuaries tasked with estimating the insurance/takaful contract liabilities of the Group;
- Reviewing the reports prepared by the Appointed Actuaries in respect of the insurance/takaful contract liabilities of the Group;
- Assessing the valuation methodologies applied by the Group to derive the insurance/takaful contract liabilities;
- Assessing the design and testing the operating effectiveness of key internal controls over the actuarial valuation process with respect to financial reporting, including the bases used by the Group in determining and approving the key assumptions applied;
- Assessing the experience analyses of the reinsurance, retakaful and takaful business used during the setting of the key assumptions to derive the insurance/takaful contract liabilities and challenging the rationale applied by the Appointed Actuaries and management in deriving those assumptions. In addition and where appropriate, comparisons have also been made against other industry constituents and the experience of the respective subsidiaries;
- Testing the completeness and sufficiency of data used in the valuation of insurance/takaful contract liabilities including reviewing the data extraction process and reconciliations carried out by the Group. These tests also included control tests performed on selected samples of claims reserves, claims paid and reinsurance policies and retakaful and takaful certificates issued by the Group to ascertain effectiveness of operating controls over quality and accuracy of the underlying data;
- Performing audit tests on the model review process applied by management in respect of the family takaful business and independently reviewing the results thereon;
- Performing independent analyses and re-computation of the general reinsurance/retakaful/takaful contract liabilities for selected classes of business, focusing on the most significant business portfolio and those which may potentially result in significant deviations in estimates. We compared our independent analyses to those performed by management to ascertain if the reserves were sufficient and within range of our independent analyses;
- Performing tests on the UPR/UCR calculations produced by management and thereafter, comparing the UPR/UCR against the URR valuation performed by the Appointed Actuaries to ascertain if adequate reserves have been established for the general reinsurance, retakaful and takaful business;
- Performing tests on the UWF calculations produced by management and thereafter, comparing the UWF against the UER valuation performed by the Appointed Actuaries to ascertain if adequate reserves have been established for the shareholder's fund of the retakaful and takaful business;
- Reviewing the Liability Adequacy Test results performed by the reinsurance, retakaful and takaful subsidiaries;
- Auditing the fair value of financial assets and adequacy of liabilities of the investment-linked funds of the family takaful business;
- Performing control tests over the creation and cancellation of units of the investment-linked funds as well as calculation of Net Asset Values; and
- Assessing the adequacy of disclosures made in the financial statements in respect of the insurance/takaful contract liabilities of the Group.

We have also engaged our Actuarial Services professionals in accordance with the requirements of International Standard on Auditing 620 *Reliance on the Work of an Auditors' Expert* to assist us in performing certain audit procedures on the insurance/takaful contract liabilities of the Group.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)

Auditors' responsibilities for the audit of the financial statements (cont'd.)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other reporting responsibilities

The supplementary information set out in Note 39 on page 237 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 266 of the Companies Act 2016 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

Dato' Abdul Rauf Bin Rashid
No. 2305/05/18(J)
Chartered Accountant

Kuala Lumpur, Malaysia
22 June 2017

Income Statements

for the year ended 31 March 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Gross earned premiums/contributions	4(a)	**2,327,336**	2,266,874	**–**	–
Premiums/contributions ceded to reinsurers/ retakaful operators	4(b)	**(348,832)**	(324,895)	**–**	–
Net earned premiums/contributions		**1,978,504**	1,941,979	**–**	–
Investment income	5	**227,158**	212,115	**3,889**	102,842
Net realised gains/(losses)	6	**1,350**	8,223	**6**	(1)
Net fair value losses	7	**(74)**	(25,419)	**–**	–
Fee and commission income	8	**55,381**	42,234	**31,728**	30,844
Other operating revenue	11	**64,878**	13,633	**184**	115
Other revenue		**348,693**	250,786	**35,807**	133,800
Gross claims and benefits paid		**(1,256,115)**	(1,229,755)	**–**	–
Claims ceded to reinsurers/retakaful operators		**107,727**	136,965	**–**	–
Gross change in contract liabilities		**(356,193)**	(642,282)	**–**	–
Change in contract liabilities ceded to reinsurers/ retakaful operators		**18,070**	103,868	**–**	–
Net claims and benefits		**(1,486,511)**	(1,631,204)	**–**	–
Fee and commission expenses	8	**(443,307)**	(443,022)	**–**	–
Management expenses	9	**(252,469)**	(213,205)	**(35,187)**	(36,087)
Finance costs		**(18,120)**	(18,231)	**(18,120)**	(18,231)
Other operating expenses	11	**(11,131)**	(6,712)	**(295)**	(236)
Change in expense liabilities		**(2,884)**	(6,979)	**–**	–
Tax borne by participants	12	**(15,411)**	(16,483)	**–**	–
Other expenses		**(743,322)**	(704,632)	**(53,602)**	(54,554)
Share of results of associates		**5,628**	12,615	**–**	–
Operating profit/(loss) before (surplus)/deficit attributable to takaful participants and taxation		**102,992**	(130,456)	**(17,795)**	79,246
(Surplus)/deficit attributable to takaful participants	22(a)	**(4,064)**	99,408	**–**	–
Operating profit/(loss) before taxation		**98,928**	(31,048)	**(17,795)**	79,246
Taxation	12	**(27,758)**	(7,781)	**(405)**	725
Net profit/(loss) for the year attributable to equity holders of the Parent		**71,170**	(38,829)	**(18,200)**	79,971
Basic and diluted earnings/(loss) per share attributable to equity holders of the Parent (sen)	28	**27.6**	(18.2)		

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 2017

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Net profit/(loss) for the year	**71,170**	(38,829)	**(18,200)**	79,971
Other comprehensive income/(loss)				
Other comprehensive income/(loss) to be reclassified to income statement in subsequent periods:				
Effects of post-acquisition foreign exchange translation reserve on investment in associate	**15,220**	5,587	**–**	–
Effects of foreign exchange translation reserve on investment in subsidiary	**1,700**	142	**–**	–
Net gains on Available-for-sale ("AFS") financial assets:				
(Loss)/gains on fair value changes	**(3,871)**	21,863	**–**	–
Realised losses/(gains) transferred to income statement (Note 6)	**946**	(7,050)	**–**	–
Deferred tax relating to net losses/(gains) on AFS financial assets	**316**	(3,056)	**–**	–
Other comprehensive losses/(income) attributable to participants (Note 22(b))	**2,741**	(2,418)	**–**	–
Other comprehensive income/(loss) not to be reclassified to income statement in subsequent periods:				
Revaluation of land and buildings	**3,905**	16,366	**–**	–
Deferred tax relating to revaluation of land and buildings	**(305)**	(1,669)	**–**	–
Other comprehensive income attributable to participants (Note 22(c))	**(2,536)**	(10,230)	**–**	–
Total comprehensive income/(loss) for the year	**89,286**	(19,294)	**(18,200)**	79,971

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

Statements of Financial Position
as at 31 March 2017

		Group		Company	
		2017	**2016**	**2017**	**2016**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Assets					
Property, plant and equipment	13	**243,732**	247,497	**1,467**	2,017
Investment property	14	**7,400**	7,400	**–**	–
Intangible assets	15	**23,040**	14,824	**1,924**	3,241
Deferred tax assets	16	**19,518**	15,551	**3,333**	3,038
Investments in subsidiaries	17	**–**	–	**843,705**	843,705
Investments in associates	18	**145,420**	128,521	**1,957**	1,957
Financial assets at fair value through profit or loss ("FVTPL")	19(a)	**123,467**	129,096	**–**	–
Held-to-maturity ("HTM") investments	19(b)	**695,426**	701,430	**1,000**	1,000
AFS financial assets	19(c)	**3,384,744**	2,744,399	**50**	50
Loans and receivables ("LAR")	19(d)	**1,934,933**	2,060,905	**105,388**	119,260
Reinsurance/retakaful assets	20	**514,230**	497,180	**–**	–
Insurance/takaful receivables	21	**336,190**	357,012	**–**	–
Tax recoverable		**28,575**	26,592	**–**	–
Cash and bank balances		**99,905**	177,313	**3,416**	3,608
Total assets		**7,556,580**	7,107,720	**962,240**	977,876
Liabilities and Participants' funds					
Participants' funds	22	**199,561**	201,186	**–**	–
Borrowings	23	**320,000**	320,000	**320,000**	320,000
Insurance/takaful contract liabilities	20	**5,172,813**	4,847,518	**–**	–
Insurance/takaful payables	24	**210,174**	199,285	**–**	–
Other payables	25	**212,186**	194,004	**14,486**	12,530
Deferred tax liabilities	16	**10,780**	10,791	**–**	–
Provision for taxation		**11,536**	4,614	**2,592**	1,984
Provision for zakat		**64**	142	**–**	
Total liabilities and participants' funds		**6,137,114**	5,777,540	**337,078**	334,514
Equity					
Share capital	26	**319,605**	213,070	**319,605**	213,070
Reserves		**1,099,861**	1,117,110	**305,557**	430,292
Total equity attributable to equity holders of the Parent		**1,419,466**	1,330,180	**625,162**	643,362
Total liabilities, participants' funds and equity		**7,556,580**	7,107,720	**962,240**	977,876

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 2017

	Share capital RM'000	Share premium RM'000	Foreign exchange translation reserve RM'000	AFS reserve RM'000	Revaluation reserve RM'000	Retained profits RM'000	Total RM'000
	< ---------------------- Attributable to equity holders of the Parent ------------------------ >						
		< ----------------------------- Reserves ------------------------------ >					
		< ---------------- Non-distributable ---------------- >				Distributable	
Group							
At 1 April 2015	213,070	105,051	33,047	(5,812)	37,199	966,919	1,349,474
Net loss for the year	–	–	–	–	–	(38,829)	(38,829)
Other comprehensive income for the year	–	–	5,729	9,339	4,467	–	19,535
Total comprehensive income/(loss) for the year	–	–	5,729	9,339	4,467	(38,829)	(19,294)
At 31 March 2016	213,070	105,051	38,776	3,527	41,666	928,090	1,330,180
Net profit for the year	–	–	–	–	–	71,170	71,170
Issuance of bonus shares (Note 26)	106,535	(105,051)	–	–	–	(1,484)	–
Other comprehensive income/(loss) for the year	–	–	16,920	132	1,064	–	18,116
Total comprehensive income/(loss) for the year	106,535	(105,051)	16,920	132	1,064	69,686	89,286
At 31 March 2017	319,605	–	55,969	3,659	42,730	997,776	1,419,466

	Share capital RM'000	Share premium RM'000	Retained profits RM'000	Total RM'000
	< ------- Attributable to equity holders of the Company ------- >			
		< ---------- Reserves ---------- >		
	< ---- Non-distributable ---- >		Distributable	
Company				
At 1 April 2015	213,070	105,051	245,270	563,391
Total comprehensive income for the year	–	–	79,971	79,971
At 31 March 2016	213,070	105,051	325,241	643,362
Issuance of bonus shares (Note 26)	106,535	(105,051)	(1,484)	–
Total comprehensive loss for the year	–	–	(18,200)	(18,200)
At 31 March 2017	319,605	–	305,557	625,162

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

Statements of Cash Flows

for the year ended 31 March 2017

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash flows from operating activities				
Profit/(loss) before zakat and taxation	**98,928**	(31,048)	**(17,795)**	79,246
Adjustments for:				
Net fair value (gains)/losses on financial assets at FVTPL	**(2,987)**	4,702	**–**	–
Net impairment losses on AFS financial assets	**3,147**	20,879	**–**	–
Reversal of impairment losses on HTM investments	**–**	(12)	**–**	–
(Reversal of revaluation deficits)/revaluation deficits on properties	**(86)**	150	**–**	–
Reversal of impairment loss on other receivables	**(62)**	(103)	**–**	–
Net impairment loss on insurance/takaful receivables	**9,558**	3,954	**–**	–
Depreciation of property, plant and equipment	**8,069**	8,503	**644**	315
Amortisation of intangible assets	**3,260**	2,571	**290**	567
Fair value gains on investment property	**–**	(300)	**–**	–
Net losses/(gains) on disposals of property, plant and equipment	**9**	(5)	**(6)**	1
(Decrease)/increase in gross premium/contribution liabilities	**(33,782)**	38,979	**–**	–
Interest/profit income	**(205,737)**	(200,387)	**(3,889)**	(2,842)
Dividend income	**(20,038)**	(12,189)	**–**	(100,000)
Rental income	**(5,887)**	(5,885)	**–**	–
Finance cost	**18,120**	18,231	**18,120**	18,231
Realised gains on disposals of investments	**(1,359)**	(8,218)	**–**	–
Net amortisation of premiums on investments	**4,470**	3,977	**–**	–
Share of results of associates	**(5,628)**	(12,615)	**–**	–
Loss from operations before changes in operating assets and liabilities	**(130,005)**	(168,816)	**(2,636)**	(4,482)
Decrease/(increase) in placements with licensed financial institutions, Islamic investment accounts and marketable securities	**127,613**	(153,706)	**14,143**	(83,615)
Net purchase of investments	**(635,218)**	(191,081)	**–**	(1,000)
Decrease in staff loans	**1,303**	1,509	**582**	1,041
Decrease/(increase) in insurance/takaful receivables	**11,264**	(57,048)	**–**	–
(Increase)/decrease in other receivables	**(5,445)**	18,412	**1,383**	(436)
Net change in balances with subsidiaries	**–**	–	**(893)**	3,027
Increase in gross claim liabilities, actuarial liabilities and unallocated surplus	**356,193**	642,282	**–**	–
Increase in expense liabilities	**2,884**	6,979	**–**	–
Increase/(decrease) in participants' funds	**4,064**	(99,408)	**–**	–
Increase in reinsurance/retakaful assets	**(17,050)**	(122,527)	**–**	–
Increase in insurance/takaful payables	**10,889**	29,861	**–**	–
Balance carried forward	**(273,508)**	(93,543)	**12,579**	(85,465)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash flows from operating activities (cont'd.)				
Balance brough forward	**(273,008)**	(93,543)	**12,579**	(85,465)
Increase in other payables	**18,510**	23,197	**1,501**	1,083
Taxes and zakat (paid)/refunded	**(25,033)**	(20,178)	**(92)**	(99)
Interest/profit received	**207,654**	183,060	**3,819**	2,880
Hibah paid to participants	**–**	(916)	**–**	–
Dividends received	**20,410**	19,731	**–**	100,000
Rental received	**6,161**	6,591	**–**	–
Net cash (used in)/generated from operating activities	**(45,806)**	117,942	**17,807**	18,399
Cash flows from investing activities				
Purchase of property, plant and equipment	**(1,197)**	(2,162)	**(94)**	(1,813)
Purchase of intangible assets	**(11,476)**	(3,198)	**(324)**	(125)
Proceeds from disposal of intangible assets	**–**	114	**–**	114
Proceeds from disposal of property, plant and equipment	**9**	146	**6**	110
Transfers of intangible assets to subsidiary	**–**	–	**1,351**	–
Transfers of property, plant and equipment to subsidiary	**–**	–	**–**	2,277
Net cash (used in)/generated from investing activities	**(12,664)**	(5,100)	**939**	563
Cash flows from financing activities				
Profit paid	**(18,938)**	(18,231)	**(18,938)**	(18,231)
Net cash used in financing activities	**(18,938)**	(18,231)	**(18,938)**	(18,231)
Cash and bank balances				
Net (decrease)/increase during the year	**(77,408)**	94,611	**(192)**	731
At beginning of the year	**177,313**	82,702	**3,608**	2,877
At end of the year	**99,905**	177,313	**3,416**	3,608

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

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 Company is an investment holding company, principally engaged in the provision of management services to its subsidiaries.

The principal activities of the subsidiaries have been disclosed in Note 17 to the financial statements. There have been no significant changes in the nature of the principal activities of the Company and of the Group during the financial year.

The number of employees in the Group and in the Company at the end of the financial year were 909 and 171 (2016: 906 and 178) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 22 June 2017.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

The Companies Act 2016 ("New Act") was enacted to replace the Companies Act 1965 in Malaysia with the objectives of creating a legal and regulatory structure that will facilitate business and promote accountability as well as protection of corporate directors and shareholders, taking into consideration the interest of other stakeholders. The New Act was passed on 4 April 2016 by the Dewan Rakyat (House of Representatives) and gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the date on which the New Act came into operation, except section 241 and Division 8 of Part III of the New Act, would be on 31 January 2017.

Amongst the key changes introduced in the New Act which affect the financial statements of the Company are:

(a) Removal of the authorised share capital; and

(b) Shares of the Company will cease to have par or nominal value.

The application of the New Act does not have any financial impact on the Group and the Company as the effect of the New Act will mainly be on the disclosures to the financial statements of the Group and the Company.

At the beginning of the current financial year, the Group and the Company had adopted the amended MFRSs and new MFRSs applicable for annual financial periods beginning on or after 1 January 2016, as described fully in Note 2.29.

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

As at the reporting date, the reinsurance, retakaful and takaful subsidiaries have met the minimum capital requirements as prescribed by the Risk-Based Capital ("RBC") Framework and Risk-Based Capital for Takaful ("RBCT") issued by Bank Negara Malaysia ("BNM").

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Accounting period

For the general reinsurance/retakaful 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 2017.

2.3 Subsidiaries, associates and basis of consolidation

(a) Subsidiaries

A subsidiary is an entity over which the Group has all the following:

(i) power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) exposure, or rights, to variable returns from its investment with the investee; and

(iii) the ability to use its power over the investee to affect its returns.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(i) the contractual arrangement with the other vote holders of the investee;

(ii) rights arising from other contractual arrangements; and

(iii) the Group's voting rights and potential voting rights.

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

(b) 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 acquisition method. The acquisition 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Subsidiaries, associates and basis of consolidation (cont'd.)

(b) Basis of consolidation (cont'd.)

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.

(c) Takaful and retakaful operations and funds

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

In accordance with the Islamic Financial Services Act ("IFSA") 2013, the assets and liabilities of the takaful funds are segregated from those of the takaful operator: a concept known as segregation of funds. However, in compliance with MFRS 10 *Consolidated Financial Statements*, the assets, liabilities, income and expenses of the takaful and retakaful funds are consolidated with those of the takaful and retakaful subsidiaries to represent the control possessed by the takaful and retakaful operators over the respective funds.

In preparing the Group financial statements, the balances and transactions of the shareholder's funds of the takaful and retakaful subsidiaries were amalgamated and combined with those of the takaful and retakaful funds respectively. Interfund balances, transactions and unrealised gains or losses are eliminated in full during amalgamation and consolidation.

The takaful and retakaful funds of the takaful and retakaful subsidiaries are consolidated and amalgamated from the date of control and continue to be consolidated until the date such control ceases which will occur when the takaful and retakaful subsidiaries' licences to manage takaful and retakaful businesses respectively are withdrawn or surrendered.

(d) 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 investments in associates are 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 associates. The Group's share of the net profit or loss of the associates is recognised in the consolidated income statement. Where there has been a change recognised directly in the equity of the associates, the Group recognises its share of such changes.

In applying the equity method, unrealised gains and losses on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associates. 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 investments in the associates. The investments in associates are accounted for using the equity method from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associates or the investments become subsidiaries.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Subsidiaries, associates and basis of consolidation (cont'd.)

(d) Associates (cont'd.)

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 associates' identifiable assets, liabilities and contingent liabilities over the cost of the investments is excluded from the carrying amount of the investments and is instead included as income in the determination of the Group's share of the associates' profit or loss in the period in which the investments are acquired.

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

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 co-terminous with those of the Group, the share of results is derived from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting polices 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, takaful and retakaful underwriting results

The general reinsurance, takaful and retakaful underwriting results are determined after taking into account premiums/contributions, reinsurance/retakaful/retrotakaful costs, commissions, movements in premium/contribution liabilities, net claims incurred and wakalah fees.

The general takaful and retakaful funds are maintained in accordance with the IFSA 2013 and consist of AFS reserves and the accumulated surplus/deficit in the funds. Any deficit will be made good by the shareholder's fund via a loan or Qard.

In general takaful and retakaful funds, the surplus distributable to the participants is determined after deducting retakaful/retrotakaful costs, movements in contribution liabilities, commissions, net claims incurred, wakalah fees, expenses, taxation and surplus administration charges. The surplus may be distributed to the shareholder and participants in accordance with the terms and conditions of the respective contracts or as prescribed by the Group Shariah Committee.

(a) Premium and contribution recognition

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

Contributions from direct businesses are recognised as soon as the amount of contribution can be reliably measured in accordance with the principles of Shariah.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 General reinsurance, takaful and retakaful underwriting results (cont'd.)

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

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

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

(b) Premium and contribution liabilities

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

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

(i) Unexpired risk reserves

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

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

(ii) Unearned premium and contribution reserves

The UPR/UCR represents the portion of the net premiums/contributions of insurance/takaful contracts written that relate to the unexpired periods of the contracts at the end of the financial year. The UCR is computed on net contribution income with a further deduction for wakalah fee expenses to reflect the wakalah business principle. The methods of computation of UPR/UCR are as follows:

- For inwards proportional treaty reinsurance/retakaful business, UPR/UCR is computed on the 1/8th method commencing from the quarter corresponding to the reporting quarter of the treaty statement;
- For inwards non-proportional treaty reinsurance/retakaful business, UPR/UCR is computed at 1/2 of the last quarter Minimum Deposit Premiums/Contributions received;
- For inwards facultative reinsurance/retakaful business, UPR/UCR is computed on the 1/8th method commencing from the date of inception;
- 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 General reinsurance, takaful and retakaful underwriting results (cont'd.)

(c) Claim liabilities

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

(d) Liability adequacy test

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

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

(e) Acquisition costs and commission expenses

The acquisition costs and commission expenses, which are costs directly incurred in acquiring and renewing reinsurance/takaful/retakaful business, are recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

2.5 Family takaful and retakaful underwriting results

The family takaful and retakaful underwriting results are determined after taking into account contributions, retakaful/retrotakaful costs, commissions, net benefits incurred and wakalah fees.

The family takaful and retakaful funds are maintained in accordance with the requirements of the IFSA 2013 and consist of AFS reserves and the accumulated surplus/deficit in the funds. The family takaful and retakaful funds surplus/deficit is determined by an annual actuarial valuation of the funds. Any actuarial deficit in the family takaful and retakaful funds will be made good by the shareholder's fund via a loan or Qard.

In family takaful and retakaful funds, the surplus distributable to the participants is determined after deducting retakaful/retrotakaful costs, net benefits incurred, wakalah fees, expenses, taxation and surplus administration charges. The surplus may be distributed to the shareholder and participants in accordance with the terms and conditions of the respective contracts or as prescribed by the Group Shariah Committee.

(a) Contribution recognition

Takaful contribution is recognised as soon as the amount of contribution can be reliably measured in accordance with the principles of Shariah. First year contribution is recognised on the assumption of risks and subsequent takaful contributions are recognised on due dates. Takaful contributions outstanding at the reporting date are 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.

Retakaful 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Family takaful and retakaful underwriting results (cont'd.)

(b) Contract liabilities

Family takaful contract liabilities are recognised when contracts are in-force and contributions are charged. Liabilities of benefits payable of the family retakaful fund are recognised as advised by ceding companies.

For a one year family contract or a one year extension to a family contract covering contingencies other than life or survival, the liabilities for such family takaful contracts comprise contribution and claim liabilities with an appropriate allowance for PRAD from the expected experience.

Liabilities of family takaful business are determined in accordance with valuation guidelines for takaful operators issued by Bank Negara Malaysia ("BNM"). All family takaful liabilities are valued using a prospective actuarial valuation based on the sum of the present value of future benefits and expenses less future gross considerations arising from the contracts, discounted at the appropriate risk discount rate. This method is known as the gross contribution valuation method. In the case of a family contract where a part of, or the whole of, the contributions are accumulated in a fund, the accumulated amounts as declared to the participants are set as the liabilities. Zerorisation is applied at contract level and no contract is treated as an asset under the valuation method adopted.

The family takaful contract liabilities are derecognised when the contracts expire, are discharged or are cancelled. At each reporting date, an assessment is made of whether the recognised family takaful contract liabilities are adequate by performing a liability adequacy test as disclosed in Note 2.5(d).

In respect of the family takaful and retakaful risk fund, the expected future cash flows of benefits are determined using best estimate assumptions with an appropriate allowance for PRAD from expected experience such that an overall level of sufficiency of contract reserves at a 75% confidence level is secured. For investment-linked business, the fund value is treated as liabilities.

Surplus arising from the difference between the value of the family fund and the liabilities, including retained surplus, will be distributed to the participants after deducting the surplus administration charge, if applicable.

If the difference between the value of the family fund and the liabilities results in a deficit, the deficit is made good via a Qard from the takaful subsidiary which will be repaid when the fund returns to a surplus position.

(c) Creation/cancellation of units of family takaful fund

Amounts received for units created represent contributions paid by participants or 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 participants or unitholders.

(d) Liability adequacy test

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.6 Shareholder's fund of takaful and retakaful subsidiaries

(a) 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 recognised in the income statement at an agreed percentage for each contract underwritten. This is in accordance with the principles of Wakalah as approved by the Group Shariah Committee and as agreed between the participants and the takaful subsidiary.

(b) Expense liabilities

The expense liabilities of the shareholder's fund consist of expense liabilities relating to the management of the general takaful and retakaful funds and the family takaful and retakaful funds which are based on estimations performed by qualified actuaries. The movement in expense liabilities is released over the term of the takaful contracts and recognised in the income statement.

(i) Expense liabilities of general takaful and retakaful funds

The expense liabilities of the general takaful and retakaful funds are reported at the higher of the aggregate of the reserves for unearned wakalah fees ("UWF") and the best estimate value of the provision for unexpired expense reserves ("UER") and a PRAD at a 75% confidence level at the end of the financial year.

Unexpired expense reserves

The UER is determined based on the expected future expenses payable by the shareholder's funds in managing the general takaful and retakaful funds for the full contractual obligation of the takaful and retakaful 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 funds that can be determined with reasonable certainty, including a PRAD calculated at a 75% confidence level. The method used to value the UER is consistent with the method used in estimating the URR as disclosed in Note 2.4(b)(i).

Reserves for unearned wakalah fees

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

(ii) Expense liabilities of family takaful and retakaful funds

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

(iii) Liability adequacy test

At each reporting date, the Group reviews the expense liabilities to ensure that the carrying amount is sufficient or adequate to cover the obligations of the Group for all managed takaful and retakaful contracts. In performing this review, the Group considers all contractual cash flows and compares this against the carrying value of expense liabilities. Any deficiency is recognised in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.7 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 payable on the occurrence of the 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 expire or are extinguished.

2.8 Reinsurance and retakaful

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

Reinsurance and retakaful arrangements entered into by the reinsurance, takaful and retakaful subsidiaries that meet the classification requirements of insurance/takaful contracts as described in Note 2.7 are accounted for as noted below. Arrangements that do not meet these classification requirements are accounted for as financial assets.

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

At each reporting date, the reinsurance, takaful and retakaful subsidiaries assess whether objective evidence exists that reinsurance and retakaful assets are impaired. Objective evidence of impairment for reinsurance and retakaful assets are similar to those noted for insurance and 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/profit rate. The impairment loss is recognised in the income statement. Reinsurance and retakaful assets are derecognised when the contractual rights expire or are extinguished or when the contract is transferred to another party.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.9 Property, plant and equipment and depreciation

(a) Recognition and measurement

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, plant and equipment are stated at cost less accumulated depreciation and any impairment losses, whilst properties are stated at revalued amounts less subsequent accumulated depreciation and subsequent impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

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

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

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

(b) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the 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.

(c) 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.

Work in progress is also not depreciated as it is not available for use. When work in progress is completed and the asset is available for use, it is reclassified to the relevant category of property, plant and equipment and depreciation of the asset begins. During the period in which the asset is not yet available for use, it is tested for impairment annually.

Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over its estimated useful life, at the following annual rates:

Buildings	2% to 3%
Computer equipment	10% to 33.3%
Office equipment	10% to 33.3%
Furniture and fittings	10% to 15%
Motor vehicles	20%

The residual values, useful lives and depreciation method are reviewed at the end of each financial year 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,

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.10 Investment properties

Investment properties are properties which are held either to earn rental income and/or for capital appreciation. 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 or losses arising from changes in the fair values of investment properties are recognised in the income statement in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from the disposals. 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 the income statement. Subsequent to the date of change in use, the property is measured similar to other investment properties. Any revaluation surplus previously recognised in other comprehensive income is transferred to the income statement only upon disposal of the property.

2.11 Intangible assets

All intangible assets are initially recorded at cost. Subsequent to recognition, intangible assets are stated at cost less any accumulated amortisation and any 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 assets may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed annually 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.11 Intangible assets (cont'd.)

(a) Software development in progress

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

(b) Computer software and licences

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

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

2.12 Financial assets

(a) Initial recognition and measurement

Financial assets 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 instrument.

A financial asset is recognised initially, at its fair value plus, in the case of a financial asset not at FVTPL, 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 FVTPL. 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.

(b) 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:

(i) Financial assets at FVTPL

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.12 Financial assets (cont'd.)

(b) Classification and subsequent measurement (cont'd.)

(ii) HTM investments

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

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

(iii) Loans and receivables

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

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

(iv) AFS financial assets

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

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

(c) Derecognition

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or the Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full. 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.

(d) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.13 Fair value measurement

The Group and the Company measure financial instruments, such as, financial assets at FVTPL, and non-financial assets such as investment properties and self-occupied properties, at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in Notes 19 and 38.

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

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

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

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

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

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

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

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – Inputs that are based on observable market data, either directly or indirectly
Level 3 – Inputs that are not based on observable market data

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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The fair value hierarchy of assets that are measured at fair value and/or for which fair value are disclosed is disclosed in Note 38.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.14 Impairment of assets

(a) Financial assets

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

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

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

(ii) AFS financial assets

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

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

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

(b) Non-financial assets

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.14 Impairment of assets (cont'd.)

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

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

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

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

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

2.15 Non-current assets held for sale

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

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

2.16 Measurement and impairment of Qard

Any deficits in the takaful/retakaful funds are made good via a loan or Qard, granted by the shareholder's funds to the takaful/retakaful funds. The Qard is stated at cost less any impairment losses in the shareholder's funds. In the 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 on an annual basis via an assessment of the estimated surpluses or cash flows from the takaful/retakaful funds to determine whether there is any objective evidence of impairment. If the Qard is impaired, an amount comprising the difference between its cost and its recoverable amount, less any impairment loss previously recognised, is recognised in the income statement.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.17 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.

2.18 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.

2.19 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 interest/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 interest/yield rate. The impairment loss is recognised in the income statement. The basis for recognition of such impairment loss is as described in Note 2.14(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 substantially transferred all risks and rewards of ownership.

2.20 Borrowings

All borrowings are classified as other financial liabilities and are recognised initially at fair value plus directly attributable transaction costs. The profits payable are recognised as finance costs in the income statement in the period in which they are incurred.

After initial recognition, profit-bearing borrowings are subsequently measured at amortised cost using the effective profit rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective profit rate method.

2.21 Leases

(a) Classification

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

(i) Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a case-by-case basis and, if classified as investment property, is accounted for as if held under a finance lease, as disclosed in Note 2.10; and

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.21 Leases (cont'd.)

(b) Finance leases – the Group as lessee

Assets acquired by way of hire purchase or finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. The corresponding liability is included in the statement of financial position as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest/profit rate implicit in the lease, when it is impracticable to determine; otherwise, the 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 2.9(c).

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

(d) Operating leases – the Group as lessor

Assets leased out under operating leases are presented in the statement of financial position according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease, as disclosed in Note 2.27(b). Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

2.22 Financial liabilities

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

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

(a) Financial liabilities at FVTPL

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.22 Financial liabilities (cont'd.)

(a) Financial liabilities at FVTPL (cont'd.)

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

(b) Other financial liabilities

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

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

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

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

2.23 Provisions

Provisions 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.

2.24 Income tax

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.25 Employee benefits

(a) Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the 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.

(b) 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 earnings. Such contributions are recognised as an expense in the income statement as incurred.

(c) 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.

2.26 Foreign currencies

(a) 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.

(b) 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 or on translating monetary items at the reporting date are recognised in income statement except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under the foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to the income statement of the Group on disposal of the foreign operation.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.26 Foreign currencies (cont'd.)

(c) Foreign operations

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

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate prevailing at the reporting date;

(ii) 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;

(iii) All resulting exchange differences are taken to the foreign currency translation reserve within equity; and

(iv) 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 the investment 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.

2.27 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.

(a) Interest and profit income

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

(b) Rental income

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

(c) Dividend income

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

(d) Management fees

Management fees are recognised when services are rendered.

(e) Wakalah fees

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

(f) Premiums and contributions income

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.28 Zakat

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

2.29 Changes in Accounting Policies

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

Adoption of MFRS and amendments/improvements to MFRSs

At the beginning of the current financial year, the Group and the Company adopted the following amendments/improvements to MFRSs mandatory for annual periods beginning on or after 1 January 2016 as follows:

Description	**Effective for annual periods beginning on or after**
MFRS 14 *Regulatory Deferral Accounts*	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 *Investment Entities: Applying the Consolidation Exception*	1 January 2016
Amendments to MFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
Amendments to MFRS 101 *Disclosure Initiative*	1 January 2016
Amendments to MFRS 116 and MFRS 138 *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to MFRS 116 and MFRS 141 *Agriculture: Bearer Plants*	1 January 2016
Amendments to MFRS 127 *Equity Method in Separate Financial Statements*	1 January 2016
Annual Improvements to MFRS 2012 - 2014 Cycle	1 January 2016

The adoption of the above amendments/improvements to MFRSs did not have any significant effect on the disclosures or amounts recognised in the Group's and the Company's financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.30 Standards and amendments/improvements to published standards and interpretation that are issued but not yet effective

The standards and amendments/improvements to published standards and intepretation that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intends to adopt these standards and amendments/improvements to standards and intepretation, if applicable, when they become effective:

Description	**Effective for annual periods beginning on or after**
Amendment to MFRS 12 *Disclosure of Interests in Other Entities* (Annual Improvements to MFRS Standards 2014 – 2016 Cycle)	1 January 2017
MFRS 107 *Statement of Cash Flows* – Disclosures Initiatives (Amendments to MFRS 107)	1 January 2017
MFRS 112 *Income Taxes* – Recognition of Deferred Tax for Unrealised Losses (Amendments to MFRS 112)	1 January 2017
Amendment to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* (Annual Improvements to MFRS Standards 2014 – 2016 Cycle)	1 January 2018
MFRS 2 *Share-based Payment* – Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 9 *Financial Instruments (IFRS 9 issued by IASB in July 2014)*	1 January 2018
Applying MFRS 9 *Financial Instruments with MFRS 4 Insurance Contracts* (Amendments to MFRS 4)	1 January 2018
Amendment to MFRS 128 *Investments in Associates and Joint Ventures* (Annual Improvements to MFRS Standards 2014 – 2016 Cycle)	1 January 2018
Transfer to *Investment Property* (Amendments to MFRS 140)	1 January 2018
IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
MFRS 15 *Revenue from Contracts with Customers*	1 January 2018
MFRS 16 *Leases*	1 January 2019
MFRS 10 *Consolidated Financial Statements and MFRS 128 Investment in Associates and Joint Ventures: Sale or Contribution of Assets between an investor* and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128)	To be announced by MASB

The Directors are of the opinion that the adoption of the above standards and amendments/improvements to standards and intepretation are not expected to have a material impact on the financial statements in the period of initial application except as discussed below:

MFRS 107 *Statement of Cash Flow – Disclosures Initiatives* (Amendments to MFRS 107)

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (for example foreign exchange movements and fair value changes).

The amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. On initial application of this amendment, entities are not required to provide comparative information for preceding periods. Application of the amendment will result in additional disclosures to be provided by the Group and the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.30 Standards and amendments/improvements to published standards and interpretation that are issued but not yet effective (cont'd.)

MFRS 112 *Income Taxes – Recognition of Deferred Tax for Unrealised Losses* (Amendments to MFRS 112)

The amendments clarify that deductible tax difference will arise from unrealised losses of debt instruments classified at fair value regardless of whether the holder expects to recover the carrying amount by holding the debt instrument until maturity or by selling the debt instrument.

In circumstances where tax law restricts the utilisation of tax losses such that an entity can only deduct the tax losses against income of a specified type, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The amendments also clarify that when estimating taxable profit of future periods, an entity can assume that an asset will be recovered for more than its carrying amount if that recovery is probable and the asset is not impaired. All relevant facts and circumstances should be assessed when making this assessment.

In evaluating whether sufficient future taxable profits are available, an entity should compare the deductible temporary differences with the future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences.

The amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. The amendments should be applied retrospectively. However, on initial application of the amendment, adjustment to the opening equity of the earliest comparative period may be recognised in opening retained earnings, without allocating the change between retained earnings and other components of equity. If this relief is applied, the entity must disclose this fact. The Group and the Company does not anticipate significant impact to the financial statements upon adoption of the amendments.

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

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

The Group and the Company plans to adopt the new standard on the required effective date. The Group and the Company had performed a preliminary assessment on the gaps under all three aspects of MFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group and the Company in the future. Overall, the Group and the Company does not anticipate significant impact to the financial statements except for the effect of potentially higher impairment losses under the expected credit loss model. The Group and the Company will perform a detailed assessment in the future to determine the extent of the anticipated impacts.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.30 Standards and amendments/improvements to published standards and interpretation that are issued but not yet effective (cont'd.)

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

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

(i) Classification and measurement

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

- The held-to-maturity ("HTM") and available-for-sale ("AFS") asset categories will be removed;
- A new asset category measured at fair value through other comprehensive income ("FVOCI") is introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principle and interest and held in a model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- Classification of financial liabilities will remain largely unchanged, other than the fair value gains and losses attributable to changes in 'own credit risk' for financial liabilities designated and measured at FVTPL to be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.

The Group and the Company does not expect a significant impact to the financial statements on applying the classification and measurement requirements.

LAR are held to collect contractual cash flows and are representing solely payments of principal and interest. Thus, the Group and the Company expects that these will continue to be measured at amortised cost under MFRS 9. However, the Group and the Company will analyse the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortised cost measurement under MFRS 9.

(ii) Impairment

The MFRS 9 impairment requirements are based on an Expected Credit Loss ("ECL") model that replaces the Incurred Loss model under the current accounting standard. The Group and the Company expects to recognise either a 12-month (Stage 1) or lifetime ECL (Stage 2 and 3), depending on whether there has been a significant increase in credit risk since initial recognition. The ECL model applies to financial assets measured at amortised cost or at FVOCI, irrevocable loan commitments and financial guarantee contracts, which will include loans, advances and financing and debt instruments held by the Group and the Company. The ECL model also applies to contract assets under MFRS 15 *Revenue from Contracts with Customers* and lease receivables under MFRS 117 *Leases*. Appropriate impairment methodology will be adopted for calculating allowances for impairment losses.

(iii) Hedge accounting

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

The Group and the Company does not expect a significant impact to the financial statements on applying the hedge accounting.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.30 Standards and amendments/improvements to published standards and interpretation that are issued but not yet effective (cont'd.)

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

MFRS 15 was issued in 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under MFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under MFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group and the Company expects to apply MFRS 15 fully retrospective. Given that retakaful contracts are scoped out of MFRS 15, the Group and the Company expects the main impact of the new standard to be on the accounting for income from administrative and investment management services. The Group and the Company does not expect the impact to be significant.

MFRS 16 *Leases* ("MFRS 16")

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

(i) Lessee

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

(ii) Lessor

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

The standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group and the Company plans to assess the potential effect of MFRS 16 on its financial statement in the near future.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.30 Standards and amendments/improvements to published standards and interpretation that are issued but not yet effective (cont'd.)

MFRS 10 *Consolidated Financial Statements* (Amendments to MFRS 10) and MFRS 128 *Investment in Associates and Joint Ventures* (Amendments to MFRS 128): *Sale or Contribution of Assets between an investor and its Associate or Joint venture* (Amendments to MFRS 128)

The amendments address the conflict between MFRS 10 and MFRS 128 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture.

The amendments require the full gain to be recognised when the assets transferred to associate or joint venture in which it meets the definition of a business as defined in MFRS 3 *Business Combinations*. Any gain or loss on assets transferred to associate or joint venture that do not meet the definition of a business would be recognised only to the extent of the unrelated investors' interest in the associate or joint venture. The amendments are applied prospectively effective for periods beginning on or after 1 January 2016, with early application permitted.

On 31 December 2015, MASB announced to defer the effective date of the amendments, except for the amendments which clarify how an entity should determine any gain or loss it recognises when assets are sold or contributed between the entity and an associate or joint venture in which it invests, where early application still permitted. The deferment is in line with the IASB's recent decision which removed the requirement to apply Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128) by 2016. The IASB's reason for making the decision to defer the effective date is that the IASB is planning a broader review that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures. The Group and the Company does not anticipate significant impact to the financial statements upon adoption of the amendments.

Applying MFRS 9 *Financial Instruments* with MFRS 4 *Insurance Contracts* (Amendments to MFRS 4)

In December 2016, the MASB issued amendments to MFRS 4 to address issues arising from the different effective dates of MFRS 9 and the upcoming new insurance contracts standard (IFRS 17) to be issued by the International Accounting Standards Board.

The amendments introduce two alternative options for entities issuing contracts within the scope of MFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of MFRS 9 for annual periods beginning before 1 January 2021 at the latest whilst the overlay approach allows an entity applying MFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied MFRS 139 to these designated financial assets.

The Group and the Company has opted not to utilise the exemptions permitted under this Amendment and will fully adopt MFRS 9 effective on 1 January 2018.

3. 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.

3.1 Critical judgements made in applying accounting policies

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements. Judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Classification between investment properties and property, plant and equipment

The Group has developed certain criteria based on MFRS 140 *Investment Property* in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals and/or for capital appreciation. 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.

Impairment of AFS financial assets

The Group reviews its debt securities classified as AFS financial assets at each reporting date to assess whether they are impaired. The Group also records impairment charges on AFS equity investments when there has been a significant or prolonged decline in the fair value below their cost.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

3.2 Key sources of estimation uncertainty

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

(a) Depreciation and amortisation

Depreciation and amortisation are based on management's estimates of the future estimated average useful lives and residual values of property, plant and equipment and intangible assets respectively. 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 and correspondingly, may result in future changes in 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 2.9(c) and 2.11, respectively.

As at the reporting date, management has determined that the estimated useful lives and residual values of property, plant and equipment and intangible assets of the Company and of the Group remain consistent.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D.)

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

(b) General reinsurance, takaful and retakaful businesses

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

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

The estimates of premium/contribution and claim liabilities are therefore sensitive to various factors and uncertainties. The establishment of technical provisions is an inherently uncertain process and, as a consequence of this uncertainty, the eventual settlement of premium/contribution and claim liabilities may vary from the initial estimates. The sensitivity of these assumptions and their impact to results and the equity position of the businesses are disclosed in Note 34(a)(iv), 34(b)(iv) and 34(d)(iv).

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

(c) Family takaful and retakaful businesses

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/benefits.

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

All of these will give rise to estimation uncertainties of the projected ultimate liabilities of the family takaful and retakaful funds. The sensitivity of the actuarial liabilities of the family takaful and retakaful funds to changes in assumptions are detailed in Note 34(c)(iii) and 34(e)(iii).

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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D.)

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

(d) Expense Liabilities

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

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

(e) 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 and 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. As at the reporting date, management has determined that recognised cumulative impairment losses as at the reporting date are appropriate.

(f) Impairment of unquoted equity investments

The Group and the Company follow the guidance of the applicable MFRS 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 evaluate 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.

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 Group and the Company are of the opinion that there is no further indication of impairment of the Group and the Company's investment in unquoted corporations at this juncture.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D.)

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

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

The Group reviews its insurance/takaful receivables and reinsurance/retakaful assets on a regular basis to assess whether impairment losses should be recognised 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 amounts of these assets.

(h) Deferred tax

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and unused tax 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 the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required in the interpretation and 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 statements of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

The judgements and assumptions used in the estimation of deferred tax liabilities/assets are re-assessed at least once a year to determine that they continue to be appropriate. The total carrying value of recognised temporary differences of the Group and unrecognised temporary deductible differences are disclosed in Note 16 to the financial statements.

As at the reporting date, recognised deferred tax assets represent a fair estimate of the Group's deductible temporary differences and deferred tax liabilities reflect a fair estimate of the Group's taxable temporary differences.

4. NET EARNED PREMIUMS/CONTRIBUTIONS

	Group	
	2017	**2016**
	RM'000	**RM'000**
(a) Gross earned premiums/contributions		
Insurance and takaful contracts	**2,293,554**	2,305,853
Change in premium/contribution liabilities	**33,782**	(38,979)
	2,327,336	2,266,874
(b) Premiums/contributions ceded to reinsurers/retakaful operators		
Insurance and takaful contracts	**(347,812)**	(343,554)
Change in premium/contribution liabilities	**(1,020)**	18,659
	(348,832)	(324,895)
Net earned premiums/contributions	**1,978,504**	1,941,979

5. INVESTMENT INCOME

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Financial assets at FVTPL				
Dividend income:				
– quoted shares in Malaysia	**63**	122	**–**	–
– unit trust funds	**2,409**	1,837	**–**	–
HTM investments				
Interest/profit income	**27,722**	27,758	**50**	29
AFS financial assets				
Interest/profit income	**113,851**	102,174	**–**	–
Dividend income:				
– quoted shares in Malaysia	**9,255**	10,056	**–**	–
– unquoted shares in Malaysia	**123**	123	**–**	–
– unit and real estate investment trusts in Malaysia	**8,188**	–	**–**	–
Loans and receivables				
Interest/profit income	**64,164**	70,455	**3,839**	2,813
Dividend income from institutional trust funds	**–**	51	**–**	–
Dividend income from subsidiaries	**–**	–	**–**	100,000
Rental income	**5,887**	5,885	**–**	–
Net amortisation of premiums on investments	**(4,470)**	(3,977)	**–**	–
Investment expenses	**(34)**	(2,369)	**–**	–
	227,158	212,115	**3,889**	102,842

6. NET REALISED GAINS/(LOSSES)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Property, plant and equipment				
Net realised (losses)/gains	**(9)**	5	**6**	(1)
Financial assets at FVTPL				
Quoted shares in Malaysia	**(269)**	36	**–**	–
Shariah approved unit trust funds	**2,574**	1,132	**–**	–
Net realised gains	**2,305**	1,168		–
AFS financial assets				
Quoted shares in Malaysia	**(5,327)**	2,869	**–**	–
Unit and real estate investment trusts in Malaysia	**126**	–	**–**	–
Unquoted corporate debt securities	**1,532**	1,922	**–**	–
Government investment issues	**1,082**	308	**–**	–
Unquoted Islamic private debt securities	**1,641**	1,951	**–**	–
Net realised (losses)/gains	**(946)**	7,050	**–**	–
	1,350	8,223	**6**	(1)

7. NET FAIR VALUE LOSSES

	Group	
	2017 RM'000	2016 RM'000
Fair value gains on investment property (Note 14)	**–**	300
Net fair value gains/(losses) on financial assets at FVTPL	**2,987**	(4,702)
Reversal of impairment losses on HTM investments	**–**	12
Reversal of revaluation deficits/(revaluation deficits) on properties	**86**	(150)
Writeback of impairment losses on AFS financial assets	**6,022**	–
Impairment losses on AFS financial assets	**(9,169)**	(20,879)
	(74)	(25,419)

8. FEE AND COMMISSION INCOME/(EXPENSES)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Fee and commission income				
Management fees	**7,501**	4,983	**31,728**	30,844
Commission income	**47,880**	37,251	**–**	–
	55,381	42,234	**31,728**	30,844
Fee and commission expenses				
Commission expenses	**(442,668)**	(442,721)		
Brokerages	**(639)**	(301)		
	(443,307)	(443,022)		

9. MANAGEMENT EXPENSES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Salaries, bonus and other related costs	**91,115**	82,784	**22,819**	22,325
Directors' remuneration (Note 10)	**7,839**	7,532	**3,284**	3,131
Group Shariah Committee ("GSC") members' remuneration	**311**	313	**–**	–
Pension costs – EPF	**11,963**	11,042	**2,699**	2,976
Social security costs	**640**	514	**123**	103
Retirement benefits	**315**	271	**151**	135
Auditors' remuneration:				
Statutory auditors of the Group				
– statutory audit	**1,170**	1,261	**75**	73
– audit-related	**87**	79	**5**	5
– other services	**223**	234	**8**	33
Component auditors of a foreign subsidiary	**42**	41	**–**	–
Depreciation of property, plant and equipment	**8,069**	8,503	**644**	315
Amortisation of intangible assets	**3,260**	2,571	**290**	567
Property, plant and equipment written off	**–**	53	**–**	–
Agency expenses	**6,843**	7,132	**–**	–
Marketing and promotional costs	**26,940**	15,543	**377**	705
Electronic data processing costs	**12,131**	11,540	**–**	–
Office rental	**4,208**	4,161	**1,392**	1,612
Professional and legal fees	**16,571**	13,030	**2,007**	190
Contributions and donations	**21**	621	**11**	10
Other management expenses	**60,721**	45,980	**1,302**	3,907
	252,469	213,205	**35,187**	36,087

10. DIRECTORS' REMUNERATION

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Number of non-executive directors	**17**	16	**10**	8
Executive directors:				
Salaries and bonus	**3,050**	2,888	**1,169**	1,088
Pension costs – EPF	**498**	491	**199**	185
Benefits-in-kind	**220**	201	**120**	136
Others	**13**	24	**6**	13
	3,781	3,604	**1,494**	1,422
Non-executive directors:				
Fees	**2,650**	2,533	**780**	760
Others	**644**	671	**146**	160
Benefits-in-kind	**38**	28	**38**	28
	3,332	3,232	**964**	948
Director of a subsidiary*:				
Salaries and bonus	**837**	736	**837**	736
Pension costs – EPF	**126**	120	**126**	120
Social security costs	**1**	1	**1**	1
Other allowances	**20**	68	**20**	68
Benefits-in-kind	**55**	100	**55**	100
	1,039	1,025	**1,039**	1,025

* Director of a subsidiary refers to management personnel who is employed by the holding company.

Total executive directors' remuneration excluding benefits-in-kind	**3,561**	3,403	**1,374**	1,286
Total directors' remuneration excluding benefits-in-kind	**7,839**	7,532	**3,284**	3,131

10. DIRECTORS' REMUNERATION (CONT'D)

The number of directors of the Company whose total remuneration, borne by the Company and Group, during the financial year fell within the following bands is analysed below.

	Number of Directors			
	Group		Company	
	2017	**2016**	**2017**	**2016**
Executive director:				
RM1,400,001 to RM1,450,000	**–**	1	**–**	1
RM1,450,001 to RM1,500,000	**1**	–	**1**	–
Non-executive directors:				
RM1 to RM50,000	**1**	–	**4**	1
RM50,001 to RM100,000	**1**	1	**–**	2
RM100,001 to RM150,000	**2**	1	**4**	2
RM150,001 to RM200,000	**1**	1	**2**	3
RM200,001 to RM250,000	**1**	–	**–**	–
RM250,001 to RM300,000	**2**	2	**–**	–
RM300,001 to RM350,000	**–**	1	**–**	–
RM400,001 to RM450,000	**1**	1	**–**	–
RM450,001 to RM500,000	**–**	1	**–**	–
RM500,001 to RM550,000	**1**	–	**–**	–

10. DIRECTORS' REMUNERATION (CONT'D)

	Salary and bonus RM'000	Fees RM'000	Pension costs RM'000	Benefits-in-kind RM'000	Others RM'000	Total RM'000
Company						
2017						
Executive director:						
Mohd Din bin Merican	**1,169**	**–**	**199**	**120**	**6**	**1,494**
	1,169	**–**	**199**	**120**	**6**	**1,494**
Non-executive directors:						
Sharkawi bin Alis	**–**	**142**	**–**	**38**	**13**	**193**
Megat Dziauddin bin Megat Mahmud	**–**	**133**	**–**	**–**	**30**	**163**
Paisol bin Ahmad	**–**	**104**	**–**	**–**	**23**	**127**
Hijah Arifakh binti Othman	**–**	**99**	**–**	**–**	**18**	**117**
Mustaffa bin Ahmad (Appointed with effect from 1 April 2016)	**–**	**105**	**–**	**–**	**20**	**125**
Rosinah binti Mohd Salleh (Appointed with effect from 1 January 2017)	**–**	**24**	**–**	**–**	**4**	**28**
Arul Sothy A/L Mylvaganam (Appointed with effect from 1 January 2017)	**–**	**24**	**–**	**–**	**5**	**29**
Noor Rida binti Hamzah (Appointed with effect from 1 January 2017)	**–**	**24**	**–**	**–**	**6**	**30**
Yusoff bin Yaacob (Resigned with effect from 1 January 2017)	**–**	**100**	**–**	**–**	**21**	**121**
P. Raveenderen (Resigned with effect from 1 July 2016)	**–**	**25**	**–**	**–**	**6**	**31**
	–	**780**	**–**	**38**	**146**	**926**
Total Directors' remuneration	**1,169**	**780**	**199**	**158**	**152**	**2,458**
2016						
Executive director:						
Mohd Din bin Merican	1,088	–	185	136	13	1,422
	1,088	–	185	136	13	1,422
Non-executive directors:						
Sharkawi bin Alis	–	142	–	28	19	189
P. Raveenderen	–	99	–	–	23	122
Yusoff bin Yaacob	–	130	–	–	31	161
Megat Dziauddin bin Megat Mahmud	–	131	–	–	30	161
Paisol bin Ahmad	–	101	–	–	21	122
Hijah Arifakh binti Othman	–	82	–	–	18	100
Dato' Syed Ariff Fadzillah bin Syed Awalluddin (Retired with effect from 1 October 2015)	–	58	–	–	14	72
Datuk Mohd Khalil bin Dato' Mohd Noor (Resigned with effect from 1 June 2015)	–	17	–	–	4	21
	–	760	–	28	160	948
Total Directors' remuneration	**1,088**	**760**	**185**	**164**	**173**	**2,370**

11. OTHER OPERATING REVENUE/(EXPENSES)

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Other operating revenue				
Gains on foreign exchange	**15,392**	–	**–**	33
Reversal of impairment loss on other receivables	**62**	103	**–**	–
Reversal of impairment losses on insurance/takaful receivables	**261**	–	**–**	–
Non-operating interest income	**399**	365	**18**	18
Miscellaneous income	**48,764**	13,165	**166**	64
	64,878	13,633	**184**	115
Other operating expenses				
Losses on foreign exchange	**–**	(1,601)	**(24)**	–
Impairment losses on insurance/takaful receivables	**(9,819)**	(3,954)	**–**	–
Miscellaneous expenses	**(1,312)**	(1,157)	**(271)**	(236)
	(11,131)	(6,712)	**(295)**	(236)

12. TAXATION

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Malaysian income tax:				
Tax expense for the year	**27,986**	9,164	**700**	–
Under provision in prior years	**1,908**	1,068	**–**	–
	29,894	10,232	**700**	–
Deferred tax:				
Relating to origination and reversal of temporary differences (Note 16)	**(2,136)**	(2,451)	**(295)**	(725)
	27,758	7,781	**405**	(725)

12. TAXATION (CONT'D.)

Domestic income tax for general business and shareholders' fund is calculated at the Malaysian statutory tax rate of 24% (2016: 24%) of the estimated assessable profit for the year. Income tax on the Group's family takaful business is calculated at a preferential tax rate of 8% (2016: 8%). Income tax on the Group's offshore insurance/takaful business is calculated at a tax rate of 5% (2016: 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/(loss) before zakat and tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Company and of the Group is as follows:

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Profit/(loss) before zakat and tax	**98,928**	(31,048)	**(17,795)**	79,246
Taxation at Malaysian statutory tax rate of 24%	**23,743**	(7,452)	**(4,271)**	19,019
Effects of different tax rate in respect of offshore insurance	**(932)**	(76)	**–**	–
Income not subject to tax	**(60,091)**	(39,200)	**–**	(24,000)
Expenses not deductible for tax purposes	**64,413**	60,532	**4,676**	3,658
Utilisation of prior years losses of the general and family retakaful funds	**(283)**	(4,661)	**–**	–
Over provision of deferred tax in prior year	**(224)**	–		
Deferred tax assets not recognised	**575**	598	**–**	598
Under provision of tax in prior years	**1,908**	1,068	**–**	–
Share of results of associates	**(1,351)**	(3,028)	**–**	–
Tax expense/(income) for the year	**27,758**	7,781	**405**	(725)

Tax borne by participants

	Group	
	2017 RM'000	**2016 RM'000**
Current year's provision	**17,168**	17,831
Under provision of tax expense in prior years	**74**	1,878
Deferred tax relating to origination and reversal of temporary differences	**(1,831)**	(3,226)
Tax expense for the year	**15,411**	16,483

13. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Buildings RM'000	Computer equipment RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Valuation/Cost							
At 1 April 2015	34,000	193,791	12,127	38,802	2,675	294	281,689
Additions	–	696	524	937	5	–	2,162
Disposals	–	–	(1,561)	(806)	–	–	(2,367)
Write-offs	–	–	–	–	–	(53)	(53)
Reclassification	–	–	66	175	–	(241)	–
Revaluation surplus	2,000	14,216	–	–	–	–	16,216
Elimination of accumulated depreciation on revaluation	–	(5,552)	–	–	–	–	(5,552)
Transfer from intangible assets	–	–	321	–	–	–	321
At 31 March 2016	36,000	203,151	11,477	39,108	2,680	–	292,416
Additions	–	683	366	121	27	–	1,197
Disposals	–	–	(492)	(96)	(19)	–	(607)
Adjustments	–	(488)	(382)	–	–	–	(870)
Net revaluation surplus	800	3,195	–	–	–	–	3,995
Elimination of accumulated depreciation on revaluation	–	(5,122)	–	–	–	–	(5,122)
At 31 March 2017	36,800	201,419	10,969	39,133	2,688	–	291,009
Accumulated depreciation							
At 1 April 2015	–	848	11,892	29,570	1,884	–	44,194
Depreciation charge for the year	–	4,704	202	3,321	276	–	8,503
Disposals	–	–	(1,577)	(649)	–	–	(2,226)
Elimination of accumulated depreciation on revaluation	–	(5,552)	–	–	–	–	(5,552)
At 31 March 2016	–	–	10,517	32,242	2,160	–	44,919
Depreciation charge for the year	–	5,122	279	2,341	327	–	8,069
Disposals	–	–	(492)	(79)	(18)	–	(589)
Write-offs	–	–	–	–	–	–	–
Elimination of accumulated depreciation on revaluation	–	(5,122)	–	–	–	–	(5,122)
At 31 March 2017	–	–	10,304	34,504	2,469	–	47,277
Net carrying amount							
At 31 March 2017	36,800	201,419	665	4,629	219	–	243,732
At 31 March 2016	36,000	203,151	960	6,866	520	–	247,497

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Revaluation of freehold land and buildings

Freehold land and buildings in Malaysia have been revalued based on valuations performed by accredited independent valuers having appropriate recognised professional qualification. The valuations are based on the income and comparison approaches and are effective on 31 March 2017.

The income approach entails the determination of the probable gross annual rental the property is capable of producing and deducting therefrom the outgoings to arrive at the annual net income.

The comparison approach entails critical analyses of recent sales and listing of comparable properties registered within the vicinity. The technique of the approach requires the establishment of a comparable property by reducing reasonable comparative sales and listing to a common denominator. This is done by adjusting the differences between the subject property and those regarded as comparable.

Description of the fair value hierarchy for freehold land and buildings and the significant inputs used in the valuation are provided in Note 38.

Freehold buildings outside Malaysia have been revalued based on their value-in-use and a discount rate of 7% (2016: 7%) is applied, being the prevailing rental yield in the country where the buildings are located.

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

	Freehold land RM'000	Buildings RM'000	Total RM'000
Group			
Cost			
At 1 April 2015	15,596	174,593	190,189
Additions	–	696	696
At 31 March 2016	15,596	175,289	190,885
Additions	–	225	225
Adjustments	–	(488)	(488)
At 31 March 2017	15,596	175,026	190,622
Accumulated depreciation			
At 1 April 2015	–	34,699	34,699
Depreciation charge for the year	–	4,343	4,343
Impairment losses during the year	–	150	150
At 31 March 2016	–	39,192	39,192
Depreciation charge for the year	–	5,122	5,122
Reversal of impairment losses during the year	–	(86)	(86)
At 31 March 2017	–	44,228	44,228
Net carrying amount			
At 31 March 2017	15,596	130,798	146,394
At 31 March 2016	15,596	136,097	151,693

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Computer equipment RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Company				
Cost				
At 1 April 2015	4,399	4,453	1,217	10,069
Additions	485	1,323	5	1,813
Disposals	(1,577)	(370)	–	(1,947)
Transfers to subsidiary	–	(2,277)	–	(2,277)
At 31 March 2016	3,307	3,129	1,222	7,658
Additions	94	–	–	94
Disposals	(294)	–	(11)	(305)
At 31 March 2017	3,107	3,129	1,211	7,447
Accumulated depreciation				
At 1 April 2015	4,297	1,844	1,021	7,162
Charge for the year	49	231	35	315
Disposals	(1,577)	(259)	–	(1,836)
At 31 March 2016	2,769	1,816	1,056	5,641
Charge for the year	318	189	137	644
Disposals	(294)	–	(11)	(305)
At 31 March 2017	2,793	2,005	1,182	5,980
Net carrying amount				
At 31 March 2017	314	1,124	29	1,467
At 31 March 2016	538	1,313	166	2,017

14. INVESTMENT PROPERTY

	Group	
	2017	**2016**
	RM'000	**RM'000**
At beginning of the year	**7,400**	7,100
Fair value gains (Note 7)	**–**	300
At end of the year	**7,400**	7,400

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

	Group	
	2017	**2016**
	RM'000	**RM'000**
Rental income	**280**	286
Operating expenses	**(31)**	(20)
	249	266

The investment property is stated at fair value as determined based on valuations performed by an accredited independent professional valuer with recent experience in the location and category of the property being valued. The valuation is based on the income approach and is effective on 31 March 2017. The fair value gains are recognised in the income statements. Description of the fair value hierarchy for investment property and the significant inputs used in the valuation are provided in Note 38.

15. INTANGIBLE ASSETS

	Software development in progress RM'000	Computer software and licences RM'000	Total RM'000
Group			
Cost			
At 1 April 2015	8,092	38,633	46,725
Additions	2,035	1,163	3,198
Disposal	–	(784)	(784)
Transfer to property, plant and equipment	(321)	–	(321)
Reclassification	(6,448)	6,448	–
At 31 March 2016	3,358	45,460	48,818
Additions	3,562	7,914	11,476
Disposal	–	(204)	(204)
Reclassification	(601)	601	–
Transfers to subsidiary	–	–	–
At 31 March 2017	6,319	53,771	60,090
Accumulated amortisation			
At 1 April 2015	–	32,093	32,093
Amortisation for the year	–	2,571	2,571
Disposal	–	(670)	(670)
At 31 March 2016	–	33,994	33,994
Amortisation for the year	–	3,260	3,260
Disposal	–	(204)	(204)
At 31 March 2017	–	37,050	37,050
Net carrying amount			
At 31 March 2017	6,319	16,721	23,040
At 31 March 2016	3,358	11,466	14,824

15. INTANGIBLE ASSETS (CONT'D.)

	Software development in progress RM'000	Computer software and licences RM'000	Total RM'000
Company			
Cost			
At 1 April 2015	2,819	7,787	10,606
Additions	–	125	125
Disposal	–	(784)	(784)
Reclassification	(867)	867	–
At 31 March 2016	1,952	7,995	9,947
Additions	123	201	324
Disposal	–	(201)	(201)
Reclassification	(601)	601	–
Transfers to subsidiary	(1,351)	–	(1,351)
At 31 March 2017	123	8,596	8,719
Accumulated amortisation			
At 1 April 2015	–	6,809	6,809
Amortisation for the year	–	567	567
Disposal	–	(670)	(670)
At 31 March 2016	–	6,706	6,706
Amortisation for the year	–	290	290
Disposal	–	(201)	(201)
At 31 March 2017	–	6,795	6,795
Net carrying amount			
At 31 March 2017	123	1,801	1,924
At 31 March 2016	1,952	1,289	3,241

16. DEFERRED TAXATION

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
At beginning of year	**4,760**	3,808	**3,038**	2,313
Recognised in:				
Income statement (Note 12)	**2,136**	2,451	**295**	725
Participants' fund	**1,747**	2,068	**–**	–
Other comprehensive income	**95**	(3,567)	**–**	–
At end of year	**8,738**	4,760	**3,333**	3,038
These comprise the following:				
– Deferred tax assets	**19,518**	15,551	**3,333**	3,038
– Deferred tax liabilities	**(10,780)**	(10,791)	**–**	–
	8,738	4,760	**3,333**	3,038

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

Group	Provisions and payables RM'000	Unabsorbed/ accelerated capital allowances RM'000	Impairment losses on loans and receivables RM'000	Premium/ contribution expense liabilities RM'000	Impairment losses on investments RM'000	AFS financial assets RM'000	Revaluation of land and buildings RM'000	Others RM'000	Total RM'000
2017									
At 1 April 2016	**472**	**437**	**3,157**	**2,631**	**3,467**	**(921)**	**(9,870)**	**5,387**	**4,760**
Recognised in:									
Income statement (Note 12)	**507**	**30**	**–**	**648**	**288**	**–**	**–**	**663**	**2,136**
Participants' fund	**–**	**–**	**(755)**	**1,856**	**–**	**137**	**(221)**	**730**	**1,747**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**179**	**(84)**	**–**	**95**
At 31 March 2017	**979**	**467**	**2,402**	**5,135**	**3,755**	**(605)**	**(10,175)**	**6,780**	**8,738**
2016									
At 1 April 2015	1,105	525	1,101	2,721	1,899	2,135	(8,201)	2,523	3,808
Recognised in:									
Income statement (Note 12)	(633)	(88)	–	(82)	1,568	–	–	1,686	2,451
Participants' fund	–	–	2,056	(8)	–	(268)	(890)	1,178	2,068
Other comprehensive income	–	–	–	–	–	(2,788)	(779)	–	(3,567)
At 31 March 2016	472	437	3,157	2,631	3,467	(921)	(9,870)	5,387	4,760

16. DEFERRED TAXATION (CONT'D.)

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

Company	Unabsorbed capital allowances RM'000	Accelerated capital allowances RM'000	Impairment losses on loans and receivables RM'000	Others RM'000	Total RM'000
2017					
At 1 April 2016	**850**	**566**	**4**	**1,618**	**3,038**
Recognised in income statement (Note 12)	**117**	**(30)**	**–**	**208**	**295**
At 31 March 2017	**967**	**536**	**4**	**1,826**	**3,333**
2016					
At 1 April 2015	687	140	4	1,482	2,313
Recognised in income statement (Note 12)	163	426	–	136	725
At 31 March 2016	850	566	4	1,618	3,038

Deferred tax assets have not been recognised in respect of the following items of the Company and its retakaful subsidiary as the probability of recognition cannot be determined with certainty given the lack of assessable profits in current and prior years.

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Unutilised business losses	**14,290**	13,998	**6,168**	6,168
Other temporary differences:				
– net contribution and expense liabilities	**1,151**	867	**–**	–
– net accretion of discounts	**–**	(75)	**–**	–
– financial assets	**–**	188	**–**	–
– others	**298**	214	**–**	–
	15,739	15,192	**6,168**	6,168

17. INVESTMENTS IN SUBSIDIARIES

	Company 2017 RM'000	Company 2016 RM'000
Unquoted shares, at cost:		
In Malaysia	**907,000**	907,000
Less: Impairment loss	**(69,665)**	(69,665)
	837,335	837,335
Outside Malaysia	**6,370**	6,370
	843,705	843,705

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest 2017 %	Effective ownership interest 2016 %
Malaysian Reinsurance Berhad ("MRE")	Malaysia	Underwriting of all classes of general reinsurance business and management of general retakaful business	**100**	100
Takaful Ikhlas Berhad	Malaysia	Management of family general and, investment-linked takaful business	**100**	100
MNRB Retakaful Berhad	Malaysia	Management of family and general retakaful business	**100**	100
MMIP Services Sdn. Bhd.	Malaysia	Management of the Malaysian Motor Insurance Pool which provides motor insurance to vehicle owners who are unable to obtain insurance protection for their vehicles	**100**	100
Malaysian Re (Dubai) Ltd.	Dubai, United Arab Emirates	Marketing and promotional activities and servicing of clients on behalf of MRE	**100**	100
AmIslamic Cash 1*	Malaysia	Investment in Shariah compliant money market instruments and Sukuk	**100**	100
AmIslamic Cash 2*	Malaysia	Investment in Shariah compliant money market instruments and Sukuk	**100**	100

* The wholesale unit trust funds were wound up effective from 3 January 2017 and ceased to be subsidiaries as of that date.

18. INVESTMENTS IN ASSOCIATES

	Group	
	2017	**2016**
	RM'000	**RM'000**
Unquoted shares in Malaysia, at cost	**77,615**	77,615
Share of post-acquisition retained profits	**12,095**	9,159
Share of post-acquisition AFS reserve	**155**	1,412
Post-acquisition foreign exchange translation reserve*	**55,555**	40,335
	145,420	128,521
Represented by share of net assets	**145,420**	128,521

	Company	
	2017	**2016**
	RM'000	**RM'000**
Unquoted shares in Malaysia, at cost	**1,957**	1,957

* 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.

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

			Proportion of ownership interest and voting power	
Name of associates	**Year end**	**Principal activities**	**2017 %**	**2016 %**
Held by the Company:				
Motordata Research Consortium Sdn. Bhd.	31 December	Development and provision of a centralised motor parts price database for the Malaysian insurance industry	**40**	40
Held by Malaysian Re:				
Labuan Reinsurance (L) Ltd ("Labuan Re")	31 December	Underwriting of all classes of general reinsurance business	**20**	20

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 2016 and management financial statements to the end of the accounting period of 31 March 2017 have been used.

18. INVESTMENTS IN ASSOCIATES (CONT'D.)

The summarised financial information of the associates are as follows:

	2017 RM'000	2016 RM'000
Assets and liabilities:		
Current assets	**2,279,708**	1,883,386
Non-current assets	**62,894**	55,508
Total assets	**2,342,602**	1,938,894
Current liabilities	**69,881**	336,059
Non-current liabilities	**1,541,411**	1,057,867
Total liabilities	**1,611,292**	1,393,926
Equity	**731,310**	544,968
Results:		
Revenue	**710,716**	892,255
Profit for the year	**39,877**	21,355

19. FINANCIAL ASSETS

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At carrying value:				
Financial assets at FVTPL	**123,467**	129,096	**–**	–
HTM investments	**695,426**	701,430	**1,000**	1,000
AFS financial assets	**3,384,744**	2,744,399	**50**	50
Loans and receivables	**1,934,933**	2,060,905	**105,388**	119,260
	6,138,570	5,635,830	**106,438**	120,310
Malaysian government securities	**206,314**	128,852	**–**	–
Government investment issues	**1,229,944**	908,672	**–**	–
Debt securities	**2,333,312**	2,083,632	**1,000**	1,000
Equity securities	**249,462**	275,840	**–**	–
Unquoted shares	**44,796**	44,796	**50**	50
Shariah approved unit trust funds	**119,592**	125,346	**–**	–
Real estate investment trusts	**20,217**	7,787	**–**	–
Fixed and call deposits	**79,648**	825,729	**–**	111,735
Islamic investment accounts	**1,727,724**	1,109,256	**97,633**	41
Other loans and receivables	**127,561**	125,920	**7,755**	7,484
	6,138,570	5,635,830	**106,438**	120,310

19. FINANCIAL ASSETS (CONT'D.)

(a) Financial assets at FVTPL

	Group	
	2017 RM'000	2016 RM'000
At fair value:		
Quoted shares in Malaysia	**3,790**	3,689
Warrants	**85**	61
Shariah approved unit trust funds	**119,592**	125,346
	123,467	129,096

(b) HTM investments

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At amortised cost/cost:				
Malaysian government securities	**78,308**	78,525	**–**	–
Unquoted corporate debt securities	**75,274**	80,172	**1,000**	1,000
Government investment issues	**541,844**	542,733	**–**	–
	695,426	701,430	**1,000**	1,000
At fair value:				
Malaysian government securities	**76,109**	78,354	**–**	–
Unquoted corporate debt securities	**75,987**	81,003	**1,008**	1,007
Government investment issues	**537,417**	543,688	**–**	–
	689,513	703,045	**1,008**	1,007

(c) AFS financial assets

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At cost:				
Unquoted shares in Malaysia[i]	**44,796**	44,796	**50**	50
At fair value:				
Malaysian government securities	**128,006**	50,327	**–**	–
Unquoted corporate debt securities	**2,258,038**	2,003,460	**–**	–
Quoted shares in Malaysia	**245,241**	271,753	**–**	–
Warrants	**346**	337	**–**	–
Real estate investment trusts	**20,217**	7,787	**–**	–
Government investment issues	**688,100**	365,939	**–**	–
	3,384,744	2,744,399	**50**	50

19. FINANCIAL ASSETS (CONT'D.)

(d) Loans and receivables

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
At amortised cost/fair value:				
Fixed and call deposits with licensed:				
Commercial banks	**79,648**	326,715	**–**	9,027
Investment banks	**–**	499,014	**–**	102,708
Islamic investment accounts with licensed:				
Co-operative bank	**129,611**	40,833	**–**	–
Islamic banks	**1,266,063**	956,950	**25,207**	41
Investment banks	**51,627**	46,661	**–**	–
Development bank	**280,423**	64,812	**72,426**	–
Secured staff loans	**9,684**	10,987	**1,838**	2,420
Amounts due from subsidiaries(ii)	**–**	–	**5,494**	3,328
Income due and accrued	**51,039**	53,602	**104**	34
Amount due from Insurance				
Pool accounts	**4,406**	13,698	**–**	–
Other receivables and deposits	**62,432**	47,633	**319**	1,702
	1,934,933	2,060,905	**105,388**	119,260

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

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

	Group	
	2017 RM'000	**2016 RM'000**
– 27,500,000 ordinary shares of RM1.00 each of Financial Park (Labuan) Sdn. Bhd. ("FPL"), representing an equity shareholding of 9%.	**28,283**	28,283
Less: Impairment loss	**(4,759)**	(4,759)
	23,524	23,524
20,000,000 redeemable preference shares of RM1.00 each of FPL	**20,569**	20,569
	44,093	44,093
– 410,000 ordinary shares of Malaysian Rating Corporation Berhad ("MARC") of RM1.00 each, representing an equity shareholding of 4%.	**410**	410
– Others	**293**	293
	44,796	44,796

(ii) These amounts are non-trade in nature, unsecured, not subject to any interest/profit elements and repayable on demand.

20. INSURANCE/TAKAFUL CONTRACT LIABILITIES

	2017 Gross RM'000	2017 Reinsurance/ retakaful RM'000	2017 Net RM'000	2016 Gross RM'000	2016 Reinsurance/ retakaful RM'000	2016 Net RM'000
General reinsurance/takaful/retakaful funds (Note (a))	**2,527,853**	**(462,804)**	**2,065,049**	2,503,079	(457,284)	2,045,795
Family takaful/retakaful funds (Note (b))	**2,580,122**	**(51,426)**	**2,528,696**	2,265,713	(39,896)	2,225,817
Shareholder's funds (Note (c))	**63,203**	**–**	**63,203**	60,319	–	60,319
Unallocated surplus	**1,635**	**–**	**1,635**	18,407	–	18,407
Total	**5,172,813**	**(514,230)**	**4,658,583**	4,847,518	(497,180)	4,350,338
(a) General reinsurance/takaful/ retakaful funds						
Claim liabilities (Note (i))	**2,137,519**	**(401,855)**	**1,735,664**	2,078,963	(395,315)	1,683,648
Premium/contribution liabilities (Note (ii))	**390,334**	**(60,949)**	**329,385**	424,116	(61,969)	362,147
	2,527,853	**(462,804)**	**2,065,049**	2,503,079	(457,284)	2,045,795
(i) Claim liabilities						
At beginning of the year	**2,078,963**	**(395,315)**	**1,683,648**	1,799,017	(293,867)	1,505,150
Claims incurred in the current underwriting/accident year	**318,535**	**(92,267)**	**226,268**	297,459	(75,460)	221,999
Adjustment to claims incurred in prior underwriting/accident years due to changes in IBNR and PRAD	**(25,381)**	**22,759**	**(2,622)**	58,772	(1,886)	56,886
Movements in claims incurred in prior underwriting/accident years	**750,488**	**(43,060)**	**707,428**	874,613	(144,778)	729,835
Claims paid during the year	**(985,086)**	**106,028**	**(879,058)**	(950,898)	120,676	(830,222)
At end of the year	**2,137,519**	**(401,855)**	**1,735,664**	2,078,963	(395,315)	1,683,648
(ii) Premium/contribution liabilities						
At beginning of the year	**424,116**	**(61,969)**	**362,147**	385,137	(43,310)	341,827
Premiums/contributions written in the year	**1,611,081**	**(266,909)**	**1,344,172**	1,675,409	(263,521)	1,411,888
Premiums/contributions earned during the year	**(1,644,863)**	**267,929**	**(1,376,934)**	(1,636,430)	244,862	(1,391,568)
At end of the year	**390,334**	**(60,949)**	**329,385**	424,116	(61,969)	362,147
(b) Family takaful/retakaful funds						
Provision for claims reported by contract holders	**97,193**	**(12,161)**	**85,032**	63,149	(3,468)	59,681
Participants' Investment Fund ("PIF")	**2,203,749**	**–**	**2,203,749**	1,927,157	–	1,927,157
Participants' Risk Fund ("PRF")	**182,473**	**(39,265)**	**143,208**	164,400	(36,428)	127,972
Net asset value attributable to unitholders	**96,707**	**–**	**96,707**	111,007	–	111,007
	2,580,122	**(51,426)**	**2,528,696**	2,265,713	(39,896)	2,225,817

20. INSURANCE/TAKAFUL CONTRACT LIABILITIES (CONT'D.)

	2017 Gross RM'000	2017 Reinsurance/ retakaful RM'000	2017 Net RM'000	2016 Gross RM'000	2016 Reinsurance/ retakaful RM'000	2016 Net RM'000
(b) Family takaful/retakaful fund (cont'd.)						
At beginning of the year	**2,265,713**	**(39,896)**	**2,225,817**	1,921,784	(37,476)	1,884,308
Net earned contributions	**665,707**	**(74,735)**	**590,972**	598,555	(63,278)	535,277
Net creation of units	**11,526**	**–**	**11,526**	16,548	–	16,548
Liabilities paid for death, maturities, surrenders, benefits and claims	**(271,029)**	**1,699**	**(269,330)**	(278,857)	16,289	(262,568)
Net cancellation of units	**(27,183)**	**–**	**(27,183)**	(24,455)	–	(24,455)
Benefits and claims experience variation	**34,044**	**(8,693)**	**25,351**	(7,470)	17,252	9,782
Fees deducted	**(188,311)**	**–**	**(188,311)**	(135,902)	–	(135,902)
Other revenue and expenses	**1,357**	**–**	**1,357**	(1,854)	–	(1,854)
Transfer to shareholder's fund	**(13,405)**	**–**	**(13,405)**	(11,908)	–	(11,908)
Increase in reserve	**101,703**	**70,199**	**171,902**	189,272	27,317	216,589
At end of the year	**2,580,122**	**(51,426)**	**2,528,696**	2,265,713	(39,896)	2,225,817

	2017 Gross/net RM'000	2016 Gross/net RM'000
(c) Shareholder's funds		
At beginning of the year	**60,319**	53,340
General takaful and retakaful funds:		
– Wakalah fee received during the year	**98,456**	85,643
– Wakalah fee earned during the year	**(94,972)**	(85,522)
– Movement in unearned wakalah fees	**3,484**	121
– Movement in provision for expense deficiency	**1,912**	(2,444)
Family takaful and retakaful funds:		
– Movement in provision for UER	**(2,512)**	9,302
At end of the year	**63,203**	60,319

21. INSURANCE/TAKAFUL RECEIVABLES

	Group	
	2017 RM'000	2016 RM'000
Due contributions including agents' balances	**106,450**	91,860
Amounts due from brokers and ceding companies	**264,058**	300,133
Less: Allowance for impairment	**(34,318)**	(24,760)
Less: Amount written off during the year	**–**	(10,221)
	336,190	357,012
Offsetting insurance/takaful receivables and insurance/takaful payables		
Gross amounts of recognised insurance/takaful receivables	**502,549**	652,444
Less: Gross amounts of recognised insurance/takaful payables set off in the statement of financial position	**(132,041)**	(260,451)
Net amounts of insurance/takaful receivables presented in the statement of financial position	**370,508**	391,993

Included in amounts due from brokers and ceding companies is an amount of RM221,660 (2016: RM1,931,932) due from an associate, Labuan Reinsurance (L) Ltd. The amount receivable is subject to settlement terms stipulated in the reinsurance contracts.

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

22. PARTICIPANTS' FUNDS

	Group	
	2017 RM'000	2016 RM'000
Participants' funds comprise the following:		
Accumulated surplus (Note (a))	**160,851**	162,271
AFS reserves (Note (b))	**(106)**	2,635
Revaluation surplus (Note (c))	**38,816**	36,280
	199,561	201,186
(a) Accumulated surplus		
At beginning of the year	**162,271**	260,459
Net surplus/(deficit) of the general and family takaful funds	**4,064**	(99,408)
(Hibah paid and payable)/reversal of hibah payable to participants during the year	**(5,484)**	1,220
At end of the year	**160,851**	162,271

22. PARTICIPANTS' FUNDS (CONT'D.)

	Group 2017 RM'000	Group 2016 RM'000
(b) AFS reserves		
At beginning of the year	**2,635**	217
Net (loss)/gain on fair value changes	**(3,101)**	6,181
Realised loss/(gain) transferred to income statements	**223**	(3,495)
Deferred tax on fair value changes	**137**	(268)
Net change in AFS reserves attributable to participants	**(2,741)**	2,418
At end of the year	**(106)**	2,635
(c) Revaluation surplus		
At beginning of the year	**36,280**	26,050
Recognised in other comprehensive income	**2,757**	11,120
Deferred tax on revaluation surplus	**(221)**	(890)
Net change in revaluation surplus attributable to participants	**2,536**	10,230
At end of the year	**38,816**	36,280

23. BORROWINGS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Islamic Revolving Credit Facility ("RC–i Facility")	**–**	200,000	**–**	200,000
Revolving Credit Facility	**200,000**	–	**200,000**	–
Sukuk Mudharabah Programme	**120,000**	120,000	**120,000**	120,000
	320,000	320,000	**320,000**	320,000

The salient terms and conditions of the borrowings of the Group and the Company are as follows:

(a) Islamic Revolving Credit Facility/Revolving Credit Facility

On 17 March 2017, the Company entered into a RM320 million revolving credit facility ("said facility") agreement with AmBank (M) Berhad ("AmBank"). On 22 March 2017, the Company made a drawdown of RM200 million from the said facility. The facility carries a floating interest rate that is reviewed quarterly and has a tenure of 18 months, with the option of 6 months' extension at the discretion of the bank. The interest rate for the financial year ended 31 March 2017 was 4.52% per annum.

The proceeds from the drawdown were utilised towards redeeming the Islamic Commodity Murabahah Facility of the same amount from Standard Chartered Saadiq Berhad. The profit rates incurred for the Islamic Commodity Murabahah Facility from Standard Chartered Saadiq Berhad for the financial year ended 31 March 2017 range between 5.45% to 5.79% per annum.

(b) Sukuk Mudharabah Programme

On 10 December 2012, the Company issued RM120 million of Sukuk under the Sukuk Mudharabah Programme to MIDF Amanah Investment Bank Berhad. The issued Sukuk carries a fixed profit rate of 5.4% per annum with a tenure of 5 years and has a final redemption date on 10 December 2017.

24. INSURANCE/TAKAFUL PAYABLES

	Group 2017 RM'000	Group 2016 RM'000
Due to agents, brokers, retrocessionaires and retakaful operators	**210,174**	199,285

Offsetting insurance/takaful receivables and insurance/takaful payables

	Group 2017 RM'000	Group 2016 RM'000
Gross amounts of recognised insurance/takaful payables	**379,361**	500,158
Less: Gross amounts of recognised insurance/takaful receivables set off in the statement of financial position	**(169,187)**	(300,873)
Net amounts of insurance/takaful payables presented in the statement of financial position	**210,174**	199,285

Included in amounts due to brokers and retrocessionaires is an amount of RM216,664 (2016: Nil) due to an associate, Labuan Reinsurance (L) Ltd. The amount payable is subject to settlement terms stipulated in the reinsurance contracts.

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

25. OTHER PAYABLES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deposit contributions	**53,399**	58,011	**–**	–
Outstanding commissions	**5,173**	6,802	**–**	–
Provisions	**36,483**	36,444	**7,603**	6,830
Amount due to subsidiaries [i]	**–**	–	**4,616**	3,343
Sundry payables and accruals	**117,131**	92,747	**2,267**	2,357
	212,186	194,004	**14,486**	12,530

[i] These amounts are non-trade in nature, unsecured, not subject to any interest/profit elements and repayable on demand.

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

26. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2017 '000	2016 '000	2017 RM'000	2016 RM'000
Issued and fully paid:				
At beginning of the year	**213,070**	213,070	**213,070**	213,070
Issuance of bonus shares	**106,535**	–	**106,535**	–
At end of the year	**319,605**	213,070	**319,605**	213,070

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM213,070,000 to RM319,605,000 by way of the issuance of bonus shares through capitalisation of share premium of RM105,051,000 and retained earnings of RM1,484,000.

27. DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the current financial year.

28. EARNINGS/(LOSS) PER SHARE

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
Net profit/(loss) for the year (RM'000)	**71,170**	(38,829)	**(18,200)**	79,971
Weighted average number/number of ordinary shares in issue ('000)	**257,460**	213,070	**257,460**	213,070
Basic and diluted earnings/(loss) per share (sen)	**27.6**	(18.2)	**(7.1)**	37.5

29. 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	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Future minimum rental payments:				
Not later than 1 year	**3,815**	3,864	**1,248**	1,404
Later than 1 year and not later than 5 years	**6,166**	–	**–**	–
	9,981	3,864	**1,248**	1,404

(b) The Group as lessor

The Group has entered into non-cancellable operating lease agreements on its portfolio of self-occupied properties and investment property. 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.

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	
	2017 RM'000	**2016 RM'000**
Future minimum rental receipts:		
Not later than 1 year	**3,895**	5,920
Later than 1 year and not later than 5 years	**1,658**	2,840
	5,553	8,760

30. COMMITMENTS

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Authorised and contracted for:				
– Property, plant and equipment	**–**	–	**–**	–
– Intangible assets*	**22,409**	5,174	**–**	337
	22,409	5,174	**–**	337
Authorised but not contracted for:				
– Property, plant and equipment	**1,850**	5,686		
– Intangible assets*	**–**	8,417		
	1,850	14,103		

* Relating to purchases and enhancement of the reinsurance and takaful subsidiaries' computer systems.

31. 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:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Income/(expenses):				
Transactions with subsidiaries:				
Management fees received	**–**	–	**31,728**	30,844
Net dividend received	**–**	–	**–**	100,000
Rental paid	**–**	–	**(1,392)**	(1,612)
Interest income	**–**	–	**50**	29
Transactions with takaful funds of a subsidiary:				
Takaful contributions paid	**–**	–	**(320)**	(927)
Transactions with an associate, Labuan Reinsurance (L) Ltd:				
Net reinsurance inwards	**361**	736	**–**	–

31. RELATED PARTY DISCLOSURES (CONT'D.)

(a) The significant transactions with related parties are as follows: (cont'd.)

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 the reporting date have been disclosed in Notes 19(d), 21, 24 and 25 of the financial statements as well as on the face of statements of financial position.

(b) The key management personnel compensations are as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Non–executive directors:				
Fees	**2,650**	2,533	**780**	760
Others	**644**	671	**146**	160
Benefits-in-kind	**38**	28	**38**	28
Executive directors:				
Salaries and bonus	**3,050**	2,888	**1,169**	1,088
Pension costs – EPF	**498**	491	**199**	185
Benefits-in-kind	**220**	201	**120**	136
Others	**13**	24	**6**	13
Director of a subsidiary:				
Salaries and bonus	**837**	736	**837**	736
Pension costs – EPF	**126**	120	**126**	120
Social security costs	**1**	1	**1**	1
Other allowances	**20**	68	**20**	68
Benefits-in-kind	**55**	100	**55**	100
Group Shariah Committee and Shariah Committee member' remuneration	**311**	313	**–**	–
Other key management personnel's remuneration:				
Salaries and bonus	**12,176**	11,366	**4,779**	5,751
Pension costs – EPF	**1,799**	1,699	**717**	885
Social security costs	**14**	7	**7**	6
Allowances	**511**	117	**51**	44
Benefits-in-kind	**509**	1,002	**442**	682
	23,472	22,365	**9,493**	10,763

32. SEGMENT INFORMATION

Group	Investment holding RM'000	Reinsurance business RM'000	Takaful operator RM'000	Retakaful operator RM'000	Adjustments and eliminations RM'000	Consolidated RM'000
2017						
Results						
Net earned premiums/contributions	**–**	**1,188,736**	**779,581**	**10,910**	**(723)**	**1,978,504**
Interest/profit income	**3,889**	**86,811**	**110,023**	**5,064**	**(50)**	**205,737**
Other revenue	**31,892**	**60,720**	**81,304**	**1,637**	**(32,597)**	**142,956**
Net claims	**–**	**(832,318)**	**(658,512)**	**5,753**	**(1,434)**	**(1,486,511)**
Other expenses [(i)]	**(34,522)**	**(397,707)**	**(301,400)**	**(12,306)**	**32,062**	**(713,873)**
Depreciation	**(644)**	**(3,070)**	**(4,352)**	**(3)**	**–**	**(8,069)**
Amortisation	**(290)**	**(830)**	**(2,019)**	**(121)**	**–**	**(3,260)**
Finance costs	**(18,120)**	**(50)**	**–**	**–**	**50**	**(18,120)**
Share of results of associates	**369**	**5,259**	**–**	**–**	**–**	**5,628**
Operating (loss)/profit before deficit attributable to takaful participants, taxation	**(17,426)**	**107,551**	**4,625**	**10,934**	**(2,692)**	**102,992**
Deficit attributable to takaful participants	**–**	**–**	**(4,064)**	**–**	**–**	**(4,064)**
Operating (loss)/profit before taxation	**(17,426)**	**107,551**	**561**	**10,934**	**(2,692)**	**98,928**
Taxation	**(405)**	**(18,241)**	**(9,148)**	**36**	**–**	**(27,758)**
Net (loss)/profit for the year	**(17,831)**	**89,310**	**(8,587)**	**10,970**	**(2,692)**	**71,170**
2016						
Results						
Net earned premiums/contributions	–	1,206,505	721,916	14,485	(927)	1,941,979
Interest/profit income	14,104	83,615	99,502	5,028	(1,862)	200,387
Other revenue	130,958	36,574	31,017	719	(148,869)	50,399
Net claims	–	(896,363)	(719,746)	(15,095)	–	(1,631,204)
Other expenses[(i)]	(35,853)	(419,420)	(256,113)	(5,483)	41,542	(675,327)
Depreciation	(315)	(3,040)	(5,125)	(23)	–	(8,503)
Amortisation	(567)	(473)	(1,438)	(93)	–	(2,571)
Finance costs	(18,231)	(29)	–	–	29	(18,231)
Share of results of associates	185	12,430	–	–	–	12,615
Operating profit/(loss) before surplus attributable to takaful participants, zakat and taxation	90,281	19,799	(129,987)	(462)	(110,087)	(130,456)
Surplus attributable to takaful participants	–	–	99,408	–	–	99,408
Operating profit/(loss) before zakat and taxation	90,281	19,799	(30,579)	(462)	(110,087)	(31,048)
Taxation	725	(4,255)	(4,251)	–	–	(7,781)
Net profit/(loss) for the year	91,006	15,544	(34,830)	(462)	(110,087)	(38,829)

32. SEGMENT INFORMATION (CONT'D.)

Group (cont'd.)	Investment holding RM'000	Reinsurance business RM'000	Takaful operator RM'000	Retakaful operator RM'000	Adjustments and eliminations RM'000	Consolidated RM'000
2017						
Assets						
Segment assets [i]	**960,283**	**3,368,223**	**3,769,156**	**165,013**	**(851,515)**	**7,411,160**
Investments in associates	**1,957**	**75,968**	**–**	**–**	**67,495**	**145,420**
	962,240	**3,444,191**	**3,769,156**	**165,013**	**(784,020)**	**7,556,580**
Liabilities and Participants' funds						
Segment liabilities						
Participants' funds	**–**	**–**	**199,561**	**–**	**–**	**199,561**
Borrowings	**320,000**	**1,000**	**–**	**–**	**(1,000)**	**320,000**
Insurance and takaful contract liabilities	**–**	**2,041,209**	**3,028,299**	**103,305**	**–**	**5,172,813**
Other liabilities	**17,078**	**154,738**	**261,429**	**19,064**	**(7,569)**	**444,740**
	337,078	**2,196,947**	**3,489,289**	**122,369**	**(8,569)**	**6,137,114**
Equities						
Segment equities [i]	**625,162**	**1,247,244**	**279,867**	**42,644**	**(775,451)**	**1,419,466**
Total liabilities, participants' funds and equity	**962,240**	**3,444,191**	**3,769,156**	**165,013**	**(784,020)**	**7,556,580**
2016						
Assets						
Segment assets [i]	1,270,511	3,250,015	3,417,615	179,496	(1,138,438)	6,979,199
Investments in associates	1,957	75,658	–	–	50,906	128,521
	1,272,468	3,325,673	3,417,615	179,496	(1,087,532)	7,107,720
Liabilities and Participants' funds						
Segment liabilities						
Participants' funds	–	–	201,186	–	–	201,186
Borrowings	320,000	1,000	–	–	(1,000)	320,000
Insurance and takaful contract liabilities	–	2,037,911	2,688,051	121,556	–	4,847,518
Other liabilities	14,652	127,396	240,562	26,266	(40)	408,836
	334,652	2,166,307	3,129,799	147,822	(1,040)	5,777,540
Equities						
Segment equities [i]	937,816	1,159,366	287,816	31,674	(1,086,492)	1,330,180
Total liabilities, participants' funds and equity	1,272,468	3,325,673	3,417,615	179,496	(1,087,532)	7,107,720

[i] Included in segment assets is a Qard granted to the general and family retakaful funds by the shareholder's fund of the retakaful subsidiary and retakaful division of reinsurance subsidiary, amounting to RM84.6 million (2016: RM100.2 million). Qard represents a loan to the general and family retakaful funds to make good any underwriting deficit experienced during a financial period. These balances, including the impairment losses recognised thereon amounting to RM72.1 million (2016: RM88.1 million), have been eliminated in full upon consolidation.

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

The key objectives of the risk management framework are to:

(i) provide information on risk governance and accountabilities;

(ii) provide guidance on a standard approach to managing risks;

(iii) create and promote a risk-aware culture; and

(iv) enhance professionalism and increase profitability and value for stakeholders.

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

(a) Risk management governance

The Risk Management Governance structure is as follows:

(i) The Board had established a dedicated Board Committee known as the Risk Management Committee of the Board ("RMCB") to oversee the implementation of an enterprise-wide risk management framework. This is also replicated at each of the subsidiary companies;

(ii) The Board had established a dedicated Investment Committee to further oversee risks associated with investments and assets allocation. This is also replicated at each of the subsidiary companies;

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

(iv) The Group Chief Risk Officer ("GCRO") and Risk Management Department established the infrastructure and facilitate the risk management process in the Company and across the subsidiaries through the adoption of the Group's risk management framework;

(v) At the operational level, the implementation of risk management process in the day to day operations of the Group is consistent with the risk management framework; and

(vi) The Line Managers of each department within the Group are responsible for using the various components of the risk management framework as an integral part of the business processes and procedures.

33. RISK MANAGEMENT FRAMEWORK (CONT'D.)

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

Each subsidiary has put in place the following policies to ensure the proper risk management:

(i) Underwriting Policy where each subsidiary's underwriting strategy is to have an acceptable mix and spread of business portfolio by:

- observing underwriting guidelines and limits;
- setting prudent claims provisions; and
- applying prudential standards in the assessment of security of its key retakaful/retrocession operators.

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

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

(iii) Investment Policy where the subsidiary's investment strategy is towards capital preservation, returns maximisation and liquidity management. These are managed by investing in low-risk assets, deposits with licensed financial institutions, debt securities and other marketable securities.

(b) Capital management objectives, policies and approach

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

Under the CMP, the subsidiaries measure and monitor their respective capital position mainly via the Capital Adequacy Ratio ("CAR").

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

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

33. RISK MANAGEMENT FRAMEWORK (CONT'D.)

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

Capital management policies

The key capital management policies are as follows:

(i) Ensure the Group has adequate capital within a range that supports the stakeholders' objectives; and

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

Approach to capital management

The reinsurance, takaful and retakaful subsidiaries conduct stress tests on their CAR in compliance with BNM/RH/PD 029-7: *Stress Testing*. The impact of the adverse scenarios on the capital position of the subsidiaries is assessed on a quarterly basis, focusing on short to medium term views.

(c) Regulatory framework

The reinsurance, takaful and retakaful subsidiaries are required to comply with the Financial Services Act ("FSA") 2013 and IFSA 2013, respectively, which are administered by BNM. BNM is primarily interested in protecting the rights of policyholders and participants and monitoring the subsidiaries closely to ensure prudent management of their business operations. At the same time, BNM is also interested in ensuring that the subsidiaries actively manage their capital adequacy by taking into account the potential impact on the subsidiaries business strategies, risk profile and the overall resilience of the companies.

In addition, the Company is required to comply with Bursa Malaysia Securities Berhad's ("Bursa") Risk Management and Internal Control System, the Listing Requirements of Bursa, 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.

34. UNDERWRITING RISK

(a) General reinsurance

(i) Nature of risk

The reinsurance subsidiary principally underwrites all classes of general reinsurance business. 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 risk arises from adverse development of loss ratios and catastrophic loss events. These risks vary significantly in relation to economic conditions and territories from which the risks are underwritten.

The above risks are mitigated by diversification across a large portfolio of business to ensure a balanced mix and spread of business. Diversification through the implementation of underwriting strategies and claim management policies reduces the volatility of risks and improves the overall portfolio experience, and also ensures that its insurance contract liabilities are adequate.

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 placement of the reinsurance subsidiary's key retrocessionaires.

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

34. UNDERWRITING RISK (CONT'D.)

(a) General reinsurance (cont'd.)

(ii) Concentration of risk by type of business

The table below measures the concentration of insurance contract liabilities by the main classes of business and by local and overseas risks:

	Gross RM'000	Retro-cession RM'000	Net RM'000
2017			
Fire	**866,098**	**(72,905)**	**793,193**
Motor	**337,655**	**(4,679)**	**332,976**
Marine	**434,137**	**(176,269)**	**257,868**
Miscellaneous	**403,319**	**(38,116)**	**365,203**
	2,041,209	**(291,969)**	**1,749,240**
Local	**1,107,680**	**(229,377)**	**878,303**
Overseas	**933,529**	**(62,592)**	**870,937**
	2,041,209	**(291,969)**	**1,749,240**
2016			
Fire	863,657	(98,494)	765,163
Motor	367,811	(8,500)	359,311
Marine	415,058	(161,928)	253,130
Miscellaneous	391,385	(36,699)	354,686
	2,037,911	(305,621)	1,732,290
Local	1,294,096	(248,343)	1,045,753
Overseas	743,815	(57,278)	686,537
	2,037,911	(305,621)	1,732,290

34. UNDERWRITING RISK (CONT'D.)

(a) General reinsurance (cont'd.)

(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 or receipt of market loss event, 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, that is certified by the Appointed Actuary, for the purpose of ensuring that claim and premium liabilities are objectively assessed and adequately provided for. Any deficiency is recognised in the income 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 arises 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.

34. UNDERWRITING RISK (CONT'D.)

(a) General reinsurance (cont'd.)

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

Sensitivity analysis (cont'd.)

The sensitivity analysis was applied to the ultimate loss ratio of the reinsurance subsidiary by increasing the said ratio of the two most recent underwriting years by 5%. The table below shows the impact on the reinsurance subsidiary's gross and net claim liabilities, profit before tax and equity should the ultimate loss ratio be increased by 5%:

	<------------------------- Increase/(decrease)			------------------------->
	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
2017				
Fire	**16,082**	**16,082**	**(16,082)**	**(13,401)**
Marine	**4,054**	**3,130**	**(3,130)**	**(2,790)**
Motor	**8,273**	**8,273**	**(8,273)**	**(6,367)**
Miscellaneous	**9,308**	**9,308**	**(9,308)**	**(7,613)**
	37,717	**36,793**	**(36,793)**	**(30,171)**
2016				
Fire	18,091	18,074	(18,074)	(15,338)
Marine	6,417	5,474	(5,474)	(4,928)
Motor	8,454	8,441	(8,441)	(6,545)
Miscellaneous	7,199	7,194	(7,194)	(5,991)
	40,161	39,183	(39,183)	(32,802)

* The impact on equity reflects the after tax impact.

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

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

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 financial year ended 31 March 2009 was not available and hence only developments in gross general reinsurance liabilities for financial year ended 31 March 2009 onwards are disclosed.

34. UNDERWRITING RISK (CONT'D.)

(a) General reinsurance (cont'd.)

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

Gross general reinsurance contract liabilities for 2017:

Underwriting year	Before 2009 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	Sub Total RM'000
At the end of underwriting year		573,070	640,777	643,911	663,610	712,406	690,348	736,158	684,421	
One year later		570,029	603,851	722,113	642,522	746,746	718,599	776,819	–	
Two years later		573,383	671,472	794,395	645,558	780,517	724,699	–	–	
Three years later		633,549	674,073	841,767	680,531	889,089	–	–	–	
Four years later		633,211	669,536	874,635	692,982	–	–	–	–	
Five years later		627,195	680,333	882,859	–	–	–	–	–	
Six years later		631,330	675,779	–	–	–	–	–	–	
Seven years later		625,823	–	–	–	–	–	–	–	
Current estimate of booked ultimate claims incurred (a)		**625,398**	**674,636**	**878,997**	**686,488**	**833,916**	**703,375**	**711,208**	**407,338**	
At the end of underwriting year		92,548	81,664	72,602	45,707	65,738	50,329	48,141	51,629	
One year later		301,430	304,808	457,413	322,956	439,662	384,784	467,078	–	
Two years later		430,566	489,316	650,735	461,369	596,034	513,905	–	–	
Three years later		544,944	569,484	758,933	551,145	664,220	–	–	–	
Four years later		574,075	617,380	810,994	602,086	–	–	–	–	
Five years later		594,717	636,513	839,994	–	–	–	–	–	
Six years later		607,841	647,353	–	–	–	–	–	–	
Seven years later		609,932	–	–	–	–	–	–	–	
Cumulative payments to-date (b)		**609,932**	**647,353**	**839,994**	**602,086**	**664,220**	**513,905**	**467,078**	**51,629**	
Expected claim liabilities (a) - (b)	24,805	15,466	27,283	39,003	84,402	169,696	189,470	244,130	355,709	1,149,964

Other portfolios	516,052
Best estimate of claim liabilities	1,666,016
Claim handling expenses	7,926
Fund PRAD at 75% confidence interval	120,907
Gross general reinsurance claim liabilities	1,794,849

34. UNDERWRITING RISK (CONT'D.)

(a) General reinsurance (cont'd.)

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

Net general reinsurance contract liabilities for 2017:

Underwriting year	Before 2009 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	Sub Total RM'000
At the end of underwriting year		537,097	579,366	556,166	631,329	706,648	685,728	703,964	852,211	
One year later		546,681	557,852	707,118	624,620	731,426	692,643	877,687	–	
Two years later		549,676	626,114	779,122	617,389	764,024	742,890	–	–	
Three years later		593,617	627,273	827,433	648,398	810,863	–	–	–	
Four years later		597,410	628,890	858,119	691,076	–	–	–	–	
Five years later		599,731	638,953	883,912	–	–	–	–	–	
Six years later		608,900	636,893	–	–	–	–	–	–	
Seven years later		608,351	–	–	–	–	–	–	–	
Current estimate of booked ultimate claims incurred (a)		**607,889**	**634,691**	**866,556**	**655,408**	**773,853**	**671,865**	**698,038**	**402,150**	
At the end of underwriting year		91,038	70,948	72,009	45,218	65,738	50,329	48,141	51,629	
One year later		296,382	291,065	451,089	319,123	435,537	384,664	467,060	–	
Two years later		415,719	471,728	642,608	454,603	591,654	510,235	–	–	
Three years later		526,099	545,602	748,462	543,078	671,440	–	–	–	
Four years later		554,187	578,564	799,487	584,481	–	–	–	–	
Five years later		574,402	597,046	829,122	–	–	–	–	–	
Six years later		587,321	609,680	–	–	–	–	–	–	
Seven years later		593,541	–	–	–	–	–	–	–	
Cumulative payments to-date (b)		**593,541**	**609,680**	**829,122**	**584,481**	**671,440**	**510,235**	**467,060**	**51,629**	
Expected claim liabilities (a) – (b)	19,351	14,348	25,011	37,434	70,927	102,413	161,630	230,978	350,521	1,012,613

Other portfolios	426,756
Best estimate of claim liabilities	1,439,369
Claim handling expenses	7,926
Fund PRAD at 75% confidence interval	100,749
Less: Retrocession recoveries	(29,536)
Net general reinsurance claim liabilities	1,518,508

34. UNDERWRITING RISK (CONT'D.)

(a) General reinsurance (cont'd.)

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

Gross general reinsurance contract liabilities for 2016:

Underwriting year	Before 2008 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	Sub Total RM'000
At the end of underwriting year		418,389	573,070	640,777	643,911	663,610	712,406	690,348	736,158	
One year later		496,009	570,029	603,851	722,113	642,522	746,746	718,599	–	
Two years later		493,161	573,383	671,472	794,395	645,558	780,517	–	–	
Three years later		492,705	633,550	674,073	841,767	680,531	–	–	–	
Four years later		576,942	633,211	669,536	874,635	–	–	–	–	
Five years later		571,554	627,195	680,333	–	–	–	–	–	
Six years later		564,373	631,330	–	–	–	–	–	–	
Seven years later		581,142	–	–	–	–	–	–	–	
Current estimate of booked ultimate claims incurred (a)		**580,586**	**630,399**	**677,801**	**869,001**	**667,089**	**755,831**	**641,705**	**423,111**	
At the end of underwriting year		63,614	92,548	81,664	72,602	45,707	65,738	50,329	48,141	
One year later		256,339	301,430	304,808	457,413	322,956	439,662	384,784	–	
Two years later		358,844	430,566	489,316	650,735	461,369	596,034	–	–	
Three years later		411,516	544,944	569,484	758,933	551,145	–	–	–	
Four years later		515,279	574,075	617,380	810,994	–	–	–	–	
Five years later		529,417	594,717	636,513	–	–	–	–	–	
Six years later		539,381	607,841	–	–	–	–	–	–	
Seven years later		567,520	–	–	–	–	–	–	–	
Cumulative payments to-date (b)		**567,520**	**607,841**	**636,513**	**810,994**	**551,145**	**596,034**	**384,784**	**48,141**	
Expected claim liabilities (a) - (b)	25,440	13,066	22,558	41,288	58,007	115,944	159,797	256,921	374,970	1,067,991

	RM'000
Other portfolios	551,575
Best estimate of claim liabilities	1,619,566
Claim handling expenses	6,930
Fund PRAD at 75% confidence interval	125,659
Gross general reinsurance claim liabilities	1,752,155

34. UNDERWRITING RISK (CONT'D.)

(a) General reinsurance (cont'd.)

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

Net general reinsurance contract liabilities for 2016:

Underwriting year	Before 2008 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	Sub Total RM'000
At the end of underwriting year		496,557	537,097	579,366	556,166	631,329	706,648	685,728	703,964	
One year later		480,442	546,681	557,852	707,118	624,620	731,426	692,643	–	
Two years later		476,158	549,676	626,114	779,122	617,389	764,024	–	–	
Three years later		479,882	593,617	627,273	827,433	648,398	–	–	–	
Four years later		546,688	597,410	628,890	858,119	–	–	–	–	
Five years later		546,771	599,731	638,953	–	–	–	–	–	
Six years later		546,212	606,579	–	–	–	–	–	–	
Seven years later		563,610	–	–	–	–	–	–	–	
Current estimate of booked ultimate claims incurred (a)		**563,164**	**605,749**	**636,725**	**852,660**	**637,654**	**741,887**	**622,767**	**417,098**	
At the end of underwriting year		62,609	91,038	70,948	72,009	45,218	65,738	50,329	48,141	
One year later		251,249	296,382	291,065	451,089	319,123	435,537	384,664	–	
Two years later		350,613	415,719	471,728	642,608	454,603	591,654	–	–	
Three years later		402,025	526,099	545,602	748,462	543,078	–	–	–	
Four years later		501,521	554,187	578,564	799,487	–	–	–	–	
Five years later		515,394	574,402	597,046	–	–	–	–	–	
Six years later		525,129	587,321	–	–	–	–	–	–	
Seven years later		551,316	–	–	–	–	–	–	–	
Cumulative payments to-date (b)		**551,316**	**587,321**	**597,046**	**799,487**	**543,078**	**591,654**	**384,664**	**48,141**	
Expected claim liabilities (a) - (b)	18,294	11,848	18,428	39,679	53,173	94,576	150,233	238,103	368,957	993,291

Other portfolios	386,878
Best estimate of claim liabilities	1,380,169
Claim handling expenses	6,930
Fund PRAD at 75% confidence interval	110,298
Less: Retrocession recoveries	(31,749)
Net general reinsurance claim liabilities	1,465,648

34. UNDERWRITING RISK (CONT'D.)

(b) General takaful fund

(i) Nature of risk

The takaful subsidiary principally issues the following types of general takaful contract: Motor, Fire, Personal Accident, and other Miscellaneous contracts. Risks under these contracts usually cover a twelve-month duration other than Long Term Fire and some Engineering contracts. For general takaful contracts, significant risks arise from frequency and severity of accidents. These risks vary significantly in relation to the location of risk, type of risk and industry covered.

The above risks are mitigated by diversification across a large portfolio of business and careful selection of risks. The variability of risks is designed to improve the portfolio experience by 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.

Stress Testing is performed on a quarterly basis. The purpose of the Stress Testing is to test the solvency of the general takaful fund under the various scenarios according to regulatory guidelines, simulating drastic changes in major parameters such as new business volume, claims experience and investment environment.

(ii) Reserving risk

The general takaful fund's claim liabilities, and consequently some of the inputs used in determining its contribution liabilities and expense liabilities, are based upon claims experience, existing knowledge of the events, the terms and conditions of relevant certificates and interpretation of prevailing circumstances. Upon notification of a claim, the takaful subsidiary sets aside case and technical reserves to meet the expected ultimate loss arising from this claim. These claim reserves are updated periodically taking into account the development of the claims.

At each reporting date, the takaful subsidiary performs a valuation of liabilities, that is certified by the Appointed Actuary, for the purpose of ensuring that claim and contribution liabilities are objectively assessed and adequately provided for. Any deficiency is recognised in the income statements.

34. UNDERWRITING RISK (CONT'D.)

(b) General takaful fund

(iii) Concentration of risk by type of contracts

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

	Gross RM'000	Retakaful RM'000	Net RM'000
2017			
Fire	**69,598**	**(15,623)**	**53,975**
Motor	**259,227**	**(109,304)**	**149,923**
Personal Accident	**15,122**	**39**	**15,161**
Miscellaneous	**57,065**	**(24,980)**	**32,085**
	401,012	**(149,868)**	**251,144**
2016			
Fire	71,975	(13,179)	58,796
Motor	248,952	(102,362)	146,590
Personal Accident	17,441	(937)	16,504
Miscellaneous	39,681	(10,976)	28,705
	378,049	(127,454)	250,595

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

(iv) Impact on liabilities, profit and equity

Key assumptions

The principal assumption underlying the estimation of liabilities is that the takaful subsidiary's future claims development will follow a pattern similar to the historical trend 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 attitude 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 delays in settlement.

34. UNDERWRITING RISK (CONT'D.)

(b) General takaful fund (cont'd.)

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

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 on possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and general takaful fund. The correlation of assumptions will have a significant effect in determining the ultimate claim liabilities, however, to demonstrate the impact due to changes in assumptions, only individual factor is changed, while other assumptions are held constant. It should be noted that movements in these assumptions are non-linear.

The sensitivity analysis has been performed for the main classes of business which are Motor Act, Motor Others and Fire. Motor Act is analysed using changes in claim severity while Motor Others and Fire are analysed using changes in the expected ultimate loss ratio.

		<------------------------- Increase/(decrease) ------------------------>			
	Change in assumption of ultimate claims	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on general takaful fund* RM'000
2017					
Motor Act Average Severity	**+10%**	**38,230**	**27,442**	**(27,442)**	**(20,856)**
Motor Others Expected Loss Ratio	**+10%**	**40,952**	**25,662**	**(25,662)**	**(19,503)**
Fire Expected Loss Ratio	**+10%**	**4,659**	**1,748**	**(1,748)**	**(1,328)**
2016					
Motor Act Average Severity	+10%	32,892	24,581	(24,581)	(18,682)
Motor Others Expected Loss Ratio	+10%	27,786	17,648	(17,648)	(13,412)
Fire Expected Loss Ratio	+10%	4,717	1,733	(1,733)	(1,317)

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

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

(v) Claims development table

The following tables show the estimate of cumulative incurred claims, including both claims reported and IBNR (including IBNER) for each successive accident year at each reporting date, together with cumulative payments to-date.

In setting provisions for claims, the takaful subsidiary gives consideration to the probability and magnitude of future experience at best estimate level with a degree of caution in setting reserves when there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience for an accident year is greatest when the claim is at an early stage of development; hence the provision for risk margin for adverse deviation is relatively higher than the provision for claims at a later development period. As the claims develop and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

34. UNDERWRITING RISK (CONT'D.)

(b) General takaful fund (cont'd.)

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

Gross general takaful contract liabilities for 2017:

Accident year	Prior 2011 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	Total RM'000
At the end of accident year	355,039	144,938	150,396	108,384	141,258	176,571	174,218	190,776	
One year later	362,919	146,833	140,864	106,221	125,098	176,737	163,828	–	
Two years later	348,678	137,705	132,409	97,322	122,664	172,414	–	–	
Three years later	337,187	129,564	125,201	96,354	116,932	–	–	–	
Four years later	323,668	126,080	122,030	94,383	–	–	–	–	
Five years later	319,933	128,074	121,553	–	–	–	–	–	
Six years later	317,966	125,116	–	–	–	–	–	–	
Seven years later	314,323	–	–	–	–	–	–	–	
Current estimate of cumulative claims incurred	**314,323**	**125,116**	**121,553**	**94,383**	**116,932**	**172,414**	**163,828**	**190,776**	
At the end of accident year	115,751	50,420	48,586	41,992	52,965	72,433	70,092	80,603	
One year later	230,848	95,957	88,561	70,413	89,811	121,645	114,362	–	
Two years later	266,108	113,767	106,494	81,651	102,861	142,406	–	–	
Three years later	285,893	120,230	112,812	85,797	106,856	–	–	–	
Four years later	295,136	121,948	114,962	86,897	–	–	–	–	
Five years later	300,048	122,917	115,530	–	–	–	–	–	
Six years later	301,483	123,250	–	–	–	–	–	–	
Seven years later	302,473	–	–	–	–	–	–	–	
Cumulative payments to-date	**302,473**	**123,250**	**115,530**	**86,897**	**106,856**	**142,406**	**114,362**	**80,603**	
Gross general takaful contract Best Estimate of Claims Liabilities (incl. Allocated Loss Adjustment Expenses "ALAE")	**11,850**	**1,866**	**6,023**	**7,486**	**10,076**	**30,008**	**49,466**	**110,173**	**226,948**
Fund PRAD at 75%									**32,922**
Total									**259,870**

34. UNDERWRITING RISK (CONT'D.)

(b) General takaful fund (cont'd.)

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

Net general takaful contract liabilities for 2017:

Accident year	Prior 2011 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	Total RM'000
At the end of accident year	401,996	134,955	139,773	77,046	89,101	104,071	110,041	113,257	
One year later	400,407	131,893	126,239	74,561	80,459	102,643	100,341	-	
Two years later	397,317	125,246	119,387	66,794	77,240	97,354	-	-	
Three years later	386,359	117,605	111,481	65,723	73,895	-	-	-	
Four years later	368,664	114,721	108,094	64,087	-	-	-	-	
Five years later	363,178	119,321	107,016	-	-	-	-	-	
Six years later	362,074	116,615	-	-	-	-	-	-	
Seven years later	287,912	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	**287,912**	**116,615**	**107,016**	**64,087**	**73,895**	**97,354**	**100,341**	**113,257**	
At the end of accident year	111,487	48,334	46,100	30,126	33,647	45,169	43,970	50,232	
One year later	215,241	91,364	81,315	50,073	56,856	71,475	71,142	-	
Two years later	246,684	106,958	96,004	57,352	64,848	82,060	-	-	
Three years later	264,308	112,300	100,812	59,537	67,602	-	-	-	
Four years later	267,163	113,938	102,091	60,280	-	-	-	-	
Five years later	274,333	114,787	102,534	-	-	-	-	-	
Six years later	275,553	115,050	-	-	-	-	-	-	
Seven years later	276,415	-	-	-	-	-	-	-	
Cumulative payments to-date	**276,415**	**115,050**	**102,534**	**60,280**	**67,602**	**82,060**	**71,142**	**50,232**	
Net general takaful contract liabilities:									
Best Estimate of Claims Liabilities (incl. ALAE)	**11,497**	**1,565**	**4,482**	**3,807**	**6,293**	**15,294**	**29,199**	**63,025**	**135,162**
Fund PRAD at 75%									**20,022**
Total									**155,184**

34. UNDERWRITING RISK (CONT'D.)

(b) General takaful fund (cont'd.)

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

Gross general takaful contract liabilities for 2016:

Accident year	Prior 2010 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	Total RM'000
At the end of accident year	229,567	125,472	144,938	150,396	108,384	141,258	176,571	174,085	
One year later	220,293	142,627	146,833	140,864	106,221	125,098	176,737	-	
Two years later	214,055	134,623	137,705	132,409	97,322	122,664	-	-	
Three years later	208,498	128,689	129,564	125,201	96,354	-	-	-	
Four years later	201,378	122,290	126,080	122,028	-	-	-	-	
Five years later	197,786	122,147	128,074	-	-	-	-	-	
Six years later	196,225	121,741	-	-	-	-	-	-	
Seven years later	193,912	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	**193,912**	**121,741**	**128,074**	**122,028**	**96,354**	**122,664**	**176,737**	**174,085**	
At the end of accident year	72,740	43,011	50,420	48,586	41,992	52,965	72,432	69,883	
One year later	148,256	82,592	95,957	88,561	70,413	89,811	121,645	-	
Two years later	165,856	100,252	113,767	106,494	81,651	102,861	-	-	
Three years later	180,283	105,610	120,230	112,812	85,797	-	-	-	
Four years later	187,310	107,826	121,948	114,961	-	-	-	-	
Five years later	191,391	108,657	122,917	-	-	-	-	-	
Six years later	192,549	108,934	-	-	-	-	-	-	
Seven years later	193,082	-	-	-	-	-	-	-	
Cumulative payments to-date	**193,082**	**108,934**	**122,917**	**114,961**	**85,797**	**102,861**	**121,645**	**69,883**	
Gross general takaful contract Best Estimate of Claims Liabilities (incl. Allocated Loss Adjustment Expenses "ALAE")	**830**	**12,807**	**5,157**	**7,067**	**10,557**	**19,803**	**55,092**	**104,202**	**215,515**
Fund PRAD at 75%									**24,742**
Total									**240,257**

34. UNDERWRITING RISK (CONT'D.)

(b) General takaful fund (cont'd.)

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

Net general takaful contract liabilities for 2016:

Accident year	Prior 2010 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	Total RM'000
At the end of accident year	203,776	114,632	134,955	139,773	77,046	89,101	104,071	110,341	
One year later	199,459	119,456	131,893	126,239	74,561	80,459	102,643	–	
Two years later	194,800	124,071	125,246	119,387	66,794	77,240	–	–	
Three years later	189,023	120,563	117,605	111,481	65,723	–	–	–	
Four years later	181,672	114,108	114,721	108,093	–	–	–	–	
Five years later	177,512	114,399	119,322	–	–	–	–	–	
Six years later	175,704	115,634	–	–	–	–	–	–	
Seven years later	173,314	–	–	–	–	–	–	–	
Current estimate of cumulative claims incurred	**173,314**	**115,634**	**119,322**	**108,093**	**65,723**	**77,240**	**102,643**	**110,341**	
At the end of accident year	69,439	42,048	48,334	46,100	30,126	33,647	45,169	43,724	
One year later	134,968	80,272	91,364	81,315	50,073	56,856	71,475	–	
Two years later	151,648	95,035	106,958	96,004	57,352	64,848	–	–	
Three years later	164,215	100,093	112,300	100,812	59,537	–	–	–	
Four years later	165,156	102,007	113,938	102,090	–	–	–	–	
Five years later	171,557	102,776	114,787	–	–	–	–	–	
Six years later	172,516	103,037	–	–	–	–	–	–	
Seven years later	172,977	–	–	–	–	–	–	–	
Cumulative payments to-date	**172,977**	**103,037**	**114,787**	**102,090**	**59,537**	**64,848**	**71,475**	**43,724**	
Net general takaful contract liabilities:									
Best Estimate of Claims Liabilities (incl. ALAE)	**337**	**12,597**	**4,535**	**6,003**	**6,186**	**12,392**	**31,168**	**66,617**	**139,835**
Fund PRAD at 75%									**15,807**
Total									**155,642**

34. UNDERWRITING RISK (CONT'D.)

(c) Family takaful fund

(i) Nature of risk

The takaful subsidiary principally issues the following types of family takaful certificate: Ordinary Takaful Plans, Mortgage Takaful Plans, Group Takaful Plans and Investment-linked Takaful Plans. The certificates were segregated into 2 separate funds: Participants' Risk Fund ("PRF") and Participants' Investment Fund ("PIF").

The PRF is compulsory for all certificates and refers to the fund used to pool the portion of contributions paid by participants on the basis of tabarru' (donation) for the purpose of meeting claims on events/risks covered under the takaful certificates. Under the tabarru' contract, the fund is collectively owned by the pool of participants. In managing the PRF, the takaful subsidiary adopted an appropriate set of policies and procedures to ensure the availability of funds to meet takaful benefits when due.

The PIF refers to the fund in which a portion of the contributions paid by takaful participants for a takaful certificate is allocated for the purpose of savings and/or investment. The PIF is individually owned by participants. In managing the PIF, the takaful subsidiary adopted appropriate investment and management strategies to achieve returns that are in line with the participants' reasonable expectations and where relevant, to ensure the availability of funds for future tabarru' apportionment into the PRF. The investment risk exposure for the PIF is borne by the participants. For investment-linked takaful, the PIF refers to the unit fund(s).

Family takaful underwriting risk exists from the anti-selection and adequacy of PRF to meet future claims arising from family takaful certificates. The risks arise 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 certificate lapses and certificate claims such as mortality and morbidity and experience.

The takaful subsidiary utilises retakaful arrangements to manage the mortality and morbidity risks. Retakaful structures are set based on the risk appetite of the takaful subsidiary. The retakaful treaty arrangements are reviewed by the RMCB and approved by the Board.

The takaful subsidiary reviews the actual experience of mortality, morbidity, lapses and surrenders, as well as expenses to ensure that appropriate policies, guidelines and limits put in place to manage these risks to remain adequate and effective.

The PIF is supported by the investment profit from the fund and the distribution surplus from PRF, if any. In the event of volatile investment climate and/or unusual claims experience, the investment profit and surplus distribution to the participants may be reduced.

Stress Testing is performed on a quarterly basis. The purpose of the Stress Testing 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.

34. UNDERWRITING RISK (CONT'D.)

(c) Family takaful fund (cont'd.)

(ii) Concentration of risk by type of contracts

The table below shows the concentration of actuarial liabilities by type of contract:

	Gross RM'000	Retakaful RM'000	Net RM'000
2017			
Family takaful plans	**936,971**	**(7,023)**	**929,948**
Investment-linked takaful plans	**157,678**	**(8,339)**	**149,339**
Mortgage takaful plans	**986,984**	**–**	**986,984**
Group credit takaful plans	**199,774**	**(8,072)**	**191,702**
Others	**93,543**	**(9,477)**	**84,066**
	2,374,950	**(32,911)**	**2,342,039**
2016			
Family takaful plans	822,147	(10,678)	811,469
Investment-linked takaful plans	145,265	(10,343)	134,922
Mortgage takaful plans	819,704	–	819,704
Group credit takaful plans	216,606	(8,575)	208,031
Others	75,436	(34)	75,402
	2,079,158	(29,630)	2,049,528

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.

(iii) Impact on liabilities, profit and equity

Key assumptions

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

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

Mortality and morbidity rates

Assumptions are based on mortality rates as set out in the Actuarial Certificate submitted to BNM. They reflect the historical local experience 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. To the extent that mortality/morbidity is worse than that priced for, profitability of shareholder's fund may be affected and may in a worst case scenario, lead to possible Risk Fund deficit. This is mitigated with adequate retakaful arrangement as well as contract design (in some circumstances) that builds in repricing mechanisms.

34. UNDERWRITING RISK (CONT'D.)

(c) Family takaful fund (cont'd.)

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

Key assumptions (cont'd.)

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. The valuation of liabilities will be discounted to valuation date using the government investment issues zero coupon spot yields which are obtained from the Bond Pricing Agency Malaysia rates as prescribed in the valuation guidelines.

A decrease in the discount rate will increase the value of the family takaful liabilities and consequently, reduces the surplus distribution to participants and shareholders in terms of lower surplus administration charge income.

The assumptions that have significant effects on the financial position and financial performance of the family takaful fund are listed below:

Type of business	Mortality and morbidity rates	2017 Discount rates	2016 Discount rates
Credit related products and individual regular contribution plans	Base mortality[1], adjusted for retakaful rates[2]	**GII discount rate**	GII discount rate
Others	Base mortality[1]	**N/A**	N/A

[1] These rates are obtained from the various industry mortality and morbidity experience tables that were used to determine the contribution rates.

[2] Retakaful rates are derived from the fund's retakaful arrangements with respect to the MRTT and GCT business.

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 family takaful fund. The correlations of assumptions will have a significant effect in determining the ultimate family takaful liabilities but to demonstrate the impact due to changes in assumptions, assumptions are 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.

34. UNDERWRITING RISK (CONT'D.)

(c) Family takaful fund (cont'd.)

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

Sensitivity analysis (cont'd.)

		Increase/(decrease)			
	Change in assumptions %	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact (loss)/profit before tax RM'000	Impact on family takaful fund* RM'000
2017					
Mortality/morbidity	**+ 10%**	**44,687**	**13,007**	**(13,007)**	**(13,007)**
Discount rates	**+ 1%**	**(13,433)**	**(11,998)**	**11,998**	**11,998**
2016					
Mortality/morbidity	+ 10%	44,691	11,977	(11,977)	(11,977)
Discount rates	+ 1%	(9,585)	(7,501)	7,501	7,501

* The impact on the family takaful fund reflects the after tax position which is presumed to be nil as the family takaful fund is taxed only on investment income.

The method used and significant assumptions made in deriving sensitivity information did not change from those used in the previous year.

(d) General retakaful fund

(i) Nature of risk

The general retakaful business of the retakaful subsidiary and the retakaful division of the reinsurance subidiary principally consists of proportional and non-proportional treaty and facultative 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 loss ratios and catastrophic loss events. These risks vary significantly in relation to economic conditions and territories from which the risks originate.

The retakaful subsidiary and the retakaful division of the reinsurance subidiary also manage the general retakaful fund's loss exposure via the use of retrotakaful arrangements. The retrotakaful arrangements are reviewed annually by the RMCB and approved by the Board.

Stress Testing is performed on a quarterly basis. The purpose of the Stress Testing is to test the solvency of the general retakaful fund under various scenarios. These scenarios are based on regulatory guidelines and simulate drastic changes in major parameters such as new business volume, claims experience and investment environment.

34. UNDERWRITING RISK (CONT'D.)

(d) General retakaful fund (cont'd.)

(ii) Reserving risk

The general retakaful fund's claim liabilities, and consequently some of the inputs used in determining its contribution liabilities, are based upon claims experience, existing knowledge of the events, the terms and conditions of relevant certificates and interpretation of circumstances. Upon notification of a claim, the retakaful subsidiary sets aside case and technical reserves to meet the expected ultimate loss arising from the claim. These claim reserves are updated periodically for further developments.

At each reporting date, the retakaful subsidiary and the retakaful division of the reinsurance subsidiary perform a test on the adequacy of its liabilities via the service of an independent qualified external actuary engaged for the purpose of ensuring that claim and contribution liabilities are objectively assessed and adequately provided for. Any deficiency is recognised in the income statements.

(iii) Concentration of takaful contract liabilities

The table below sets out the concentration of takaful contract liabilities by classes of business.

	Gross RM'000	Retakaful RM'000	Net RM'000
2017			
Fire	**26,764**	**(5,486)**	**21,278**
Motor	**29,861**	**(233)**	**29,628**
Marine, Aviation & Transit	**3,218**	**(52)**	**3,166**
Miscellaneous	**25,789**	**(15,196)**	**10,593**
	85,632	**(20,967)**	**64,665**
2016			
Fire	27,808	(7,070)	20,738
Motor	25,210	-	25,210
Marine, Aviation & Transit	4,888	(227)	4,661
Miscellaneous	29,213	(16,912)	12,301
	87,119	(24,209)	62,910

These can be further segregated by local and overseas exposures as follows:

	Gross RM'000	Retakaful RM'000	Net RM'000
2017			
Local	**48,744**	**(20,567)**	**28,177**
Overseas	**36,888**	**(400)**	**36,488**
	85,632	**(20,967)**	**64,665**
2016			
Local	57,750	(23,972)	33,778
Overseas	29,369	(237)	29,132
	87,119	(24,209)	62,910

34. UNDERWRITING RISK (CONT'D.)

(d) General retakaful fund (cont'd.)

(iv) Impact on liabilities, profit and equity

Key assumptions

Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example, isolated occurrences, changes in market factors such as public attitude 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.

The sensitivity analysis was applied to the ultimate loss ratio of the general retakaful fund by increasing the said ratio by 5%. The table below shows the impact on the general retakaful fund's gross and net claim liabilities, profit before tax and general retakaful fund should the ultimate loss ratio be increased by 5%:

	<------------------------- Increase/(decrease)			------------------------->
	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact profit/(loss) before tax RM'000	Impact on general takaful fund* RM'000
2017	**6,508**	**5,966**	**(5,966)**	**(5,920)**
2016	6,082	5,510	(5,510)	(5,510)

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

This analysis assumes all other parameters are held constant.

(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 retakaful subsidiary relies on advice by the cedants and exercises discretion where the claim may develop more adversely than advised. An estimate will be made in the absence of a reported figure or in the event the loss is still preliminary and has not been fully assessed. The estimates of the ultimate incurred claims are subject to a great deal of uncertainty in the early stages as claims are still being intimated and developed, particularly so for large and catastrophic claims. These uncertainties reduce over time as the claims develop and progress towards the ultimate cost.

34. UNDERWRITING RISK (CONT'D.)

(d) General retakaful fund (cont'd.)

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

Gross general retakaful claim liabilities for 2017:

Underwriting Year	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	*2015 RM'000	*2016 RM'000	Sub Total RM'000
At the end of underwriting year					9,284	15,171	42,843	19,642	–	–	
One year later				27,915	33,682	56,646	32,126	19,703	–	–	
Two years later			21,520	35,220	36,964	57,574	30,327	20,128	–	–	
Three years later		17,641	18,780	41,994	42,744	60,819	33,947	–	–	–	
Four years later	9,441	18,864	19,282	47,230	43,596	62,456	–	–	–	–	
Five years later	11,149	28,583	19,143	47,368	41,423	–	–	–	–	–	
Six years later	8,983	30,340	19,028	47,350	–	–	–	–	–	–	
Seven years later	8,826	31,619	19,178	–	–	–	–	–	–	–	
Eight years later	8,463	30,704	–	–	–	–	–	–	–	–	
Nine years later	8,478	–	–	–	–	–	–	–	–	–	
Current estimate of booked ultimate claims incurred (a)	**8,478**	**30,696**	**19,143**	**47,330**	**41,229**	**62,293**	**33,638**	**19,546**	**–**	**–**	
At the end of underwriting year	(3,196)	(8,238)	(392)	(3,293)	1,506	2,524	676	135	–	–	
One year later	7,045	4,950	8,483	13,468	11,500	14,017	11,191	9,856	–	–	
Two years later	8,036	14,171	12,669	25,419	21,355	23,897	15,420	11,571	–	–	
Three years later	6,005	16,391	14,145	30,745	27,968	30,926	18,000	–	–	–	
Four years later	6,186	20,578	14,923	39,120	31,958	34,510	–	–	–	–	
Five years later	8,030	24,807	16,528	40,333	33,574	–	–	–	–	–	
Six years later	8,220	27,548	17,297	41,402	–	–	–	–	–	–	
Seven years later	8,360	29,177	17,501	–	–	–	–	–	–	–	
Eight years later	8,237	29,159	–	–	–	–	–	–	–	–	
Nine years later	8,261	–	–	–	–	–	–	–	–	–	
Cumulative payments to-date (b)	**8,261**	**29,159**	**17,501**	**41,402**	**33,574**	**34,510**	**18,000**	**11,571**	**–**	**–**	
Expected claim liabilities (a) - (b)	**217**	**1,537**	**1,642**	**5,928**	**7,655**	**27,783**	**15,638**	**7,975**	**–**	**–**	**68,375**

Retakaful Division	4,037
Best estimate of claim liabilities	72,412
Fund PRAD at 75% confidence interval	10,388
Gross general retakaful claim liabilities	**82,800**

* Nil as the retakaful subsidiary ceased underwriting new business since 2015.

34. UNDERWRITING RISK (CONT'D.)

(d) General retakaful fund (cont'd.)

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

Net general retakaful claim liabilities for 2017:

Underwriting Year	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	*2015 RM'000	*2016 RM'000	Sub Total RM'000
At the end of underwriting year	–	–	–	–	9,284	15,171	38,790	19,642	–	–	
One year later	–	–	–	27,915	33,682	55,371	32,126	19,703	–	–	
Two years later	–	–	21,520	35,220	36,935	57,574	30,327	20,128	–	–	
Three years later	–	17,641	18,780	41,994	42,744	60,819	33,947	–	–	–	
Four years later	9,441	18,864	19,282	47,230	43,596	62,456	–	–	–	–	
Five years later	11,149	28,583	19,143	47,368	41,423	–	–	–	–	–	
Six years later	8,983	30,340	19,028	47,350	–	–	–	–	–	–	
Seven years later	8,826	31,619	19,178	–	–	–	–	–	–	–	
Eight years later	8,463	30,704	–	–	–	–	–	–	–	–	
Nine years later	8,478	–	–	–	–	–	–	–	–	–	
Current estimate of booked ultimate claims incurred (a)	**8,478**	**30,695**	**19,142**	**47,331**	**41,206**	**61,995**	**32,723**	**19,051**	**–**	**–**	
At the end of underwriting year	(3,196)	(8,238)	(392)	(3,293)	1,506	2,524	676	135	–	–	
One year later	7,045	4,950	8,483	13,468	11,500	14,017	11,191	9,856	–	–	
Two years later	8,036	14,171	12,669	25,419	21,355	23,897	15,420	11,571	–	–	
Three years later	6,005	16,391	14,145	30,745	27,968	30,926	18,000	–	–	–	
Four years later	6,186	20,578	14,923	39,120	31,958	34,510	–	–	–	–	
Five years later	8,030	24,807	16,528	40,333	33,574	–	–	–	–	–	
Six years later	8,220	27,548	17,297	41,402	–	–	–	–	–	–	
Seven years later	8,360	29,177	17,501	–	–	–	–	–	–	–	
Eight years later	8,237	29,159	–	–	–	–	–	–	–	–	
Nine years later	8,261	–	–	–	–	–	–	–	–	–	
Cumulative payments to-date (b)	**8,261**	**29,159**	**17,501**	**41,402**	**33,574**	**34,510**	**18,000**	**11,571**	**–**	**–**	
Expected claim liabilities (a) - (b)	**217**	**1,536**	**1,641**	**5,929**	**7,632**	**27,485**	**14,723**	**7,480**	**–**	**–**	**66,643**

Retakaful Division	4,038
Best estimate of claim liabilities	70,681
fund PRAD at 75% confidence interval	8,145
Less: Retrotakaful recoveries	(16,854)
Net general retakaful claim liabilities	**61,972**

* Nil as the retakaful subsidiary ceased underwriting new business since 2015.

34. UNDERWRITING RISK (CONT'D.)

(d) General retakaful fund (cont'd.)

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

Gross general retakaful claim liabilities for 2016:

Underwriting Year	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	*2015 RM'000	Sub Total RM'000
At the end of underwriting year	–	–	–	–	9,284	15,171	42,843	19,642	–	
One year later	–	–	–	27,915	33,682	56,646	32,126	19,703	–	
Two years later	–	–	21,520	35,220	36,964	57,574	30,327	–	–	
Three years later	–	17,461	18,780	41,994	42,744	60,819	–	–	–	
Four years later	9,441	18,864	19,282	47,230	43,596	–	–	–	–	
Five years later	11,149	28,583	19,143	47,368	–	–	–	–	–	
Six years later	8,983	30,340	19,028	–	–	–	–	–	–	
Seven years later	8,826	31,619	–	–	–	–	–	–	–	
Eight years later	8,463	–	–	–	–	–	–	–	–	
Current estimate of booked ultimate claims incurred (a)	**8,463**	**31,606**	**19,025**	**47,310**	**43,476**	**60,448**	**29,766**	**18,458**	**–**	
At the end of underwriting year	(3,196)	(8,238)	(392)	(3,293)	1,506	2,524	676	135	–	
One year later	7,045	4,950	8,483	13,468	11,500	14,017	11,191	9,856	–	
Two years later	8,036	14,171	12,669	25,419	21,355	23,897	15,420	–	–	
Three years later	6,005	16,391	14,145	30,745	27,968	30,926	–	–	–	
Four years later	6,186	20,578	14,923	39,120	31,958	–	–	–	–	
Five years later	8,030	24,807	16,528	40,333	–	–	–	–	–	
Six years later	8,220	27,548	17,297	–	–	–	–	–	–	
Seven years later	8,360	29,177	–	–	–	–	–	–	–	
Eight years later	8,237	–	–	–	–	–	–	–	–	
Cumulative payments to-date (b)	**8,237**	**29,177**	**17,297**	**40,333**	**31,958**	**30,926**	**15,420**	**9,856**	**–**	
Expected claim liabilities (a) - (b)	**226**	**2,429**	**1,728**	**6,977**	**11,518**	**29,522**	**14,346**	**8,602**	**–**	**75,348**

Other portfolios	490
Best estimate of claim liabilities	75,838
Fund PRAD at 75% confidence interval	10,713
Gross general retakaful claim liabilities	**86,551**

* Nil as the retakaful subsidiary ceased underwriting new business since 2015.

34. UNDERWRITING RISK (CONT'D.)

(d) General retakaful fund (cont'd.)

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

Net general retakaful claim liabilities for 2016:

Underwriting Year	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	*2015 RM'000	Sub Total RM'000
At the end of underwriting year	–	–	–	–	9,284	15,171	38,790	19,642	–	
One year later	–	–	–	27,915	33,682	55,371	32,126	19,703	–	
Two years later	–	–	21,520	35,220	36,935	57,574	30,327	–	–	
Three years later	–	17,641	18,780	41,994	42,744	60,819	–	–	–	
Four years later	9,441	18,864	19,282	47,230	43,596	–	–	–	–	
Five years later	11,149	28,583	19,143	47,368	–	–	–	–	–	
Six years later	8,983	30,340	19,028	–	–	–	–	–	–	
Seven years later	8,826	31,619	–	–	–	–	–	–	–	
Eight years later	8,463	–	–	–	–	–	–	–	–	
Current estimate of booked ultimate claims incurred (a)	**8,461**	**31,595**	**19,014**	**47,286**	**43,379**	**60,179**	**28,943**	**18,012**	**–**	
At the end of underwriting year	(3,196)	(8,238)	(392)	(3,293)	1,506	2,524	676	135	–	
One year later	7,045	4,950	8,483	13,468	11,500	14,017	11,191	9,856	–	
Two years later	8,036	14,171	12,669	25,419	21,355	23,897	15,420	–	–	
Three years later	6,005	16,391	14,145	30,745	27,968	30,926	–	–	–	
Four years later	6,186	20,578	14,923	39,120	31,958	–	–	–	–	
Five years later	8,030	24,807	16,528	40,333	–	–	–	–	–	
Six years later	8,220	27,548	17,297	–	–	–	–	–	–	
Seven years later	8,360	29,177	–	–	–	–	–	–	–	
Eight years later	8,237	–	–	–	–	–	–	–	–	
Cumulative payments to-date (b)	**8,237**	**29,177**	**17,297**	**40,333**	**31,958**	**30,926**	**15,420**	**9,856**	**–**	
Expected claim liabilities (a) - (b)	**224**	**2,418**	**1,717**	**6,953**	**11,421**	**29,253**	**13,523**	**8,156**	**–**	**73,665**

Other portfolios	382
Best estimate of claim liabilities	74,047
Fund PRAD at 75% confidence interval	8,105
Less: Retrotakaful recoveries	(19,794)
Gross general retakaful claim liabilities	**62,358**

* Nil as the retakaful subsidiary ceased underwriting new business since 2015.

34. UNDERWRITING RISK (CONT'D.)

(e) Family retakaful fund

(i) Nature of risk

The family retakaful business of the retakaful subsidiary principally consists of the following categories of family retakaful businesses which are Individual Family Retakaful Plans, Group Family Retakaful Plans and Retakaful Individual Facultative.

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 and morbidity experience.

The retakaful subsidiary utilises retrotakaful to manage mortality and morbidity risks.

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

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

(ii) Concentration of takaful contract liabilities

The business of the family retakaful fund is derived from Malaysian and overseas risks. Liabilities of the family retakaful fund are mainly spread within Malaysia, Brunei and Indonesia.

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

	Gross RM'000	Retakaful RM'000	Net RM'000
2017			
Local	**8,932**	**(5,564)**	**3,368**
Overseas	**2,340**	**(790)**	**1,550**
	11,272	**(6,354)**	**4,918**
2016			
Local	10,080	(6,064)	4,016
Overseas	2,319	(734)	1,585
	12,399	(6,798)	5,601

(iii) Impact on liabilities, profit and equity

Key assumptions

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

34. UNDERWRITING RISK (CONT'D.)

(e) Family retakaful fund (cont'd.)

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

Sensitivity analysis

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

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

		<---------- Increase/(decrease) ----------			
	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact profit/(loss) before tax RM'000	Impact on general takaful fund* RM'000
2017					
Loss ratio	**-20%**	**(4,415)**	**(2,603)**	**2,603**	**2,603**
Loss ratio	**+20%**	**18,710**	**13,017**	**(13,017)**	**(13,017)**
2016					
Loss ratio	-20%	(4,597)	(2,448)	2,448	2,448
Loss ratio	+20%	15,881	11,433	(11,433)	(11,433)

* The impact on the family retakaful fund reflects the after tax impact which is presumed to be nil based on the current tax position of the fund.

The method used in performing the sensitivity analysis is consistent with that of the prior year's.

35. FINANCIAL RISK

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

The following tables summarise the financial assets and financial liabilities of the Group and the Company by their classification, including their carrying values and fair values, which are considered by management in monitoring and managing of its financial risks:

	2017		2016	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
Group				
Financial and insurance/takaful assets				
Financial assets at FVTPL (Note 19)	**123,467**	**123,467**	129,096	129,096
HTM investments (Note 19)	**695,426**	**689,513**	701,430	703,045
AFS financial assets (Note 19)	**3,384,744**	**3,384,744**	2,744,399	2,744,399
Loans and receivables:				
Loans and receivables * (Note 19)	**1,934,933**	**1,934,933**	2,060,905	2,060,905
Insurance/takaful receivables *	**336,190**	**336,190**	357,012	357,012
Reinsurance/retakaful assets	**514,230**	**514,230**	497,180	497,180
Cash and bank balances	**99,905**	**99,905**	177,313	177,313
	7,088,895	**7,082,982**	6,667,335	6,668,950
Financial and insurance/takaful liabilities				
Insurance/takaful contract liabilities	**5,172,813**	**5,172,813**	4,847,518	4,847,518
Other liabilities:				
Borrowings *	**320,000**	**320,000**	320,000	320,000
Insurance/takaful payables *	**210,174**	**210,174**	199,285	199,285
Other payables *	**175,703**	**175,703**	157,560	157,560
	5,878,690	**5,878,690**	5,524,363	5,524,363
Company				
Financial assets				
HTM investments (Note 19)	**1,000**	**1,008**	1,000	1,007
AFS financial assets (Note 19)	**50**	**50**	50	50
Loans and receivables * (Note 19)	**105,388**	**105,388**	119,260	119,260
Cash and bank balances	**3,416**	**3,416**	3,608	3,608
	109,854	**109,862**	123,918	123,925
Financial liabilities				
Borrowings *	**320,000**	**320,000**	320,000	320,000
Other payables * (Note 25)	**6,883**	**6,883**	5,700	5,700
	326,883	**326,883**	325,700	325,700

* The carrying values of these loans and receivables, insurance/takaful receivables and other liabilities approximate their fair values due to their short term nature.

35. FINANCIAL RISK (CONT'D.)

(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) An 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 largely driven by the different economic cycles and operating cycles while the less liquid securities tend to be priced at a wider spread. The liquidity of the securities is directly determined by its bid-to-ask spread.

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

(iii) Reinsurance/retakaful counterparty risk which is the risk of financial loss arising from 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 claims;

(ii) from amounts due from ceding companies; and

(iii) as a result of reserves held by the reinsurers and/or retakaful operators which would have to be met by the reinsurance and/or retakaful subsidiaries 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 and cash deposits 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 bonds with good fundamentals. For the financial year ended 31 March 2017, the credit rating of the Group's fixed income portfolio was dominated by securities rated AAA as determined by Rating Agency Malaysia ("RAM") and/or Malaysian Rating Corporation Berhad ("MARC"); and

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

35. FINANCIAL RISK (CONT'D.)

(a) Credit Risk (cont'd.)

The table below provides information regarding the credit risk exposures of the Company and of the Group by classifying assets according to the credit ratings of counterparties. Unearned premium and contribution reserves and reserves for unearned wakalah fees have been excluded from the analysis as they are not contractual obligations.

Credit exposure by credit rating for 2017

Group	Government guaranteed RM'000	AAA to BBB RM'000	BB to C RM'000	Not subject to credit risk RM'000	Not rated RM'000	Total RM'000
Financial assets at FVTPL						
Quoted shares in Malaysia	–	–	–	3,790	–	3,790
Warrants	–	–	–	85	–	85
Shariah approved unit trust funds	–	–	–	119,592	–	119,592
HTM investments						
Malaysian government securities	78,308	–	–	–	–	78,308
Unquoted corporate debt securities	75,028	–	246	–	–	75,274
Government investment issues	541,844	–	–	–	–	541,844
AFS financial assets						
Unquoted shares in Malaysia	–	–	–	44,796	–	44,796
Malaysian government securities	128,006	–	–	–	–	128,006
Unquoted corporate debt securities	824,238	1,433,800	–	–	–	2,258,038
Quoted shares in Malaysia	–	–	–	245,241	–	245,241
Warrants	–	–	–	346	–	346
Real estate investment trusts	–	–	–	20,217	–	20,217
Government investment issues	688,100	–	–	–	–	688,100
Loans and receivables						
Fixed and call deposits with licensed:						
Commercial banks	–	79,648	–	–	–	79,648
Islamic investment accounts with licensed:						
Co-operative bank	–	129,611	–	–	–	129,611
Islamic banks	–	1,189,835	–	–	76,228	1,266,063
Investment banks	–	51,627	–	–	–	51,627
Development bank	–	162,497	–	–	117,926	280,423
Secured staff loans	–	–	–	–	9,684	9,684
Income due and accrued	–	–	–	–	51,039	51,039
Amount due from Insurance Pool accounts	–	–	–	–	4,406	4,406
Other receivables and deposits	–	–	–	–	62,432	62,432
Reinsurance/retakaful assets	–	240,768	3,989	–	208,524	453,281
Insurance/takaful receivables	–	81,269	3,486	–	251,435	336,190
Cash and bank balances	–	94,965	–	–	4,940	99,905
	2,335,524	3,464,020	7,721	434,067	786,614	7,027,946

35. FINANCIAL RISK (CONT'D.)

(a) Credit Risk (cont'd.)

Credit exposure by credit rating for 2017 (cont'd.)

Company	Government guaranteed RM'000	AAA to BBB RM'000	BB to C RM'000	Not subject to credit risk RM'000	Not rated RM'000	Total RM'000
HTM investments						
Unquoted corporate debt securities	**–**	**1,000**	**–**	**–**	**–**	**1,000**
AFS financial assets						
Unquoted shares in Malaysia	**–**	**–**	**–**	**50**	**–**	**50**
Loans and receivables						
Islamic investment accounts with licensed:						
Islamic banks	**–**	**25,207**	**–**	**–**	**–**	**25,207**
Development banks	**–**	**72,426**	**–**	**–**	**–**	**72,426**
Secured staff loans	**–**	**–**	**–**	**–**	**1,838**	**1,838**
Amounts due from subsidiaries	**–**	**–**	**–**	**–**	**5,494**	**5,494**
Income due and accrued	**–**	**–**	**–**	**–**	**104**	**104**
Other receivables and deposits	**–**	**–**	**–**	**–**	**319**	**319**
Cash and bank balances	**–**	**3,416**	**–**	**–**	**–**	**3,416**
	–	**102,049**	**–**	**50**	**7,755**	**109,854**

Credit exposure by credit rating for 2016

Group	Government guaranteed RM'000	AAA to BBB RM'000	BB to C RM'000	Not subject to credit risk RM'000	Not rated RM'000	Total RM'000
Financial assets at FVTPL						
Quoted shares in Malaysia	–	–	–	3,689	–	3,689
Warrants	–	–	–	61	–	61
Shariah approved unit trust funds	–	–	–	125,346	–	125,346
HTM investments						
Malaysian government securities	78,525	–	–	–	–	78,525
Unquoted corporate debt securities	79,926	–	246	–	–	80,172
Government investment issues	542,733	–	–	–	–	542,733

35. FINANCIAL RISK (CONT'D.)

(a) Credit Risk (cont'd.)

Credit exposure by credit rating for 2016 (cont'd.)

Group (cont'd.)	Government guaranteed RM'000	AAA to BBB RM'000	BB to C RM'000	Not subject to credit risk RM'000	Not rated RM'000	Total RM'000
AFS financial assets						
Unquoted shares in Malaysia	–	–	–	44,796	–	44,796
Malaysian government securities	50,327	–	–	–	–	50,327
Unquoted corporate debt securities	491,893	1,511,567	–	–	–	2,003,460
Quoted shares in Malaysia	–	–	–	271,753	–	271,753
Warrants	–	–	–	337	–	337
Real estate investment trusts	–	–	–	7,787	–	7,787
Government investment issues	365,939	–	–	–	–	365,939
Loans and receivables						
Fixed and call deposits with licensed:						
Commercial banks	–	326,715	–	–	–	326,715
Investment banks	–	499,014	–	–	–	499,014
Islamic investment accounts with licensed:						
Co-operative bank	–	40,833	–	–	–	40,833
Islamic banks	–	830,078	–	–	126,872	956,950
Investment banks	–	13,246	–	–	33,415	46,661
Development bank	–	56,573	–	–	8,239	64,812
Secured staff loans	–	–	–	–	10,987	10,987
Income due and accrued	–	–	–	–	53,602	53,602
Amount due from Insurance Pool accounts	–	–	–	–	13,698	13,698
Other receivables and deposits	–	–	–	–	47,633	47,633
Reinsurance/retakaful assets	–	301,617	525	–	133,069	435,211
Insurance/takaful receivables	–	92,669	6	–	264,337	357,012
Cash and bank balances	–	173,430	–	–	3,883	177,313
	1,609,343	3,845,742	777	453,769	695,735	6,605,366

35. FINANCIAL RISK (CONT'D.)

(a) Credit Risk (cont'd.)

Credit exposure by credit rating for 2016 (cont'd.)

Company	Government guaranteed RM'000	AAA to BBB RM'000	BB to C RM'000	Not subject to credit risk RM'000	Not rated RM'000	Total RM'000
HTM investments						
Unquoted corporate debt securities	–	1,000	–	–	–	1,000
AFS financial assets						
Unquoted shares in Malaysia	–	–	–	50	–	50
Loans and receivables						
Fixed and call deposits with licensed:						
Commercial banks	–	9,027	–	–	–	9,027
Investment banks	–	102,708	–	–	–	102,708
Islamic investment accounts with licensed						
Islamic banks	–	41	–	–	–	41
Secured staff loans	–	–	–	–	2,420	2,420
Amounts due from subsidiaries	–	–	–	–	3,328	3,328
Income due and accrued	–	–	–	–	34	34
Other receivables and deposits	–	–	–	–	1,702	1,702
Cash and bank balances	–	3,608	–	–	–	3,608
	–	116,384	–	50	7,484	123,918

Movement of allowance for impairment losses on receivables

	Group Individually impaired RM'000	Collectively impaired RM'000	Net RM'000
2017			
At beginning of the year	**14,525**	**10,235**	**24,760**
(Reversal of impairment losses)/impairment losses for the year	**(6,303)**	**15,861**	**9,558**
At end of the year	**8,222**	**26,096**	**34,318**
2016			
At beginning of the year	16,631	14,396	31,027
Impairment losses/(reversal of impairment losses) for the year	8,115	(4,161)	3,954
Written off during the year	(10,221)	–	(10,221)
At end of the year	14,525	10,235	24,760

35. FINANCIAL RISK (CONT'D.)

(b) Liquidity Risk

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

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) the composition and market values of investment portfolios, including liquid holdings; and

(iv) 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 between 10% and 15% and no maximum limit on its placements in fixed and call deposits.

Maturity Profiles

The table below summarises the maturity profile of the assets and liabilities of the Company and of the Group based on remaining undiscounted contractual obligations, including interest/profit payable and receivable. For insurance and takaful contract liabilities and reinsurance and retakaful assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance/takaful liabilities. Unearned premium and contribution reserves and reserves for unearned wakalah fees have been excluded from the analysis as they are not contractual obligations.

Maturity profiles for 2017

Group	Carrying value RM'000	Up to 1 year RM'000	1 – 5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
Financial assets at FVTPL						
Quoted shares in Malaysia	**3,790**	**–**	**–**	**–**	**3,790**	**3,790**
Warrants	**85**	**–**	**–**	**–**	**85**	**85**
Shariah approved unit trust funds	**119,592**	**–**	**–**	**–**	**119,592**	**119,592**
HTM investments						
Malaysian government securities	**78,308**	**3,277**	**13,115**	**96,516**	**–**	**112,908**
Unquoted corporate debt securities	**75,274**	**47,979**	**8,865**	**28,785**	**–**	**85,629**
Government investment issues	**541,844**	**21,246**	**290,406**	**329,392**	**–**	**641,044**

35. FINANCIAL RISK (CONT'D.)

(b) Liquidity Risk (cont'd.)

Maturity profiles for 2017 (cont'd.)

Group (cont'd.)	Carrying value RM'000	Up to 1 year RM'000	1 – 5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
AFS financial assets						
Unquoted shares in Malaysia	44,796	–	–	–	44,796	44,796
Malaysian government securities	128,006	5,142	19,885	151,808	–	176,835
Unquoted corporate debt securities	2,258,038	117,497	586,122	2,416,767	–	3,120,386
Quoted shares in Malaysia	245,241	–	–	–	245,241	245,241
Warrants	346	–	–	–	346	346
Real estate investment trusts	20,217	–	–	–	20,217	20,217
Government investment issues	688,100	29,296	198,135	781,579	–	1,009,010
Loans and receivables						
Fixed and call deposits with licensed:						
Commercial banks	79,648	79,886	–	–	–	79,886
Islamic investment accounts with licensed:						
Co-operative bank	129,611	130,261	–	–	–	130,261
Islamic banks	1,266,063	1,272,229	–	–	–	1,272,229
Investment banks	51,627	51,701	–	–	–	51,701
Development bank	280,423	284,395	–	–	–	284,395
Secured staff loans	9,684	3,650	6,034	–	–	9,684
Income due and accrued	51,039	51,039	–	–	–	51,039
Amount due from Insurance Pool accounts	4,406	4,406	–	–	–	4,406
Other receivables and deposits	62,432	62,432	–	–	–	62,432
Reinsurance/retakaful assets	453,281	173,368	197,703	61,727	20,483	453,281
Insurance/takaful receivables	336,190	329,136	7,054	–	–	336,190
Cash and bank balances	99,905	99,905	–	–	–	99,905
Total financial and insurance assets	7,027,946	2,766,845	1,327,319	3,866,574	454,550	8,415,288
Borrowings	(320,000)	(133,572)	(204,557)	–	–	(338,129)
Insurance/takaful contract liabilities	(4,719,276)	(897,078)	(1,202,595)	(2,488,304)	(131,299)	(4,719,276)
Insurance/takaful payables	(210,174)	(182,766)	(25,382)	(2,026)	–	(210,174)
Other payables	(175,703)	(175,703)	–	–	–	(175,703)
Total financial and insurance liabilities	(5,425,153)	(1,389,119)	(1,432,534)	(2,490,330)	(131,299)	(5,443,282)
Surplus/(deficit)	1,602,793	1,377,726	(105,215)	1,376,244	323,251	2,972,006

35. FINANCIAL RISK (CONT'D.)

(b) Liquidity Risk (cont'd.)

Maturity profiles for 2017 (cont'd.)

Company	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
HTM investments						
Unquoted corporate debt securities	**1,000**	**50**	**198**	**1,169**	**–**	**1,417**
AFS financial assets						
Unquoted shares in Malaysia	**50**	**–**	**–**	**–**	**50**	**50**
Loans and receivables						
Islamic investment accounts with licensed:						
Islamic banks	**25,207**	**25,334**	**–**	**–**	**–**	**25,334**
Development banks	**72,426**	**72,657**	**–**	**–**	**–**	**72,657**
Secured staff loans	**1,838**	**1,838**	**–**	**–**	**–**	**1,838**
Amounts due from subsidiaries	**5,494**	**5,494**	**–**	**–**	**–**	**5,494**
Income due and accrued	**104**	**104**	**–**	**–**	**–**	**104**
Other receivables and deposits	**319**	**319**	**–**	**–**	**–**	**319**
Cash and bank balances	**3,416**	**3,416**	**–**	**–**	**–**	**3,416**
Total financial assets	**109,854**	**109,212**	**198**	**1,169**	**50**	**110,629**
Borrowings	**(320,000)**	**(133,572)**	**(204,557)**	**–**	**–**	**(338,129)**
Other payables	**(6,883)**	**(6,883)**	**–**	**–**	**–**	**(6,883)**
Total financial liabilities	**(326,883)**	**(140,455)**	**(204,557)**	**–**	**–**	**(345,012)**
(Deficit)/surplus	**(217,029)**	**(31,243)**	**(204,359)**	**1,169**	**50**	**(234,383)**

Maturity profiles for 2016

Group	Carrying value RM'000	Up to 1 year RM'000	1 – 5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
Financial assets at FVTPL						
Quoted shares in Malaysia	3,689	–	–	–	3,689	3,689
Warrants	61	–	–	–	61	61
Shariah approved unit trust funds	125,346	–	–	–	125,346	125,346
HTM investments						
Malaysian government securities	78,525	3,277	13,115	100,009	–	116,401
Unquoted corporate debt securities	80,172	8,042	60,995	24,653	–	93,690
Government investment issues	542,733	21,355	280,406	364,358	–	666,119

35. FINANCIAL RISK (CONT'D.)

(b) Liquidity Risk (cont'd.)

Maturity profiles for 2016 (cont'd.)

Group (cont'd.)	Carrying value RM'000	Up to 1 year RM'000	1 – 5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
AFS financial assets						
Unquoted shares in Malaysia	44,796	–	–	–	44,796	44,796
Malaysian government securities	50,327	1,869	17,191	43,875	–	62,935
Unquoted corporate debt securities	2,003,460	155,263	1,168,222	1,303,309	–	2,626,794
Quoted shares in Malaysia	271,753	–	–	–	271,753	271,753
Warrants	337	–	–	–	337	337
Real estate investment trusts	7,787	–	–	–	7,787	7,787
Government investment issues	365,939	19,845	111,143	384,612	–	515,600
Loans and receivables						
Fixed and call deposits with licensed:						
Commercial banks	326,715	331,734	–	–	–	331,734
Investment banks	499,014	501,711	–	–	–	501,711
Islamic investment accounts with licensed:						
Co-operative bank	40,833	41,007	–	–	–	41,007
Islamic banks	956,950	961,607	–	–	–	961,607
Investment banks	46,661	46,661	–	–	–	46,661
Development bank	64,812	64,812	–	–	–	64,812
Secured staff loans	10,987	4,251	6,736	–	–	10,987
Income due and accrued	53,602	53,602	–	–	–	53,602
Amount due from Insurance Pool accounts	13,698	13,698	–	–	–	13,698
Other receivables and deposits	47,633	47,633	–	–	–	47,633
Reinsurance/retakaful assets	435,211	178,937	189,267	47,075	19,932	435,211
Insurance/takaful receivables	357,012	356,701	311	–	–	357,012
Cash and bank balances	177,313	177,313	–	–	–	177,313
Total financial and insurance assets	6,605,366	2,989,318	1,847,386	2,267,891	473,701	7,578,296
Borrowings	(320,000)	(18,998)	(326,108)	–	–	(345,106)
Insurance/takaful contract liabilities	(4,363,083)	(898,622)	(1,185,488)	(2,113,261)	(165,712)	(4,363,083)
Insurance/takaful payables	(199,285)	(199,285)	–	–	–	(199,285)
Other payables	(157,560)	(157,560)	–	–	–	(157,560)
Total financial and insurance liabilities	(5,039,928)	(1,274,465)	(1,511,596)	(2,113,261)	(165,712)	(5,065,034)
Surplus	1,565,438	1,714,853	335,790	154,630	307,989	2,513,262

35. FINANCIAL RISK (CONT'D.)

(b) Liquidity Risk (cont'd.)

Maturity profiles for 2016 (cont'd.)

Company	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
HTM investments						
Unquoted corporate debt securities	1,000	50	198	1,218	–	1,466
AFS financial assets						
Unquoted shares in Malaysia	50	–	–	–	50	50
Loans and receivables						
Fixed and call deposits with licensed:						
Commercial banks	9,027	9,078	–	–	–	9,078
Investment banks	102,708	103,370	–	–	–	103,370
Islamic investment accounts with licensed						
Islamic banks	41	42	–	–	–	42
Secured staff loans	2,420	2,420	–	–	–	2,420
Amounts due from subsidiaries	3,328	3,328	–	–	–	3,328
Income due and accrued	34	34	–	–	–	34
Other receivables and deposits	1,702	1,702	–	–	–	1,702
Cash and bank balances	3,608	3,608	–	–	–	3,608
Total financial assets	123,918	123,632	198	1,218	50	125,098
Borrowings	(320,000)	(18,998)	(326,108)	–	–	(345,106)
Other payables	(5,700)	(5,700)	–	–	–	(5,700)
Total financial liabilities	(325,700)	(24,698)	(326,108)	–	–	(350,806)
(Deficit)/surplus	(201,782)	98,934	(325,910)	1,218	50	(225,708)

(c) Market Risk

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

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

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

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

35. FINANCIAL RISK (CONT'D.)

(c) Market Risk (cont'd.)

Equity price risk

Equity price risk is the risk that the fair value or future cash flow 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 equity 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 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 had no significant concentration of equity 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. The equities under the investment-linked fund were excluded from the sensitivity analysis as the risks associated with the fluctuations in market prices of the equities are borne by the unitholders.

Sensitivity analysis

	Changes in market indices	Impact on profit before tax RM'000	Impact on equity* RM'000
2017			
Group			
Price	**+ 5%**	**194**	**11,410**
Price	**- 5%**	**(2,789)**	**(11,410)**
2016			
Group			
Price	+ 5%	187	12,017
Price	- 5%	(5,057)	(12,017)

* The impact on equity reflects the after tax impact.

Management is of the opinion that the Company is not subject to significant equity price risk and, hence, a sensitivity analysis has not been performed.

35. FINANCIAL RISK (CONT'D.)

(c) Market Risk (cont'd.)

Foreign exchange risk/currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

In respect of the Group's investment activities, investments are concentrated in RM denominated assets given that the Group's base currency is in RM.

The Group has a foreign exchange risk management plan in place and is continuously enhancing its risk mitigation measures.

Sensitivity analysis

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on gross and net claim liabilities, profit before tax and equity. The sensitivity analysis was applied to the Company's gross and net claim liabilities and assets denominated on foreign currencies.

		<-------------------------- Increase/(decrease) -------------------------->			
	Changes in variable	**Impact on gross liabilities RM'000**	**Impact on net liabilities RM'000**	**Impact on profit before tax RM'000**	**Impact on equity* RM'000**
2017					
Foreign currency	**+5%**	**44,969**	**44,969**	**(33,207)**	**(31,659)**
2016					
Foreign currency	+5%	35,863	35,863	(28,065)	(26,743)

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

35. FINANCIAL RISK (CONT'D.)

(c) Market Risk (cont'd.)

Interest/profit rate risk

The Group is exposed to interest/profit rate risk as follows: (i) fair values of fixed interest/profit-bearing assets would move inversely to changes in interest/profit rates; and (ii) future cash flows of variable interest/profit-bearing assets would move in direct proportion to changes in rates.

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. The fixed income portfolio is inversely related to interest/profit rates and, hence, it is the source of portfolio volatility.

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.

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.

	Changes in variable	Impact on equity* RM'000
2017		
Group		
Interest/profit rates	**+25 bp**	**(43,881)**
Interest/profit rates	**-25 bp**	**43,881**
2016		
Group		
Interest/profit rates	+25 bp	(29,574)
Interest/profit rates	-25 bp	29,574

* The impact on equity reflects the after tax impact.

36. OTHER RISKS

(a) 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 detailed in operational manuals that describe the responsibilities in relation to management of the properties to maintain quality and satisfied tenants.

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

The Group has no significant exposure to property risk.

(b) Operational Risk

Operational risk is the risk of loss resulting resulting from inadequate or ineffective or failed internal resources (people, processes and systems), or from external events. Operational risk is inherent in all activities of the Company, and can transverse multiple activities. It includes wide spectrum of heterogeneous risks such as fraud, physical damage, business disruption, transaction failures, legal and regulatory breaches, as well as employee health and safety hazards. Operational risk may result in direct financial losses and indirect financial losses due to reputational damage. The 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 minimise risks to an acceptable level. Controls include effective segregation of duties, effective access controls, authorisation and reconciliation procedures, continuous staff education and appropriate assessment processes, including the use of internal audit.

(c) Shariah Risk

Shariah risk is defined as potential Shariah non-compliance that contributes to adverse reputation, financial losses and opportunity costs resulting from ineffective governance, incompetent employees and improper transactional and operational execution. The Group mitigates such risk by initiating, monitoring and responding to a robust Shariah control framework which includes the establishment of a Group Shariah Committee, Shariah Department and/or Shariah Compliance Officer for monitoring and oversight purposes.

The framework is guided by the Shariah Governance Framework issued by BNM which is designed to meet the following objectives:

(i) sets out the expectations of BNM on the Group's Shariah governance structures, processes and arrangements to ensure that all its operations and business activities are in accordance with Shariah;

(ii) provides a comprehensive guidance to the Board, Group Shariah Committee and management of the Group in discharging its duties in matters relating to Shariah; and

(iii) outlines the functions relating to Shariah review, Shariah Audit, Shariah Risk management and Shariah research.

(d) Compliance Risk

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

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 a Group Compliance Management Framework and other relevant internal policies and procedures to ensure compliance with all applicable laws and guidelines issued by the regulatory authorities.

37. SHAREHOLDERS', REINSURANCE, TAKAFUL AND RETAKAFUL FUNDS

(a) Consolidated income statement by fund for the year ended 31 March 2017

	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	Eliminations and adjustments RM'000	Consolidated RM'000
Gross earned premiums/contributions	1,322,565	311,870	677,233	10,428	11,102	(5,862)	2,327,336
Premiums/contributions ceded to reinsurers/ retakaful operators	(133,829)	(131,354)	(74,735)	(2,746)	(7,874)	1,706	(348,832)
Net earned premiums/contributions	1,188,736	180,516	602,498	7,682	3,228	(4,156)	1,978,504
Investment income	120,133	14,739	97,665	2,908	1,165	(9,452)	227,158
Net realised (losses)/gains	(740)	(171)	2,522	(217)	(44)	–	1,350
Net fair value (losses)/gains	(260)	(200)	73	322	111	(120)	(74)
Fee and commission income	365,960	28,541	3,735	485	–	(343,340)	55,381
Other operating revenue	36,049	–	36,666	876	4	(8,717)	64,878
Other revenue	521,142	42,909	140,661	4,374	1,236	(361,629)	348,693
Gross claims and benefit paid	(826,405)	(149,197)	(259,980)	(9,923)	(11,049)	439	(1,256,115)
Claims ceded to reinsurers/retakaful operators	46,946	59,707	(5,938)	1,248	7,637	(1,873)	107,727
Gross change in contract liabilities	(42,693)	(19,613)	(315,536)	3,750	1,127	16,772	(356,193)
Change in contract liabilities ceded to reinsurers/ retakaful operators	(10,166)	20,071	11,974	(3,365)	(444)	–	18,070
Net claims and benefits	(832,318)	(89,032)	(569,480)	(8,290)	(2,729)	15,338	(1,486,511)
Fee and commission expenses	(442,282)	(102,694)	(201,716)	(3,512)	(459)	307,356	(443,307)
Management expenses	(315,518)	6,905	11,930	–	–	44,214	(252,469)
Finance costs	(18,170)	–	–	–	–	50	(18,120)
Other operating expenses	(2,715)	(250)	–	(876)	(1,434)	(5,856)	(11,131)
Changes in expense liabilities	(2,884)	–	–	–	–	–	(2,884)
Tax borne by participants	–	(8,055)	(7,381)	15	–	10	(15,411)
Other expenses	(781,569)	(104,094)	(197,167)	(4,373)	(1,893)	345,774	(743,322)
Share of results of associates	–	–	–	–	–	5,628	5,628
Operating profit/(loss) before (surplus)/deficit attributable to takaful participants and taxation	95,991	30,299	(23,488)	(607)	(158)	955	102,992
(Surplus)/deficit attributable to takaful participants	–	(30,299)	23,488	607	158	1,982	(4,064)
Operating profit before taxation	95,991	–	–	–	–	2,937	98,928
Taxation	(27,758)	–	–	–	–	–	(27,758)
Net profit for the year attributable to equity holders of the Parent	68,233	–	–	–	–	2,937	71,170

37. SHAREHOLDERS', REINSURANCE, TAKAFUL AND RETAKAFUL FUNDS (CONT'D.)

(a) Consolidated income statement by fund for the year ended 31 March 2016 (cont'd.)

	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	Eliminations and adjustments RM'000	Consolidated RM'000
Gross earned premiums/contributions	1,341,514	281,963	615,104	12,952	12,093	3,248	2,266,874
Premiums/contributions ceded to reinsurers/ retakaful operators	(135,009)	(107,764)	(63,279)	(2,089)	(8,471)	(8,283)	(324,895)
Net earned premiums/contributions	1,206,505	174,199	551,825	10,863	3,622	(5,035)	1,941,979
Investment income	226,318	12,838	85,396	3,126	1,473	(117,036)	212,115
Net realised gains	3,549	498	4,119	41	16	–	8,223
Net fair value (losses)/gains	(18,158)	(1,707)	3,341	(68)	(91)	(8,736)	(25,419)
Fee and commission income	267,137	28,370	–	82	74	(253,429)	42,234
Other operating revenue	12,122	–	–	524	32	955	13,633
Other revenue	490,968	39,999	92,856	3,705	1,504	(378,246)	250,786
Gross claims and benefit paid	(773,483)	(140,220)	(271,589)	(28,457)	(7,268)	(8,738)	(1,229,755)
Claims ceded to reinsurers/retakaful operators	50,925	57,164	11,749	3,849	4,540	8,738	136,965
Gross change in contract liabilities	(269,384)	(29,918)	(360,300)	19,356	16,371	(18,407)	(642,282)
Change in contract liabilities ceded to reinsurers/ retakaful operators	95,579	10,486	2,882	(4,617)	(462)	–	103,868
Net claims and benefits	(896,363)	(102,488)	(617,258)	(9,869)	13,181	(18,407)	(1,631,204)
Fee and commission expenses	(440,427)	(65,450)	(147,810)	(3,400)	(789)	214,854	(443,022)
Management expenses	(265,936)	3,232	1,353	–	–	48,146	(213,205)
Finance costs	(18,260)	–	–	–	–	29	(18,231)
Other operating expenses	(3,084)	(1,848)	(415)	(409)	(1)	(955)	(6,712)
Changes in expense liabilities	(6,979)	–	–	–	–	–	(6,979)
Tax borne by participants	–	(10,326)	(6,857)	–	–	700	(16,483)
Other expenses	(734,686)	(74,392)	(153,729)	(3,809)	(790)	262,774	(704,632)
Share of results of associates	–	–	–	–	–	12,615	12,615
Operating profit/(loss) before (surplus)/deficit attributable to takaful participants, zakat and taxation	66,424	37,318	(126,306)	890	17,517	(126,299)	(130,456)
(Surplus)/deficit attributable to takaful participants	–	(37,318)	126,306	(890)	(17,517)	28,827	99,408
Operating profit/(loss) before zakat and taxation	66,424	–	–	–	–	(97,472)	(31,048)
Taxation	(7,781)	–	–	–	–	–	(7,781)
Net profit/(loss) for the year attributable to equity holders of the Parent	58,643	–	–	–	–	(97,472)	(38,829)

37. SHAREHOLDERS', REINSURANCE, TAKAFUL AND RETAKAFUL FUNDS (CONT'D.)

(b) Consolidated statement of financial position by fund as at 31 March 2017

	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	Eliminations and adjustments RM'000	Consolidated RM'000
Assets							
Property, plant and equipment	127,954	–	–	–	–	115,778	243,732
Investment properties	7,400	–	115,778	–	–	(115,778)	7,400
Intangible assets	23,040	–	–	–	–	–	23,040
Deferred tax assets	9,742	3,098	–	–	–	6,678	19,518
Investments in subsidiaries	843,705	–	–	–	–	(843,705)	–
Investments in associates	77,924	–	–	–	–	67,496	145,420
Financial assets at FVTPL	761	898	121,808	–	–	–	123,467
HTM investments	261,384	71,746	331,689	19,143	12,464	(1,000)	695,426
AFS financial assets	1,654,482	226,761	1,493,788	17,749	5,171	(13,207)	3,384,744
LAR	1,297,622	118,383	607,278	45,585	7,890	(141,825)	1,934,933
Reinsurance/retakaful assets	291,969	149,868	45,072	20,967	6,354	–	514,230
Insurance/takaful receivables	224,824	37,422	60,865	7,597	7,594	(2,112)	336,190
Tax recoverable	28,575	–	–	8	5	(13)	28,575
Cash and bank balances	39,837	10,519	49,364	146	39	–	99,905
Total assets	4,889,219	618,695	2,825,642	111,195	39,517	(927,688)	7,556,580
Liabilities and Participants' funds							
Participants' funds	–	119,327	81,541	3,900	1,373	(6,580)	199,561
Borrowings	321,000	–	–	–	–	(1,000)	320,000
Insurance/takaful contract liabilities	2,104,412	401,012	2,578,850	85,632	11,272	(8,365)	5,172,813
Insurance/takaful payables	124,969	30,710	42,780	8,203	5,624	(2,112)	210,174
Other payables	127,467	60,965	119,124	13,475	21,248	(130,093)	212,186
Deferred tax liabilities	2,169	–	1,412	(15)	–	7,214	10,780
Provision for taxation	2,933	6,681	1,935	–	–	(13)	11,536
Provision for zakat	64	–	–	–	–	–	64
Total liabilities and participants' funds	2,683,014	618,695	2,825,642	111,195	39,517	(140,949)	6,137,114
Equity							
Share capital	1,233,105	–	–	–	–	(913,500)	319,605
Reserves	973,100	–	–	–	–	126,761	1,099,861
Total equity attributable to equity holders of the Parent	2,206,205	–	–	–	–	(786,739)	1,419,466
Total liabilities, participants' funds and equity	4,889,219	618,695	2,825,642	111,195	39,517	(927,688)	7,556,580

37. SHAREHOLDERS', REINSURANCE, TAKAFUL AND RETAKAFUL FUNDS (CONT'D.)

(b) Consolidated statement of financial position by fund as at 31 March 2016 (cont'd.)

	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	Eliminations and adjustments RM'000	Consolidated RM'000
Assets							
Property, plant and equipment	131,839	–	–	–	–	115,658	247,497
Investment properties	7,400	–	115,658	–	–	(115,658)	7,400
Intangible assets	14,824	–	–	–	–	–	14,824
Deferred tax assets	8,664	1,638	–	67	–	5,182	15,551
Investments in subsidiaries	843,705	–	–	–	–	(843,705)	–
Investments in associates	77,615	–	–	–	–	50,906	128,521
Financial assets at FVTPL	862	773	127,174	279	8	–	129,096
HTM investments	261,988	71,845	336,957	19,177	12,463	(1,000)	701,430
AFS financial assets	1,299,927	196,954	1,223,635	26,199	11,389	(13,705)	2,744,399
LAR	1,471,651	88,156	504,537	35,750	10,774	(49,963)	2,060,905
Reinsurance/retakaful assets	305,621	127,454	33,098	24,209	6,798	–	497,180
Insurance/takaful receivables	272,925	29,449	45,104	4,779	6,344	(1,589)	357,012
Tax recoverable	26,592	–	–	–	–	–	26,592
Cash and bank balances	32,623	26,846	117,735	74	35	–	177,313
Total assets	4,756,236	543,115	2,503,898	110,534	47,811	(853,874)	7,107,720
Liabilities and Participants' funds							
Participants' funds	–	94,058	108,223	4,149	17,550	(22,794)	201,186
Borrowings	321,000	–	–	–	–	(1,000)	320,000
Insurance/takaful contract liabilities	2,098,230	378,049	2,263,314	87,119	12,399	8,407	4,847,518
Insurance/takaful payables	106,185	24,305	48,366	9,473	12,545	(1,589)	199,285
Other payables	89,605	45,841	82,095	9,793	5,298	(38,628)	194,004
Deferred tax liabilities	3,490	–	1,895	–	19	5,387	10,791
Provision for taxation	3,747	862	5	–	–	–	4,614
Provision for zakat	142	–	–	–	–	–	142
Total liabilities and participants' funds	2,622,399	543,115	2,503,898	110,534	47,811	(50,217)	5,777,540
Equity							
Share capital	1,126,570	–	–	–	–	(913,500)	213,070
Reserves	1,007,267	–	–	–	–	109,843	1,117,110
Total equity attributable to equity holders of the Parent	2,133,837	–	–	–	–	(803,657)	1,330,180
Total liabilities, participants' funds and equity	4,756,236	543,115	2,503,898	110,534	47,811	(853,874)	7,107,720

38. FAIR VALUES OF ASSETS

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

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

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

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

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

(i) The carrying amounts of financial assets, such as loans and receivables, insurance/takaful receivables and cash and bank balances, are reasonable approximation of their fair values due to the relatively short term maturity of these balances;

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

(iii) The fair values of Malaysian government securities, government investment issues and unquoted corporate debt securities are based on indicative market prices from the Bond Pricing Agency of Malaysia ("BPAM");

(iv) The fair values of investments in mutual funds, unit trust funds and real estate investment trusts are valued based on the net asset values of the underlying funds as at the reporting date; and

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

Description of significant unobservable inputs:

	Valuation technique	Significant unobservable inputs	Range
2017			
Property, plant and equipment			
Office building	Income approach	Yield	6.0% to 6.25%
		Rental per square foot	RM4.60
	Comparison approach	Sales price per square feet for similar properties	RM641 to RM1,150
Investment property			
Shoplots	Income approach	Rental per square metre	RM2.00
2016			
Property, plant and equipment			
Office building	Income approach	Yield	6.0% to 6.25%
		Rental per square foot	RM4.60
	Comparison approach	Sales price per square feet for similar properties	RM641 to RM1,150
Investment property			
Shoplots	Income approach	Rental per square metre	RM2.00

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

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

38. FAIR VALUES OF ASSETS (CONT'D.)

As at the reporting date, the Group and the Company held the following assets that are measured at fair value and/or for which fair values are disclosed under Levels 1, 2 and 3 of the fair value hierarchy:

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2017				
Assets measured at fair value:				
(a) Property, plant and equipment				
Freehold land	–	–	36,800	36,800
Buildings	–	–	201,419	201,419
	–	–	238,219	238,219
(b) Investment property	–	–	7,400	7,400
(c) Financial assets at FVTPL				
Quoted shares in Malaysia	3,790	–	–	3,790
Warrants	85	–	–	85
Shariah approved unit trust funds	119,592	–	–	119,592
	123,467	–	–	123,467
(d) AFS financial assets				
Malaysian government securities	–	128,006	–	128,006
Unquoted corporate debt securities	–	2,258,038	–	2,258,038
Quoted shares in Malaysia	245,241	–	–	245,241
Warrants	346	–	–	346
Real estate investment trusts	20,217	–	–	20,217
Government investment issues	–	688,100	–	688,100
	265,804	3,074,144	–	3,339,948
Assets for which fair values are disclosed:				
HTM investments				
Malaysian government securities	–	76,109	–	76,109
Unquoted corporate debt securities	–	75,987	–	75,987
Government investment issues	–	537,417	–	537,417
	–	689,513	–	689,513

38. FAIR VALUES OF ASSETS (CONT'D.)

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2016				
Assets measured at fair value:				
(a) Property, plant and equipment				
Freehold land	–	–	36,000	36,000
Buildings	–	–	203,151	203,151
	–	–	239,151	239,151
(b) Investment property	–	–	7,400	7,400
(c) Financial assets at FVTPL				
Quoted shares in Malaysia	3,689	–	–	3,689
Warrants	61	–	–	61
Shariah approved unit trust funds	125,346	–	–	125,346
	129,096	–	–	129,096
(d) AFS financial assets				
Malaysian government securities	–	50,327	–	50,327
Unquoted corporate debt securities	–	2,003,460	–	2,003,460
Quoted shares in Malaysia	271,753	–	–	271,753
Warrants	337	–	–	337
Real estate investment trusts	7,787	–	–	7,787
Government investment issues	–	365,939	–	365,939
	279,877	2,419,726	–	2,699,603
Assets for which fair values are disclosed:				
HTM investments				
Malaysian government securities	–	78,354	–	78,354
Unquoted corporate debt securities	–	81,003	–	81,003
Government investment issues	–	543,688	–	543,688
	–	703,045	–	703,045

Company				
2017				
Assets for which fair values are disclosed:				
HTM investments				
Unquoted corporate debt securities	**–**	**1,008**	**–**	**1,008**
2016				
Assets for which fair values are disclosed:				
HTM investments				
Unquoted corporate debt securities	–	1,007	–	1,007

39. SUPPLEMENTARY INFORMATION – BREAKDOWN OF RETAINED PROFITS INTO REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained profits of the Company and of the Group as at 31 March 2017 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.

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Realised and unrealised profits of the Company and its subsidiaries:				
– Realised	**1,056,638**	991,375	**305,557**	325,241
– Unrealised	**13,624**	6,509	**–**	–
	1,070,262	997,884	**305,557**	325,241
Share of realised retained profits/(accumulated losses) from associated companies	**12,095**	9,159	**–**	–
	1,082,357	1,007,043	**305,557**	325,241
Less: Consolidation adjustments	**(84,581)**	(78,953)	**–**	–
Total retained profits	**997,776**	928,090	**305,557**	325,241