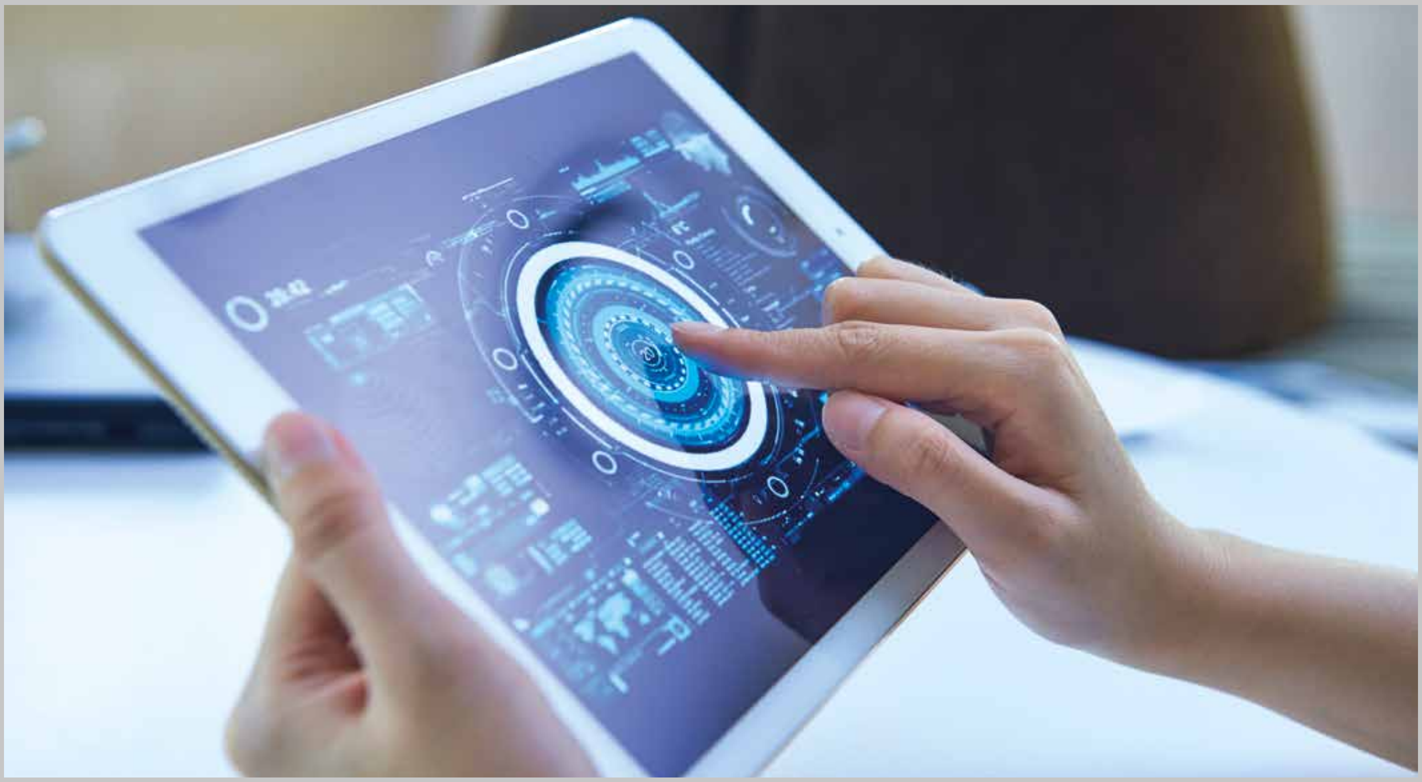
FINANCIAL STATEMENTS



DIRECTORS' REPORT

DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 March 2019.

PRINCIPAL ACTIVITIES

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

The principal activities and other information of the subsidiaries are as disclosed in Note 16 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Net profit for the financial year	104,407	13,916

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

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDEND

Since the end of the previous financial year, no dividend has been paid or declared by the Company.

SHARE CAPITAL

During the financial year, the Company increased its share capital from RM319,604,193 to RM722,305,476 via the issuance of 447,445,870 new ordinary shares for a total cash consideration of RM402,701,283, pursuant to the rights issue completed on 31 October 2018 as disclosed in Notes 27 and 41(a) to the statutory financial statements.

SIGNIFICANT AND SUBSEQUENT EVENTS

The details of significant events during the year and subsequent event after the financial year are disclosed in Notes 41 and 42 to the financial statements respectively.

DIRECTORS' REPORT

DIRECTORS

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

	Directors of the entities						
Name of Directors	**Holding Company**	**Subsidiaries**					
	MNRB*	**MRE***	**TIFB***	**TIGB***	**MRDL***	**MSSB***	**SSB***
Dato Sharkawi Alis (Chairman of MNRB)	✓	Resigned on 7 January 2019	Resigned on 3 January 2019	-	✓	-	Resigned on 13 July 2018
Mohd Din Merican	Resigned on 1 July 2018	✓	✓	✓	✓	-	✓
Hijah Arifakh Othman	✓	-	-	-	-	-	-
Mustaffa Ahmad	✓	✓	-	-	-	-	-
Rosinah Mohd Salleh	✓	-	Resigned on 30 November 2018	✓	-	-	-
Arul Sothy Mylvaganam	✓	✓	-	-	-	-	-
Noor Rida Hamzah	✓	-	-	-	-	-	-
Datuk Johar Che Mat	✓	-	Appointed on 3 January 2019	Appointed on 30 November 2018	-	-	-
George Oommen	✓	Appointed on 7 January 2019	Appointed on 1 May 2018	Appointed on 30 November 2018	Appointed on 5 September 2018	-	-
Zainudin Ishak	-	-	-	-	✓	✓	-
Md Adnan Md Zain	-	Resigned on 1 June 2019	Resigned on 1 June 2019	-	-	-	-
Megat Dziauddin Megat Mahmud	-	-	Resigned on 17 April 2018	-	-	-	Resigned on 13 July 2018
Datin Zaimah Zakaria	-	✓	-	-	-	-	Resigned on 13 July 2018
Datuk Nik Moustpha Nik Hassan	-	-	✓	Appointed on 30 November 2018	-	-	Resigned on 13 July 2018
Norazman Hashim	-	-	-	-	-	✓	Appointed on 13 July 2018

* MNRB - MNRB Holdings Berhad
MRE - Malaysian Reinsurance Berhad
TIFB - Takaful Ikhlas Family Berhad *(formerly known as Takaful Ikhlas Berhad)*
TIGB - Takaful Ikhlas General Berhad
MRDL - Malaysian Re (Dubai) Ltd.
MSSB - MMIP Services Sdn. Bhd.
SSB - Sinar Seroja Berhad

DIRECTORS' REPORT

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 or its subsidiaries were 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 33 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 Liability Takaful cover to provide indemnity to all directors of the MNRB Group for a limit of RM50,000,000 at a contribution of RM63,000.

DIRECTORS' INTEREST

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 corporation during the financial year.

OTHER STATUTORY INFORMATION

(a) Before the Statements of Comprehensive Income and Statements of Financial Position of the Group and the Company were made out, the Directors took reasonable steps:

   (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no known bad debts 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) it necessary to write off any bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

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

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION (CONT'D.)

(d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or in the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

  (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

  (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year other than those arising in the normal course of business of the Group and of the Company.

(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/retakaful and takaful 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 service as auditors are disclosed in Note 9 of the statutory financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 28 June 2019.

Dato Sharkawi Alis **Arul Sothy Mylvaganam**

Kuala Lumpur, Malaysia

STATEMENT BY DIRECTORS

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

We, Dato Sharkawi Alis and Arul Sothy Mylvaganam, 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 119 to 297 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 2019 and of the results and the cash flows of the Company and of the Group for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 28 June 2019.

Dato Sharkawi Alis

Arul Sothy Mylvaganam

Kuala Lumpur, Malaysia

STATUTORY DECLARATION

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

I, Norazman Hashim (MIA membership no. 5817), 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 119 to 297 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 Hashim)
at Kuala Lumpur in Wilayah Persekutuan)
on 28 June 2019.)

Norazman 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 2019 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 119 to 297.

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 2019, 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 the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matters below, our description of how our audit addressed these matters 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.

INDEPENDENT AUDITORS' REPORT

to the members of MNRB Holdings Berhad (Incorporated in Malaysia)

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

Key audit matters (cont'd.)

1. Insurance/takaful contract liabilities of the Group

The Group's insurance/takaful contract liabilities as at 31 March 2019 amounted to RM5.5 billion (as disclosed in Note 19 to the financial statements) or approximately 83% of its total liabilities. The insurance/takaful contract liabilities include the following liabilities of the reinsurance/retakaful subsidiary, Malaysian Reinsurance Berhad and the takaful subsidiaries, Takaful Ikhlas General Berhad and Takaful Ikhlas Family Berhad (formerly known as Takaful Ikhlas Berhad):

(a) Premium/contribution and claim liabilities of the general reinsurance/retakaful and takaful businesses;

(b) Actuarial liabilities of the family retakaful and takaful businesses;

(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 businesses.

These liabilities have been estimated based on standard actuarial valuation methodologies and other estimation models as allowed under the Risk-Based Capital Framework for Insurers 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.

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 valuation 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;

INDEPENDENT AUDITORS' REPORT

to the members of MNRB Holdings Berhad (Incorporated in Malaysia)

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

Key audit matters (cont'd.)

<u>*1. Insurance/takaful contract liabilities of the Group (cont'd.)*</u>

- 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 and re-computations 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.

INDEPENDENT AUDITORS' REPORT

to the members of MNRB Holdings Berhad (Incorporated in Malaysia)

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

Key audit matters (cont'd.)

2. Tax recoverable

As disclosed in Note 21 to the financial statements, the Company is currently appealing against additional tax assessments and penalties raised by the Inland Revenue Board of Malaysia ("IRB"), amounting to approximately RM19.7 million. These additional tax assessments and penalties were paid by the Company and were recorded as tax recoverable. The outcome of the appeal can only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company and the appeal could develop in ways not initially expected. Therefore, the Company continuously assesses the development of this matter to determine whether outflows of resources embodying economic benefits could be probable. Such assessment involves significant judgement and estimates which are highly subjective. Accordingly, we consider this area to be an area of audit focus.

As part of our audit procedures, we have involved our tax specialists in reviewing correspondences between the Company and external legal counsel to obtain an understanding of the matter. We have enquired and discussed with management on the developments in legal proceedings and obtained confirmations from the Company's external legal counsel to compare the expert opinions to management's position. We also considered the objectivity, independence and expertise of the legal advisers and we also assessed the basis adopted by the legal advisers in their evaluations of the possible outcome of the litigations and claims.

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 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.

INDEPENDENT AUDITORS' REPORT

to the members of MNRB Holdings Berhad (Incorporated in Malaysia)

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

Key audit matters (cont'd.)

2. Tax recoverable (cont'd.)

Responsibilities of the directors for the financial statements (cont'd.)

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.

- 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.

INDEPENDENT AUDITORS' REPORT

to the members of MNRB Holdings Berhad (Incorporated in Malaysia)

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

Key audit matters (cont'd.)

2. Tax recoverable (cont'd.)

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

- 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 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. 02305/05/2020 J
Chartered Accountant

Kuala Lumpur, Malaysia
28 June 2019

INCOME STATEMENTS

for the year ended 31 March 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Gross earned premiums/contributions	4(a)	**1,975,703**	2,251,663	**-**	-
Premiums/contributions ceded to reinsurers/retakaful operators	4(b)	**(303,004)**	(322,799)	**-**	-
Net earned premiums/contributions		**1,672,699**	1,928,864	**-**	-
Investment income	5	**266,934**	245,931	**32,096**	3,222
Net realised gains	6	**7,820**	1,957	**31**	-
Net fair value gains	7	**72,772**	11,691	**-**	-
Fee and commission income	8	**34,521**	40,142	**38,899**	35,025
Other operating revenue	11	**12,651**	38,071	**712**	20,923
Other revenue		**394,698**	337,792	**71,738**	59,170
Gross claims and benefits paid		**(1,315,197)**	(1,201,819)	**-**	-
Claims ceded to reinsurers/retakaful operators		**182,818**	112,195	**-**	-
Gross change in contract liabilities		**(152,567)**	(187,575)	**-**	-
Change in contract liabilities ceded to reinsurers/ retakaful operators		**60,656**	(31,046)	**-**	-
Net claims and benefits		**(1,224,290)**	(1,308,245)	**-**	-
Fee and commission expenses	8	**(384,339)**	(427,525)	**-**	-
Management expenses	9	**(247,941)**	(237,989)	**(40,261)**	(35,545)
Finance costs		**(16,244)**	(15,841)	**(16,244)**	(15,841)
Other operating expenses	11	**(1,671)**	(23,145)	**-**	(208)
Change in expense liabilities	19	**(5,114)**	3,848	**-**	-
Tax borne by participants	12	**(22,137)**	(12,673)	**-**	-
Other expenses		**(677,446)**	(713,325)	**(56,505)**	(51,594)
Share of results of associates		**(13,121)**	9,712	**-**	-

INCOME STATEMENTS

for the year ended 31 March 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Operating profit before surplus attributable to takaful and retakaful participants and taxation		**152,540**	254,798	**15,233**	7,576
Surplus attributable to takaful and retakaful participants	23(a)	**(33,141)**	(62,274)	**-**	-
Operating profit before taxation		**119,399**	192,524	**15,233**	7,576
Zakat		**(681)**	(563)	**-**	-
Taxation	12	**(14,311)**	(51,096)	**(1,317)**	(704)
Net profit for the year attributable to equity holders of the Holding Company		**104,407**	140,865	**13,916**	6,872
Basic and diluted earnings per share attributable to equity holders of the Holding Company (sen)[1]	29	**20.3**	42.2		

[1] Adjusted for rights issue completed on 31 October 2018.

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 2019

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Net profit for the year	**104,407**	140,865	**13,916**	6,872
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	**7,870**	(19,329)	**-**	-
Effects of foreign exchange translation reserve on investment in subsidiary	**561**	(1,469)	**-**	-
Net gain on financial assets at fair value through other comprehensive income ("FVOCI"):				
Net gain on fair value changes	**36,820**	-	**-**	-
Realised gain transferred to income statement (Note 6)	**(5,089)**	-	**-**	-
Deferred tax relating to net gain on financial assets at FVOCI	**(3,490)**	-	**-**	-
Net losses on Available-for-sale ("AFS") financial assets:				
Losses on fair value changes	**-**	(10,158)	**-**	-
Realised losses transferred to income statement (Note 6)	**-**	3,092	**-**	-
Deferred tax relating to net losses on AFS financial assets	**-**	1,306	**-**	-
Other comprehensive (income)/loss attributable to participants (Note 23(b))	**(3,126)**	3,306	**-**	-
Other comprehensive (loss)/income not to be reclassified to income statement in subsequent periods:				
Net losses on fair value changes on financial assets at FVOCI	**(214)**	-	**-**	-
Revaluation of land and buildings	**14,245**	3,950	**-**	-
Deferred tax relating to revaluation of land and buildings	**2,700**	(509)	**-**	-
Other comprehensive income attributable to participants (Note 23(c))	**(13,538)**	(2,519)	**-**	-
Total comprehensive income for the year	**141,146**	118,535	**13,916**	6,872

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

STATEMENTS OF FINANCIAL POSITION

for the year ended 31 March 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
Assets					
Property, plant and equipment	13	**204,187**	240,744	**1,300**	1,251
Intangible assets	14	**37,206**	32,131	**2,372**	1,630
Deferred tax assets	15	**13,247**	18,343	**1,872**	2,811
Investments in subsidiaries	16	**-**	-	**1,304,476**	904,476
Investments in associates	17	**133,741**	139,009	**1,957**	1,957
Financial assets	18	**7,289,554**	6,438,840	**47,220**	30,846
Reinsurance/retakaful assets	19	**539,853**	478,253	**-**	-
Insurance/takaful receivables	20	**337,351**	418,304	**-**	-
Tax recoverable	21	**54,674**	27,277	**18,227**	17,630
Non-current asset held for sale	22	**45,875**	-	**-**	-
Cash and bank balances		**51,675**	142,099	**515**	408
Total assets		**8,707,363**	7,935,000	**1,377,939**	961,009
Liabilities and Participants' funds					
Participants' funds	23	**295,294**	247,862	**-**	-
Borrowing	24	**320,000**	320,000	**320,000**	320,000
Insurance/takaful contract liabilities	19	**5,489,890**	5,319,945	**-**	-
Insurance/takaful payables	25	**224,032**	270,444	**-**	-
Other payables	26	**232,532**	225,745	**9,288**	8,975
Deferred tax liabilities	15	**16,365**	10,684	**-**	-
Provision for taxation		**8,321**	1,709	**-**	-
Provision for zakat		**1,277**	610	**-**	-
Total liabilities and participants' funds		**6,587,711**	6,396,999	**329,288**	328,975
Equity					
Share capital	27	**722,306**	319,605	**722,306**	319,605
Reserves		**1,397,346**	1,218,396	**326,345**	312,429
Total equity attributable to equity holders of the Holding Company		**2,119,652**	1,538,001	**1,048,651**	632,034
Total liabilities, participants' funds and equity		**8,707,363**	7,935,000	**1,377,939**	961,009

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 2019

	Attributable to equity holders of the Holding Company					
		Reserves				
		Non-distributable			Distributable	
	Share capital RM'000	**Foreign exchange translation reserve RM'000**	**Fair value reserve RM'000**	**Revaluation reserve RM'000**	**Retained profits RM'000**	**Total RM'000**
Group						
At 1 April 2017	319,605	55,696	3,659	42,730	997,776	1,419,466
Net profit for the year	-	-	-	-	140,865	140,865
Other comprehensive (loss)/income for the year	-	(20,798)	(2,454)	922	-	(22,330)
Total comprehensive (loss)/income for the year	-	(20,798)	(2,454)	922	140,865	118,535
At 31 March 2018	319,605	34,898	1,205	43,652	1,138,641	1,538,001
At 1 April 2018, as previously stated	319,605	34,898	1,205	43,652	1,138,641	1,538,001
Effects of adopting MFRS 9 (Note 2.27(iv))	-	-	32,351	-	5,453	37,804
At 1 April 2018, as restated	319,605	34,898	33,556	43,652	1,144,094	1,575,805
Net profit for the year	-	-	-	-	104,407	104,407
Other comprehensive income for the year	-	8,431	24,901	3,407	-	36,739
Total comprehensive income for the year	-	8,431	24,901	3,407	104,407	141,146
Issuance of shares during the year on completion of rights issue exercise (Notes 27, 41(a))	402,701	-	-	-	-	402,701
At 31 March 2019	**722,306**	**43,329**	**58,457**	**47,059**	**1,248,501**	**2,119,652**

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 2019

	← Attributable to equity holders of the Company →		
		Distributable	
	Share capital RM'000	Retained profits RM'000	Total RM'000
Company			
At 1 April 2017	319,605	305,557	625,162
Net profit for the year, representing total comprehensive income for the year	-	6,872	6,872
At 31 March 2018	319,605	312,429	632,034
Issuance of shares during the year on completion of rights issue exercise (Notes 27, 41(a))	402,701	-	402,701
Net profit for the year, representing total comprehensive income for the year	-	13,916	13,916
At 31 March 2019	**722,306**	**326,345**	**1,048,651**

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 2019

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash flows from operating activities				
Profit before zakat and taxation	**119,399**	192,524	**15,233**	7,576
Adjustments for:				
Net fair value (gains)/losses on financial assets at FVTPL	**(72,769)**	487	**-**	-
Writeback of impairment losses on AFS financial assets	**-**	(12,178)	**-**	-
Reversal of impairment losses on FVOCI financial assets	**(3)**	-	**-**	-
Reversal of impairment losses on other receivables	**(27)**	254	**-**	-
Reversal of impairment loss on insurance/takaful receivables	**(852)**	(20,565)	**-**	-
Depreciation of property, plant and equipment	**6,799**	7,272	**423**	499
Amortisation of intangible assets	**6,181**	4,312	**405**	355
Tax borne by participants	**22,137**	12,673	**-**	-
Net gains on disposal of investment property	**-**	(100)	**-**	-
Net gains on disposals of property, plant and equipment	**(160)**	-	**(31)**	-
Impairment loss on buildings	**216**	251	**-**	-
Disposal cost for non-current asset held for sale	**125**	-	**-**	-
Decrease/(increase) in gross premium/contribution liabilities	**17,478**	(34,960)	**-**	-
Intangible assets written off	**-**	613	**-**	38
Reversal impairment loss on investment in subsidiary	**-**	-	**-**	(20,771)
Interest/profit income	**(261,966)**	(238,502)	**(2,096)**	(2,772)
Dividend income	**(8,051)**	(8,597)	**(30,000)**	(400)
Rental income	**(3,066)**	(3,954)	**-**	-
Finance cost	**16,244**	15,841	**16,244**	15,841
Realised gains on disposals of investments	**(7,660)**	(1,857)	**-**	-
Net amortisation of premiums on investments	**5,094**	5,094	**-**	-
Share of results of associates	**13,121**	(9,712)	**-**	-

STATEMENTS OF CASH FLOWS

for the year ended 31 March 2019

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(Loss)/profit from operations before changes in operating assets and liabilities	**(147,760)**	(91,104)	**178**	366
(Increase)/decrease in placements with licensed financial institutions, Islamic investment accounts and marketable securities	**(191,002)**	(19,431)	**(16,608)**	71,748
Net purchase of investments	**(492,746)**	(300,665)	**-**	-
Decrease/(increase) in staff loans	**154**	1,674	**(464)**	(76)
Decrease/(increase) in insurance/takaful receivables	**79,169**	(61,549)	**-**	-
(Increase)/decrease in other receivables	**(22,550)**	32,410	**(292)**	142
Net change in balances with subsidiaries	**-**	-	**1,909**	(745)
Increase in gross claim liabilities, actuarial liabilities and unallocated surplus	**152,567**	187,575	**-**	-
Increase/(decrease) in expense liabilities	**5,114**	(3,848)	**-**	-
Increase in participants' fund	**27,177**	47,453	**-**	-
(Increase)/decrease in reinsurance/retakaful assets	**(61,600)**	35,977	**-**	-
(Decrease)/increase in insurance/takaful payables	**(46,412)**	60,270	**-**	-
Increase/(decrease) in other payables	**6,787**	13,123	**(592)**	(1,488)
Taxes and zakat paid	**(46,721)**	(70,332)	**(975)**	(20,404)
Interest/profit received	**263,127**	220,720	**2,082**	2,835
Dividends received	**7,910**	8,868	**-**	400
Rental received	**2,983**	4,228	**-**	-
Net cash (used in)/generated from operating activities	**(463,803)**	65,369	**(14,762)**	52,778

STATEMENTS OF CASH FLOWS

for the year ended 31 March 2019

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash flows from investing activities				
Subscription of shares in subsidiary	**-**	-	**(400,000)**	(40,000)
Purchase of property, plant and equipment	**(2,225)**	(1,255)	**(474)**	(283)
Purchase of intangible assets	**(11,256)**	(14,016)	**(1,147)**	(99)
Dividend received from subsidiary	**-**	-	**30,000**	-
Proceeds from disposal of investment properties	**-**	7,500	**-**	-
Proceeds from disposal of property, plant and equipment	**403**	-	**33**	-
Net cash used in investing activities	**(13,078)**	(7,771)	**(371,588)**	(40,382)
Cash flows from financing activities				
Proceeds from issuance of ordinary shares	**402,701**	-	**402,701**	-
Interest/profit paid	**(16,244)**	(15,404)	**(16,244)**	(15,404)
Net cash generated from/(used in) financing activities	**386,457**	(15,404)	**386,457**	(15,404)
Cash and bank balances				
Net (decrease)/increase during the year	**(90,424)**	42,194	**107**	(3,008)
At beginning of the year	**142,099**	99,905	**408**	3,416
At end of the year	**51,675**	142,099	**515**	408

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

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 are as disclosed in Note 16 to the financial statements. There have been no significant changes in the nature of the principal activities of the Company and its subsidiaries during the financial year.

The number of employees in the Group and in the Company at the end of the financial year were 845 and 190 (2018: 885 and 178) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution on 28 June 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company 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.

At the beginning of the current financial year, the Group and the Company had adopted the new and amended MFRSs applicable for annual financial periods beginning on or after 1 January 2018, as fully described in Note 2.27.

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 Operators ("RBCT") Framework issued by Bank Negara Malaysia ("BNM").

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position, only when there is a legally enforceable right to offset the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expense will not be offset in the income statements and the statements of comprehensive income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group and of the Company.

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Accounting period

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

Underwriting income and outgo in respect of other businesses and all other income and expenditure are for the 12 months period ended 31 March 2019.

2.3 Subsidiaries, associates and basis of consolidation

(a) Subsidiaries

A subsidiary is an entity over which the Company has all of 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 Company 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 Company has less than a majority of the voting or similar rights of an investee, the Company 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 Company's voting rights and potential voting rights.

In the Company's 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 statements.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(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 Company obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, all intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for 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.

Any excess of the cost of the acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Company'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 statements.

(c) Takaful and retakaful operations and funds

Under the concept of takaful/retakaful, participants/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, takaful/retakaful subsidiaries manage the general and family takaful/retakaful funds in line with the principles of Wakalah (agency). Under the Wakalah model, takaful/retakaful subsidiaries are not a participant in the fund but manage 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/retakaful funds are segregated from those of the shareholder's funds of takaful/retakaful subsidiaries, 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 shareholders' funds to represent the control possessed by takaful/retakaful subsidiaries over the respective funds.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(c) Takaful and retakaful operations and funds (cont'd.)

In preparing the Group financial statements, the balances and transactions of the shareholder's funds of takaful/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 takaful/retakaful subsidiaries are consolidated and amalgamated from the date of control and continue to be consolidated until the date such control ceases.

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(d) Associates (cont'd.)

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 transactions and events in similar circumstances.

In the Company's 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, retrocession/retakaful/retrotakaful, 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 the accumulated surplus/deficit in the funds, fair value reserves and revaluation surplus. 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 following individual risks' inception dates. Inwards facultative premiums/contributions are recognised in the financial period in respect of the facultative risk assumed during the particular financial period following individual risk's inception dates.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

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 reinsurance/retakaful contracts as represented by premiums/contributions received for risks that have not yet expired. The movement in premium/contribution liabilities is released over the term of the reinsurance/retakaful contracts and recognised as earned premium/contribution.

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 allowing 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.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(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 the accumulated surplus/deficit in the funds, fair value reserves and revaluation surplus. 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 the 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(b) Contract liabilities (cont'd.)

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.

The distribution of surplus, arising from the difference between the value of the family fund and its liabilities, including retained surplus, if declared, could only be distributed to the participants after deducting the surplus administration charge.

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 shareholder's funds 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.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(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.

2.6 Shareholder's fund relating to takaful and retakaful business

(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 TIFB/TIGB/MRRD.

(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.

<u>**Unexpired expense reserves**</u>

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).

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.6 Shareholder's fund relating to takaful and retakaful business (cont'd.)

(b) Expense liabilities (cont'd.)

(i) Expense liabilities of general takaful and retakaful funds (cont'd.)

Reserves for unearned wakalah fees

The UWF represent the portion of wakalah fee income that relates 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.

2.7 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 variables, 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.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.7 Product classification (cont'd.)

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

Reinsurance and retakaful arrangements entered into by the reinsurance/retakaful and takaful 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/retakaful and takaful 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.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

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.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(c) Depreciation (cont'd.)

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, plant and equipment.

2.10 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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.10 Intangible assets (cont'd.)

(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.

2.11 Financial assets

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

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

(i) Policy applicable before 1 April 2018

(a) 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.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

2. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

2.11 Financial assets (cont'd.)

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

(a) 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.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.11 Financial assets (cont'd.)

(ii) Policy applicable after 1 April 2018

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

The classification of financial assets at initial recognition depends on the Group and the Company's business model for managing the financial assets and the financial asset's contractual cash flow characteristic, as described in Notes 2.11(ii)(b) and 2.11(ii)(c). All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

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

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

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

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

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

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

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

- Financial assets at AC (for debt instruments);

- Financial assets at FVOCI with recycling of cumulative gains and losses (for debt instruments);

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

- Financial assets at FVTPL.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.11 Financial assets (cont'd.)

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

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

(i) Financial assets at AC

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.11 Financial assets (cont'd.)

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

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

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

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.11 Financial assets (cont'd.)

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

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

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

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

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

Upon initial recognition, the Group and the Company can irrevocably elect to classify its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under MFRS 132 *Financial Instruments: Presentation* that are neither held for trading nor if it is contingent consideration recognised by an acquirer in a business combination. The classification is determined on an instrument-by-instrument basis.

A financial asset is held for trading if:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.11 Financial assets (cont'd.)

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

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

(iv) Financial assets at FVTPL

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

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

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

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or profit earned on the financial asset.

The Group and the Company's financial assets at FVTPL includes unit trust funds, quoted equities, bonds/sukuks and corporate debt securities. The Group and the Company have no derivative instruments.

(b) Business model assessment

The Group and the Company determine their business model at the level that best reflects how they manage groups of financial assets to achieve their business objective.

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.11 Financial assets (cont'd.)

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

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

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

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group and the Company's key management personnel;
- How participants are compensated - e.g. whether compensation is based on fair value of the assets management or the contractual cash flows collected;
- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest/profit income, maintaining a particular interest/profit rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets; and
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.

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

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

- Determined by the Group and the Company's senior management as a result of external or internal changes;
- Significant to the Group and the Company's operations; and
- Demonstrable to external parties.

A change in the business model will occur only when the Group and the Company begin or cease to perform an activity that is significant to its operations. Change in the objective of the business model must be effected before the reclassification date.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.11 Financial assets (cont'd.)

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

(c) The SPPI Test

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

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

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

(d) Reclassifications

The Group and Company do not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group and the Company acquire, dispose of, or terminate a business line.

(iii) Derecognition of financial assets

A financial asset is derecognised when:

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.11 Financial assets (cont'd.)

(iii) Derecognition of financial assets (cont'd.)

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

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

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

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

(iv) Offsetting of financial instruments

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

2.12 Fair value measurement

The Group and the Company measure financial instruments such as financial assets at FVTPL, financial assets at FVOCI 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 18 and 40.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.12 Fair value measurement (cont'd.)

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

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

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

The principal or the most advantageous market must be accessible by the 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 and the Company's self-occupied property and investment properties. At the end of each financial year, accredited independent valuers having appropriate recognised professional qualification are appointed to perform the annual valuation. The valuation techniques used by the accredited independent valuers are verified to ensure that they are in accordance with the requirements of MFRS 13 *Fair Value Measurement*.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the 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 presented in Note 40.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.13 Impairment of assets

(i) Financial assets

(a) Policy applicable before 1 April 2018

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) Insurance/takaful receivables and 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.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.13 Impairment of assets (cont'd.)

(i) Financial assets (cont'd.)

(a) Policy applicable before 1 April 2018 (cont'd.)

(ii) AFS financial assets (cont'd.)

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) Policy applicable after 1 April 2018

The Group and Company recognise an allowance for expected credit losses ("ECL") for all financial assets measured at amortised cost or FVOCI, except for investments in equity instruments. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and Company expects to receive, discounted at the appropriate effective interest/profit rate.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.13 Impairment of assets (cont'd.)

(i) Financial assets (cont'd.)

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

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

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

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

Forward-looking information and ECL measurement

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

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

- Probability of default ("PD")

  The Probability of Default is an estimate of the likelihood of default over a given time horizon. It is estimated with consideration of economic scenarios and forward-looking information.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.13 Impairment of assets (cont'd.)

(i) Financial assets (cont'd.)

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

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

- Exposure at default ("EAD")

  The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest/profit, whether scheduled by contract or otherwise, and accrued interest from missed payments.

- Loss given default ("LGD")

  The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Group and the Company would expect to receive. It is usually expressed as a percentage of the EAD.

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

(i) Debt instruments/sukuks at AC and FVOCI

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.13 Impairment of assets (cont'd.)

(i) Financial assets (cont'd.)

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

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

(ii) Insurance/takaful receivables

The impairment on insurance/takaful receivables is measured using the simplified approach at initial recognition and throughout its life at an amount equal to lifetime ECL. The ECL is calculated using a provision matrix based on historical data where the insurance/takaful receivables are grouped based on level of business segregation and different reinsurance/retakaful premium contribution type's arrangement respectively. The impairment is to be calculated on the total outstanding balance including all aging buckets from current to 12 months and above. Roll rates are to be applied on the outstanding balance of the ageing bucket which forms the base of the roll rate. A forward looking factor is to be included in the calculation of ECL.

For insurance/takaful receivables of the reinsurance subsidiary, the Group considers the receivables to be in default when contractual payments are two years past due. As for the takaful receivables of the takaful subsidiaries, receivables of which contractual payments are one year past due are considered to be in default.

(ii) Non-financial assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.13 Impairment of assets (cont'd.)

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

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.

(iii) Write-offs

Financial assets are written off either partially or in their entirety only when the Group and the Company has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense. There were no write-offs over the periods reported in these financial statements.

2.14 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.

2.15 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.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.15 Measurement and impairment of Qard (cont'd.)

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.

2.16 Share capital and dividend expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and 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.

2.17 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.

2.18 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.

The Group and the Company recognise an allowance for ECL for insurance receivables and recognise that impairment loss in income statement. The basis for recognition of such impairment loss is as described in Note 2.13(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.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.19 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 purpose of lease classification. All leases that do not substantially transfer all risks and rewards are classified as operating leases, with the following exceptions:

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

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

(b) Finance leases - the Group and the Company as lessee

Assets acquired by way of hire purchase or finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. The corresponding liability is included in the statements 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).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.19 Leases (cont'd.)

(c) Operating leases - the Group and the Company as lessee

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

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

(d) Operating leases - the Group and the Company as lessor

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

2.20 Financial liabilities

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

Financial liabilities are recognised in the statements 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.20 Financial liabilities (cont'd.)

(b) Other financial liabilities

The Group's 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.

2.21 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.

2.22 Income tax

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.23 Employee benefits

(a) Short-term benefits

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

2.24 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.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.24 Foreign currencies (cont'd.)

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in the income statements 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.

(c) Foreign operations

The financial results and financial position of the Company's foreign subsidiary and 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.

2.25 Revenue recognition

Revenue is recognised when control of the goods or the services are transferred to the customer at an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods or services.

(a) Interest and profit income

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.25 Revenue recognition (cont'd.)

(b) Rental

Rental income is accounted for on a straight-line basis over the lease term. 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

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).

2.26 Zakat

Zakat represents an obligatory amount payable by the takaful subsidiary and retakaful division 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.27 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 Standards, Amendments/improvements to MFRSs and Issues Committee ("IC") Interpretations which are mandatory for annual periods beginning on or after 1 January 2018.

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

The adoption of the above pronouncements did not have any significant effect on the disclosures or amounts recognised in the Group's and the Company's financial statements except as discussed below:

MFRS 9 *Financial Instruments*

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 IAS39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but restatement of comparative information is not compulsory.

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.27 Changes in accounting policies (cont'd.)

MFRS 9 Financial Instruments (cont'd.)

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

(i) Classification and measurement

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

- The held-to-maturity ("HTM"), available-for-sale ("AFS") and loan and receivables ("LAR") categories were removed;
- Financial assets will be measured at amortised cost ("AC") if the assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows which represent solely payments of principal and interest;
- A new asset category measured at fair value through other comprehensive income ("FVOCI") was introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principal and interest and held in a model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- A new asset category for non-traded equity investments measured at FVOCI was introduced. Equity instruments, where an election has not been made to measure those assets at FVOCI, will be measured at FVTPL;
- Financial assets will be measured at FVTPL if the assets are held for trading or the financial assets do not qualify to be measured at AC or at FVOCI; and
- Classification of financial liabilities remain largely unchanged, other than the fair value gains and losses attributable to changes in 'own credit risk' for financial liabilities designated and measured at FVTPL to be presented in other comprehensive income ("OCI"). The remainder of the changes in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.
- Unquoted equity instruments which were previously measured at cost are now measured at fair value.

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

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.27 Changes in accounting policies (cont'd.)

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

(ii) Impairment

The MFRS 9 impairment requirements are based on an expected credit loss ("ECL") model that replaces the incurred loss model under the previous MFRS 139. The Group recognises either a 12-month or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. The Group is also required to consider future forecasts in economic conditions as part of its impairment assessment under MFRS 9. The ECL model applies to financial assets measured at amortised cost or at FVOCI (except for investments in equity instruments) which include debt instruments, insurance/takaful receivables, deposits with financial institution and other receivables held by the Group. Appropriate impairment methodology were adopted for calculating allowances for impairment losses.

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

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

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

- Mapping of external credit rating models

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.27 Changes in accounting policies (cont'd.)

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

(ii) Impairment (cont'd.)

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

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

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

- Derivation of PD

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

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

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

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

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

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

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

  For insurance/takaful receivables of the reinsurance/retakaful subsidiary, the Group considers the receivables to be in default when contractual payments are two years past due. In relation to the takaful receivables of the takaful subsidiaries, receivables where contractual payments are one year past due are considered to be in default.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.27 Changes in accounting policies (cont'd.)

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

(ii) Impairment (cont'd.)

- ECL

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

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

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

Impairment of insurance/takaful receivables

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.27 Changes in accounting policies (cont'd.)

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

(iii) Hedge accounting

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

The hedge accounting requirements are not relevant to the Group and the Company.

(iv) Financial effects due to adoption of MFRS 9

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

	Impact of adopting MFRS 9 as at 1 April 2018	
	Group RM'000	Company RM'000
Financial assets at FVTPL		
Closing balance under MFRS 139 at 31 March 2018	116,127	-
- Redesignation from HTM investments	329,936	-
- Redesignation from AFS financial assets	2,094,505	-
- Net unrealised gains on financial assets at FVTPL	5,780	-
Opening balance under MFRS 9 at 1 April 2018	2,546,348	-
Financial assets at FVOCI		
Closing balance under MFRS 139 at 31 March 2018	-	-
- Redesignation from HTM investments	314,318	-
- Redesignation from AFS financial assets	1,646,691	50
- Net unrealised gains on financial assets at FVOCI	32,539	-
- Recognition of ECL under MFRS 9	(41)	-
Opening balance under MFRS 9 at 1 April 2018	1,993,507	50

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.27 Changes in accounting policies (cont'd.)

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

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

	Impact of adopting MFRS 9 as at 1 April 2018	
	Group RM'000	**Company RM'000**
Financial assets at amortised cost ("AC")		
Closing balance under MFRS 139 at 31 March 2018	-	-
- Redesignation from HTM	-	1,000
- Redesignation from loans and receivables ("LAR")	1,937,263	29,796
Opening balance under MFRS 9 at 1 April 2018	1,937,263	30,796
HTM investments		
Closing balance under MFRS 139 at 31 March 2018	644,254	1,000
- Redesignation to financial assets at FVTPL	(329,936)	-
- Redesignation to financial assets at FVOCI	(314,318)	-
- Redesignation to financial assets at AC	-	(1,000)
Opening balance under MFRS 9 at 1 April 2018	-	-
AFS financial assets		
Closing balance under MFRS 139 at 31 March 2018	3,741,196	50
- Redesignation to financial assets at FVTPL	(2,094,505)	-
- Redesignation to financial assets at FVOCI	(1,646,691)	(50)
Opening balance under MFRS 9 at 1 April 2018	-	-

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.27 Changes in accounting policies (cont'd.)

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

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

	Impact of adopting MFRS 9 as at 1 April 2018	
	Group RM'000	Company RM'000
Loans and receivables		
Closing balance under MFRS 139 at 31 March 2018	1,937,263	29,796
- Redesignation to financial assets at AC	(1,937,263)	(29,796)
Opening balance under MFRS 9 at 1 April 2018	-	-
Insurance/takaful receivables		
Closing balance under MFRS 139 at 31 March 2018	418,304	-
- Recognition of ECL under MFRS 9	(2,636)	-
Opening balance under MFRS 9 at 1 April 2018	415,668	-
Deferred tax assets		
Closing balance under MFRS 139 at 31 March 2018	18,343	2,811
- In respect of unrealised gain on financial assets at FVTPL and FVOCI	92	-
Opening balance under MFRS 9 at 1 April 2018	18,435	2,811
Participants' funds		
Closing balance under MFRS 139 at 31 March 2018	247,862	-
- In respect of unrealised gain on financial assets at FVOCI	17	-
- In respect of reversal of unrealised loss on AFS financial assets	4,059	-
- In respect of recognition of ECL under MFRS 9	(485)	-
Opening balance under MFRS 9 at 1 April 2018	251,453	-

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.27 Changes in accounting policies (cont'd.)

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

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

	Impact of adopting MFRS 9 as at 1 April 2018	
	Group RM'000	Company RM'000
Insurance/takaful contract liabilities		
Closing balance under MFRS 139 at 31 March 2018	5,319,945	-
- In respect of unrealised loss on financial assets at FVTPL	(5,214)	-
Opening balance under MFRS 9 at 1 April 2018	5,314,731	-
Deferred tax liabilities		
Closing balance under MFRS 139 at 31 March 2018	10,684	-
- In respect of unrealised gain on financial assets at FVOCI	71	-
- In respect of recognition of ECL under MFRS 9	(518)	-
Opening balance under MFRS 9 at 1 April 2018	10,237	-
Retained profits		
Closing balance under MFRS 139 at 31 March 2018	1,138,641	312,429
- In respect of unrealised gain on financial assets at FVTPL and FVOCI	7,127	-
- Recognition of ECL under MFRS 9	(2,677)	-
- Tax effect arising from the recognition of ECL	1,033	-
Opening balance under MFRS 9 at 1 April 2018	1,144,094	312,429
Fair value reserves		
Closing balance under MFRS 139 at 31 March 2018	1,205	-
- Net unrealised gains on financial assets at FVOCI	32,351	-
Opening balance under MFRS 9 at 1 April 2018	33,556	-

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.27 Changes in accounting policies (cont'd.)

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

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

The financial impact of the adoption of MFRS 9 on the statements of financial position of the Group and the Company are as follows:

	Carrying value at 31 March 2018 RM'000	Classifications and measurement RM'000	Expected credit losses RM'000	Carrying value after reclassification and measurement 1 April 2018 RM'000
Group				
Assets				
Property, plant and equipment	240,744	-	-	240,744
Intangible assets	32,131	-	-	32,131
Deferred tax assets	18,343	92	-	18,435
Investments in associates	139,009	-	-	139,009
FVTPL	116,127	2,430,221	-	2,546,348
FVOCI	-	1,993,548	(41)	1,993,507
AC	-	1,937,263	-	1,937,263
HTM	644,254	(644,254)	-	-
AFS	3,741,196	(3,741,196)	-	-
LAR	1,937,263	(1,937,263)	-	-
Reinsurance/retakaful assets	478,253	-	-	478,253
Insurance/takaful receivables	418,304	-	(2,636)	415,668
Tax recoverable	27,277	-	-	27,277
Cash and bank balances	142,099	-	-	142,099
Total assets	7,935,000	38,411	(2,677)	7,970,734

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.27 Changes in accounting policies (cont'd.)

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

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

	Carrying value at 31 March 2018 RM'000	Classifications and measurement RM'000	Expected credit losses RM'000	Carrying value after reclassification and measurement 1 April 2018 RM'000
Group (cont'd.)				
Liabilities and Participants' funds				
Participants' funds	247,862	4,076	(485)	251,453
Borrowings	320,000	-	-	320,000
Insurance/takaful contract liabilities	5,319,945	(5,214)	-	5,314,731
Insurance/takaful payables	270,444	-	-	270,444
Other payables	225,745	-	-	225,745
Deferred tax liabilities	10,684	71	(518)	10,237
Provision for taxation	1,709	-	-	1,709
Provision for zakat	610	-	-	610
Total liabilities and participants' funds	6,396,999	(1,067)	(1,003)	6,394,929
Equity				
Share capital	319,605	-	-	319,605
Reserves	1,218,396	39,478	(1,674)	1,256,200
Total equity attributable to equity holders of the holding company	1,538,001	39,478	(1,674)	1,575,805
Total liabilities, participants' funds and equity	7,935,000	38,411	(2,677)	7,970,734

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.27 Changes in accounting policies (cont'd.)

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

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

	Carrying value at 31 March 2018 RM'000	Classifications and measurement RM'000	Expected credit losses RM'000	Carrying value after reclassification and measurement 1 April 2018 RM'000
Company				
Assets				
Property, plant and equipment	1,251	-	-	1,251
Intangible assets	1,630	-	-	1,630
Deferred tax assets	2,811	-	-	2,811
Investments in subsidiaries	904,476	-	-	904,476
Investments in associates	1,957	-	-	1,957
FVOCI	-	50	-	50
AC	-	30,796	-	30,796
HTM	1,000	(1,000)	-	-
AFS	50	(50)	-	-
LAR	29,796	(29,796)	-	-
Tax recoverable	17,630	-	-	17,630
Cash and bank balances	408	-	-	408
Total assets	961,009	-	-	961,009

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

2. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

2.27 Changes in accounting policies (cont'd.)

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

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

The financial impact of the adoption of MFRS 9 on the statements of financial position of the Group and the Company are as follows: (cont'd.)

	Carrying value at 31 March 2018 RM'000	Classifications and measurement RM'000	Expected credit losses RM'000	Carrying value after reclassification and measurement 1 April 2018 RM'000
Company (cont'd.)				
Liabilities				
Borrowings	320,000	-	-	320,000
Other payables	8,975	-	-	8,975
Total liabilities	328,975	-	-	328,975
Equity				
Share capital	319,605	-	-	319,605
Reserves	312,429	-	-	312,429
Total equity attributable to equity holders of the holding company	632,034	-	-	632,034
Total liabilities and equity	961,009	-	-	961,009

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.27 Changes in accounting policies (cont'd.)

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

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

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

2.28 Standards issued but not yet effective

The Standards, Amendments to Standards, IC Interpretation and Annual Improvements to Standards that have been 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 intend to adopt these Standards, Amendments to Standards, IC Interpretation and Annual Improvements to Standards, if applicable, when they become effective:

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

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

MFRS 16 *Leases*

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

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

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

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

The Group and the Company are still assessing the financial impact arising from the adoption of MFRS 16.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

MFRS 17 *Insurance Contracts*

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

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

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

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

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

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

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

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

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

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

On 14 November 2018, the IASB tentatively decided to propose an amendment to the effective date of IFRS 17 to reporting periods beginning on or after 1 January 2022. The proposed deferral date is subject to public consultation, which is expected in 2019. If the proposal deferral date is approved, it is likely that a similar amendment to the effective date of MFRS 17 will be similarly adopted by the MASB.

The Group with assistance from consultants has established a project team to plan and manage the implementation of MFRS 17, including the assessment on the financial implications to the Group following the adoption of the new standard.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

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 material adjustments to the carrying amount of 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. The Group and the Company have not applied any significant judgements in preparing the financial statements.

3.2 Key sources of estimation uncertainty

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

(a) 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 liabilities 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 as well as a PRAD at 75% confidence level.

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 36(a)(iv) and 36(b)(iv).

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

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

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

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

(a) General reinsurance, takaful and retakaful businesses (cont'd.)

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.

The methodology used in the valuation of general reinsurance liabilities involves 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. For overseas business, the valuation of general reinsurance liabilities is performed based on territorial grouping of risks to better reflect the underwriting performance.

(b) Family 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 are estimated based on expected number of deaths on statutory mortality tables and 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 36(c)(iii) and 36(d)(iii).

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

NOTES TO THE FINANCIAL STATEMENTS
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3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D.)

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

(c) 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 funds which are based on estimations performed by qualified actuaries. The estimation methods are explained in Note 2.6(b). 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.

4. NET EARNED PREMIUMS/CONTRIBUTIONS

	Group	
	2019 RM'000	2018 RM'000
(a) Gross earned premiums/contributions		
Insurance and takaful contracts	**1,993,181**	2,216,703
Change in premium/contribution liabilities	**(17,478)**	34,960
	1,975,703	2,251,663
(b) Premiums/contributions ceded to reinsurers/retakaful operators		
Insurance and takaful contracts	**(303,946)**	(317,868)
Change in premium/contribution liabilities	**942**	(4,931)
	(303,004)	(322,799)
Net earned premiums/contributions	**1,672,699**	1,928,864

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

5. INVESTMENT INCOME

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Financial assets at FVTPL				
Designated upon initial recognition				
Interest/profit income	**108,689**	-	**-**	-
Mandatorily measured:				
Interest/profit income	**1,263**	-	**-**	-
Dividend income:				
- quoted shares in Malaysia	**6,375**	61	**-**	-
- unit trust fund	**1,573**	1,702	**-**	-
Financial assets at FVOCI				
Interest/profit income	**86,045**	-	**-**	-
Dividend income on unquoted shares in Malaysia	**103**	-	**-**	-
Financial assets at amortised cost				
Interest/profit income	**65,969**	-	**2,096**	-
HTM investments				
Interest/profit income	**-**	27,546	**-**	50
AFS financial assets				
Interest/profit income	**-**	148,623	**-**	-
Dividend income:				
- quoted shares in Malaysia	**-**	6,731	**-**	-
- unquoted shares in Malaysia	**-**	103	**-**	-
Loans and receivables				
Interest/profit income	**-**	62,333	**-**	2,772
Dividend income from subsidiaries	**-**	-	**30,000**	-
Dividend income from associate	**-**	-	**-**	400
Rental income	**3,066**	3,954	**-**	-
Net amortisation of premiums on investments	**(5,094)**	(5,094)	**-**	-
Investment expenses	**(1,055)**	(28)	**-**	-
	266,934	245,931	**32,096**	3,222

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6. NET REALISED GAINS/(LOSSES)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Property, plant and equipment				
Net realised gains	160	-	31	-
Investment properties				
Net realised gains	-	100	-	-
Financial assets at FVTPL				
Quoted shares in Malaysia	4,931	-	-	-
Quoted Shariah approved equities in Malaysia	(1,834)	-	-	-
Shariah approved unit trust funds	(526)	4,949	-	-
Net realised gains	2,571	4,949	-	-
Financial assets at FVOCI				
Unquoted debt securities	1,350	-	-	-
Unquoted Islamic private debt securities	3,551	-	-	-
Government investment issues	188	-	-	-
Net realised gains	5,089	-	-	-
AFS financial assets				
Quoted shares in Malaysia	-	(4,473)	-	-
Unquoted corporate debt securities	-	630	-	-
Government investment issues	-	751	-	-
Net realised losses	-	(3,092)	-	-
	7,820	1,957	31	-

7. NET FAIR VALUE GAINS/(LOSSES)

	Group	
	2019 RM'000	2018 RM'000
Net fair value gains/(losses) on financial assets at FVTPL	72,769	(487)
Reversal of impairment losses on FVOCI financial assets	3	-
Writeback of impairment losses on AFS financial assets	-	12,178
	72,772	11,691

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8. FEE AND COMMISSION INCOME/(EXPENSES)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Fee and commission income				
Management fees	**8,814**	7,601	**38,899**	35,025
Commission income	**25,707**	32,541	**-**	-
	34,521	40,142	**38,899**	35,025
Fee and commission expenses				
Commission expenses	**(384,339)**	(427,469)		
Brokerage	**-**	(56)		
	(384,339)	(427,525)		

9. MANAGEMENT EXPENSES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Salaries, bonus and other related costs	**106,685**	100,405	**24,316**	23,746
Short term accumulating compensated absences	**59**	85	**51**	93
Directors' remuneration and Group Shariah Committee ("GSC") members' remuneration (Note 10)	**6,329**	8,019	**3,773**	2,691
Pension costs - EPF	**13,769**	12,027	**3,072**	2,630
Social security costs	**701**	1,239	**139**	130
Retirement benefits	**229**	335	**143**	139
Auditors' remuneration:				
Statutory auditors of the Group				
- statutory audit	**1,484**	1,448	**88**	115
- audit-related	**87**	80	**5**	8
- other services	**81**	501	**9**	5
Depreciation of property, plant and equipment	**6,799**	7,272	**423**	499
Amortisation of intangible assets	**6,181**	4,312	**405**	355
Intangible asset written off	**-**	613	**-**	38
Agency expenses	**8,276**	10,710	**-**	-
Marketing and promotional costs	**17,707**	10,981	**353**	399
Electronic data processing costs	**17,072**	13,276	**-**	-
Office rental	**3,930**	3,975	**1,226**	1,067
Professional and legal fees	**9,769**	18,650	**2,626**	1,589
Contributions and donations	**870**	1,220	**10**	10
Other management expenses	**47,913**	42,841	**3,622**	2,031
	247,941	237,989	**40,261**	35,545

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10. GCEO, DIRECTORS' AND GROUP SHARIAH COMMITTEE REMUNERATION

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Number of Non-Executive Directors	**14**	17	**8**	10
GCEO/Executive Directors*:				
Salaries and bonus	**2,518**	3,717	**2,281**	1,328
Pension costs - EPF and SOCSO	**379**	736	**348**	341
Benefits-in-kind	**72**	178	**72**	68
Fees	**201**	292	**-**	-
Others	**47**	91	**4**	4
	3,217	5,014	**2,705**	1,741
Non-Executive Directors:				
Fees	**2,284**	2,329	**909**	844
Others	**604**	593	**231**	174
	2,888	2,922	**1,140**	1,018
Group Shariah Committee members:				
Fees	**194**	192	**-**	-
Allowances	**102**	69	**-**	-
	296	261	**-**	-
Total GCEO/Executive Directors' and GSC members' remuneration excluding benefits-in-kind	**3,441**	5,097	**2,633**	1,673
Total Directors' remuneration excluding benefits-in-kind	**6,329**	8,019	**3,773**	2,691

* Included in the remuneration of Executive Directors in 2018 is remuneration for an Executive Director of a subsidiary who resigned as an Executive Director in 2018.

10. GCEO, DIRECTORS' AND GROUP SHARIAH COMMITTEE REMUNERATION (CONT'D.)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Director of a subsidiary*:				
Salaries and bonus	**715**	834	**715**	834
Pension costs - EPF	**117**	129	**117**	129
Social security costs	**1**	1	**1**	1
Other allowances	**64**	65	**64**	65
Benefits-in-kind	**86**	97	**86**	97
	983	1,126	**983**	1,126

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

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	
	2019	2018	2019	2018
GCEO/Executive Director:				
RM1,550,001 to RM1,600,000	**-**	1	**-**	-
RM1,700,001 to RM1,750,000	**-**	-	**-**	1
RM2,700,001 to RM2,750,000	**-**	-	**1**	-
RM2,750,001 to RM2,800,000	**-**	1	**-**	-
RM3,200,000 to RM3,250,000	**1**	-	**-**	-
Non-Executive Directors:				
RM0 to RM50,000	**3**	5	**-**	2
RM50,001 to RM100,000	**-**	1	**-**	2
RM100,001 to RM150,000	**1**	3	**7**	5
RM150,001 to RM200,000	**2**	1	**1**	1
RM200,001 to RM250,000	**2**	1	**-**	-
RM250,001 to RM300,000	**2**	2	**-**	-
RM300,001 to RM350,000	**1**	3	**-**	-
RM350,001 to RM400,000	**3**	-	**-**	-
RM450,001 to RM500,000	**-**	1	**-**	-

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10. GCEO, DIRECTORS' AND GROUP SHARIAH COMMITTEE REMUNERATION (CONT'D.)

	Company				Group			
	Salary and bonus RM'000	Fees RM'000	Benefits-in-kind and other emoluments RM'000	Total RM'000	Salary and bonus RM'000	Fees RM'000	Benefits-in-kind and other emoluments RM'000	Total RM'000
2019								
Group Chief Executive Officer ("GCEO")/ Executive Director								
Mohd Din Merican (Resigned from the Board with effect from 1 July 2018)	2,281	-	424	2,705	2,518	201	498	3,217
	2,281	-	424	2,705	2,518	201	498	3,217
Non-Executive Directors:								
Dato Sharkawi Alis	-	142	22	164	-	313	51	364
Hijah Arifakh Othman	-	104	26	130	-	104	30	134
Mustaffa Ahmad	-	112	33	145	-	245	70	315
Rosinah Mohd Salleh	-	99	26	125	-	208	60	268
Arul Sothy Mylvaganam	-	104	25	129	-	225	54	279
Noor Rida Hamzah	-	116	33	149	-	116	36	152
Datuk Johar Che Mat	-	116	33	149	-	171	48	219
George Oommen	-	116	33	149	-	308	85	393
	-	909	231	1,140	-	1,690	434	2,124
Total Directors' remuneration	2,281	909	655	3,845	2,518	1,891	932	5,341

10. GCEO, DIRECTORS' AND GROUP SHARIAH COMMITTEE REMUNERATION (CONT'D.)

	Company				Group			
	Salary and bonus RM'000	Fees RM'000	Benefits-in-kind and other emoluments RM'000	Total RM'000	Salary and bonus RM'000	Fees RM'000	Benefits-in-kind and other emoluments RM'000	Total RM'000
2018								
Executive Director:								
Mohd Din Merican	1,328	-	413	1,741	2,476	292	724	3,492
	1,328	-	413	1,741	2,476	292	724	3,492
Non-Executive Directors:								
Dato Sharkawi Alis	-	142	16	158	-	400	62	462
Hijah Arifakh Othman	-	104	20	124	-	104	21	125
Mustaffa Ahmad	-	120	30	150	-	242	61	303
Rosinah Mohd Salleh	-	108	23	131	-	224	54	278
Arul Sothy Mylvaganam	-	114	25	139	-	231	51	282
Noor Rida Hamzah	-	110	23	133	-	110	25	135
Datuk Johar Che Mat (Appointed with effect from 1 October 2017)	-	50	13	63	-	50	15	65
George Oommen (Appointed with effect from 1 January 2018)	-	21	5	26	-	21	8	29
Megat Dziauddin Megat Mahmud (Resigned with effect from 30 June 2017)	-	33	9	42	-	250	68	318
Paisol Ahmad (Retired with effect from 24 August 2017)	-	42	10	52	-	84	23	107
	-	844	174	1,018	-	1,716	388	2,104
Total Directors' remuneration	1,328	844	587	2,759	2,476	2,008	1,112	5,596

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11. OTHER OPERATING REVENUE/(EXPENSES)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Other operating revenue				
Gains on foreign exchange	**1,502**	269	**-**	-
Reversal of impairment losses on insurance/takaful receivables	**852**	20,565	**-**	-
Non-operating interest income	**295**	675	**6**	8
Miscellaneous income	**10,002**	16,562	**706**	144
Net reversal of impairment loss on subsidiary (Note 16(ii))	**-**	-	**-**	20,771
	12,651	38,071	**712**	20,923
Other operating expenses				
Losses on foreign exchange	**(318)**	(21,750)	**-**	-
Allowance for impairment of other receivables	**-**	(254)	**-**	-
Impairment loss on buildings	**(216)**	(251)	**-**	-
Miscellaneous expenses	**(1,137)**	(890)	**-**	(208)
	(1,671)	(23,145)	**-**	(208)

12. TAXATION

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Malaysian income tax:				
Tax expense for the year	**17,807**	47,596	**378**	564
(Over)/under provision in prior years	**(7,286)**	2,261	**-**	(382)
	10,521	49,857	**378**	182
Deferred tax:				
Relating to origination and reversal of temporary differences (Note 15)	**3,790**	1,239	**939**	522
	3,790	1,239	**939**	522
	14,311	51,096	**1,317**	704

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12. TAXATION (CONT'D.)

Domestic income tax for the Company, the general takaful business and the takaful subsidiaries' shareholder's funds are calculated at the Malaysian statutory tax rate of 24% (2018: 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% (2017: 8%).

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

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

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Profit before zakat and tax	**119,399**	192,524	15,233	7,576
Taxation at Malaysian statutory tax rate of 24%	**28,656**	46,206	3,656	1,818
Effects of different tax rate in respect of reinsurance/ retakaful business	**(15,007)**	-	-	-
Effects of different tax rate in respect of offshore insurance	**-**	(70)	-	-
Income not subject to tax	**(42,871)**	(51,942)	(7,207)	-
Expenses not deductible for tax purposes	**47,670**	56,972	4,868	(732)
(Over)/under provision of tax in prior years	**(7,286)**	2,261	-	(382)
Share of results of associates	**3,149**	(2,331)	-	-
Tax expense for the year	**14,311**	51,096	1,317	704

Tax borne by participants

	Group	
	2019 RM'000	**2018 RM'000**
Current income tax:		
Current year's provision	**15,168**	13,459
Under/(over) provision of tax expense in prior years	**233**	(1,531)
	15,401	11,928
Deferred income tax:		
Deferred tax relating to origination and reversal of temporary differences	**6,736**	745
Tax expense for the year	**22,137**	12,673

NOTES TO THE FINANCIAL STATEMENTS
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13. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM'000	Buildings RM'000	Computer equipment RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Group						
Valuation/Cost						
At 1 April 2017	36,800	203,070	10,940	39,041	2,734	292,585
Additions	-	87	347	445	372	1,251
Revaluation surplus	-	3,950	-	-	-	3,950
Foreign exchange translation	-	(879)	(12)	(58)	(30)	(979)
Elimination of accumulated depreciation on revaluation	-	(5,110)	-	-	-	(5,110)
Write-offs	-	-	-	(13)	-	(13)
At 31 March 2018	36,800	201,118	11,275	39,415	3,076	291,684
Additions	-	1,064	254	205	702	2,225
Disposals	-	-	(667)	(846)	(1,672)	(3,185)
Transfer to non-current assets held for sale (Note 22)	-	(46,000)	-	-	-	(46,000)
Revaluation surplus	-	14,245	-	-	-	14,245
Foreign exchange translation	-	328	5	22	12	367
Elimination of accumulated depreciation on revaluation	-	(5,155)	-	-	-	(5,155)
At 31 March 2019	**36,800**	**165,600**	**10,867**	**38,796**	**2,118**	**254,181**

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

	Freehold land RM'000	Buildings RM'000	Computer equipment RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Group (cont'd.)						
Accumulated depreciation and impairment loss						
At 1 April 2017	-	1,648	10,263	34,419	2,510	48,840
Depreciation charge for the year	-	5,266	537	1,241	228	7,272
Write-offs	-	-	-	(13)	-	(13)
Elimination of accumulated depreciation on revaluation	-	(5,110)	-	-	-	(5,110)
Foreign exchange translation	-	(214)	(11)	(54)	(21)	(300)
Impairment loss during the year	-	251	-	-	-	251
At 31 March 2018	-	1,841	10,789	35,593	2,717	50,940
Depreciation charge for the year	-	5,286	330	935	248	6,799
Disposals	-	-	(667)	(841)	(1,434)	(2,942)
Elimination of accumulated depreciation on revaluation	-	(5,155)	-	-	-	(5,155)
Foreign exchange translation	-	100	5	22	9	136
Impairment loss during the year	-	216	-	-	-	216
At 31 March 2019	**-**	**2,288**	**10,457**	**35,709**	**1,540**	**49,994**
Net carrying amount						
At 31 March 2019	**36,800**	**163,312**	**410**	**3,087**	**578**	**204,187**
At 31 March 2018	36,800	199,277	486	3,822	359	240,744

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 2019.

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

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

Revaluation of freehold land and buildings (cont'd.)

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 40.

Freehold buildings outside Malaysia have been revalued based on their value-in-use and a discount rate of 7% (2018: 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 2017	15,596	175,026	190,622
Additions	-	87	87
At 31 March 2018	15,596	175,113	190,709
Additions	-	1,064	1,064
Transfer to non-current asset held for sale	-	(30,417)	(30,417)
At 31 March 2019	**15,596**	**145,760**	**161,356**
Accumulated depreciation			
At 1 April 2017	-	44,224	44,224
Depreciation charge for the year	-	5,183	5,183
Impairment losses during the year	-	251	251
At 31 March 2018	-	49,658	49,658
Depreciation charge for the year	-	5,286	5,286
Transfer to non-current held for sale	-	(7,494)	(7,494)
Impairment losses during the year	-	216	216
At 31 March 2019	**-**	**47,666**	**47,666**
Net carrying amount			
At 31 March 2019	**15,596**	**98,094**	**113,690**
At 31 March 2018	15,596	125,455	141,051

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 2017	3,107	3,129	1,211	7,447
Additions	279	4	-	283
At 31 March 2018	3,386	3,133	1,211	7,730
Additions	106	11	357	474
Disposals	(380)	(2)	(454)	(836)
At 31 March 2019	**3,112**	**3,142**	**1,114**	**7,368**
Accumulated depreciation				
At 1 April 2017	2,793	2,005	1,182	5,980
Charge for the year	291	183	25	499
At 31 March 2018	3,084	2,188	1,207	6,479
Charge for the year	186	163	74	423
Disposals	(380)	-	(454)	(834)
At 31 March 2019	**2,890**	**2,351**	**827**	**6,068**
Net carrying amount				
At 31 March 2019	**222**	**791**	**287**	**1,300**
At 31 March 2018	302	945	4	1,251

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14. INTANGIBLE ASSETS

	Software development in progress RM'000	Computer software and licences RM'000	Total RM'000
Group			
Cost			
At 1 April 2017	6,319	53,771	60,090
Additions	5,093	8,923	14,016
Write off	(137)	(476)	(613)
Reclassification	(1,301)	1,301	-
At 31 March 2018	9,974	63,519	73,493
Additions	6,678	4,578	11,256
Reclassification	(2,729)	2,729	-
At 31 March 2019	**13,923**	**70,826**	**84,749**
Accumulated amortisation			
At 1 April 2017	-	37,050	37,050
Amortisation for the year	-	4,312	4,312
At 31 March 2018	-	41,362	41,362
Amortisation for the year	-	6,181	6,181
At 31 March 2019	**-**	**47,543**	**47,543**
Net carrying amount			
At 31 March 2019	**13,923**	**23,283**	**37,206**
At 31 March 2018	9,974	22,157	32,131

14. INTANGIBLE ASSETS (CONT'D.)

	Software development in progress RM'000	Computer software and licences RM'000	Total RM'000
Company			
Cost			
At 1 April 2017	123	8,596	8,719
Additions	36	63	99
Reclassification	(74)	74	-
Write-off	(38)	-	(38)
At 31 March 2018	47	8,733	8,780
Additions	998	149	1,147
At 31 March 2019	**1,045**	**8,882**	**9,927**
Accumulated amortisation			
At 1 April 2017	-	6,795	6,795
Amortisation for the year	-	355	355
At 31 March 2018	-	7,150	7,150
Amortisation for the year	-	405	405
At 31 March 2019	**-**	**7,555**	**7,555**
Net carrying amount			
At 31 March 2019	**1,045**	**1,327**	**2,372**
At 31 March 2018	47	1,583	1,630

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15. DEFERRED TAXATION

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
At beginning of year	**7,659**	8,738	**2,811**	3,333
Effect of adopting MFRS 9 (Note 2.27(iv))	**539**	-	**-**	-
At 1 April 2018, as restated	**8,198**	8,738	**2,811**	3,333
Recognised in:				
Income statement (Note 12)	**(3,790)**	(1,239)	**(939)**	(522)
Participants' funds	**(8,988)**	(305)	**-**	-
Recognised in other comprehensive income	**1,462**	465	**-**	-
At end of year	**(3,118)**	7,659	**1,872**	2,811
These comprise the following:				
Deferred tax assets	**13,247**	18,343	**1,872**	2,811
Deferred tax liabilities	**(16,365)**	(10,684)	**-**	-
	(3,118)	7,659	**1,872**	2,811

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31 March 2019

15. DEFERRED TAXATION (CONT'D.)

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	Financial assets at FVOCI/ AFS financial assets RM'000	Revaluation of land and buildings RM'000	Others RM'000	Total RM'000
2019									
At 1 April 2018	**1,288**	**225**	**1,867**	**5,517**	**2,069**	**701**	**(10,684)**	**6,676**	**7,659**
Effect of adopting MFRS 9	**-**	**-**	**-**	**-**	**(2,069)**	**2,083**	**-**	**525**	**539**
At 1 April 2018, as restated	**1,288**	**225**	**1,867**	**5,517**	**-**	**2,784**	**(10,684)**	**7,201**	**8,198**
Recognised in:									
Income statement (Note 12)	**436**	**(148)**	**(122)**	**1,143**	**-**	**(1,934)**	**-**	**(3,165)**	**(3,790)**
Participants' fund	**-**	**-**	**(473)**	**52**	**-**	**(6,816)**	**(1,177)**	**(574)**	**(8,988)**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**(2,415)**	**3,877**	**-**	**1,462**
At 31 March 2019	**1,724**	**77**	**1,272**	**6,712**	**-**	**(8,381)**	**(7,984)**	**3,462**	**(3,118)**
2018									
At 1 April 2017	979	467	2,402	5,135	3,755	(605)	(10,175)	6,780	8,738
Recognised in:									
Income statement (Note 12)	309	(242)	-	700	(1,686)	(4)	-	(316)	(1,239)
Participants' fund	-	-	(535)	(318)	-	555	(219)	212	(305)
Other comprehensive income	-	-	-	-	-	755	(290)	-	465
At 31 March 2018	1,288	225	1,867	5,517	2,069	701	(10,684)	6,676	7,659

NOTES TO THE FINANCIAL STATEMENTS
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15. DEFERRED TAXATION (CONT'D.)

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

	Unabsorbed/ accelerated capital allowances RM'000	Impairment losses on staff loans RM'000	Others RM'000	Total RM'000
Company				
2019				
At 1 April 2018	**1,175**	**4**	**1,632**	**2,811**
Recognised in income statement (Note 12)	**(731)**	**-**	**(208)**	**(939)**
At 31 March 2019	**444**	**4**	**1,424**	**1,872**
2018				
At 1 April 2017	1,503	4	1,826	3,333
Recognised in income statement (Note 12)	(328)	-	(194)	(522)
At 31 March 2018	1,175	4	1,632	2,811

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unutilised business losses	**8,103**	8,015	**6,150**	6,150
Unabsorbed capital allowance	**82**	88	**-**	-
	8,185	8,103	**6,150**	6,150

16. INVESTMENTS IN SUBSIDIARIES

		Company	
		2019	2018
	Note	RM'000	RM'000
Unquoted shares, at cost:			
In Malaysia			
At the beginning of the year		**898,106**	907,000
Additional investment during the year	41(a)	**400,000**	93,106
		1,298,106	1,000,106
Less: Redemption of investment in SSB		**-**	(102,000)
At the end of the year		**1,298,106**	898,106
Outside Malaysia			
At the beginning and end of the year		**6,370**	6,370
		1,304,476	904,476

The increase in investments in subsidiaries during the year represents the utilisation of proceeds arising from the completion of the rights issue exercise on 31 October 2018. Further details are presented in Note 41(a).

NOTES TO THE FINANCIAL STATEMENTS
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16. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest 2019 %	2018 %
Malaysian Reinsurance Berhad ("MRE")	Malaysia	Underwriting of all classes of general reinsurance business and management of family and general retakaful business	**100**	100
Takaful Ikhlas Family Berhad ("TIFB") *(formerly known as Takaful Ikhlas Berhad ("TIB"))* (i)	Malaysia	Management of family and investment-linked takaful business	**100**	100
Takaful Ikhlas General Berhad ("TIGB") (i)	Malaysia	Management of general takaful business	**100**	100
Sinar Seroja Berhad (ii)	Malaysia	Dormant company	**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

(i) On 30 November 2018, in accordance with the requirements of the Islamic Financial Services Act ("IFSA") 2013, TIB had completed the split of its composite takaful licence into two separate takaful licences: one for managing family takaful business and another for managing general takaful business.

Consequently, TIB transferred its general takaful business to TIGB as further disclosed in Note 41(b).

(ii) SSB was principally engaged in the managing of general and family retakaful business until 30 November 2017. On 1 December 2017, SSB ceased business and transferred its general and family retakaful business to MRE and surrendered its licence on the same date. Subsequently, a capital redemption exercise was carried out, resulting in a net reversal of impairment losses of approximately RM21 million.

NOTES TO THE FINANCIAL STATEMENTS
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17. INVESTMENTS IN ASSOCIATES

	Group	
	2019 RM'000	2018 RM'000
Unquoted shares in Malaysia, at cost	**77,615**	77,615
Share of post-acquisition retained profits	**10,167**	23,288
Share of post-acquisition fair value reserve	**1,863**	1,880
Post-acquisition foreign exchange translation reserve*	**44,096**	36,226
	133,741	139,009
Represented by share of net assets	**133,741**	139,009

	Company	
	2019 RM'000	2018 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:

Name of associates	Year end	Principal activities	Proportion of ownership interest and voting power 2019 %	2018 %
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 2018 and management financial statements to the end of the accounting period of 31 March 2019 have been used.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

17. INVESTMENTS IN ASSOCIATES (CONT'D.)

The summarised financial information of the associates are as follows:

	2019 RM'000	2018 RM'000
Assets and liabilities:		
Current assets	**2,269,248**	2,060,606
Non-current assets	**73,780**	63,284
Total assets	**2,343,028**	2,123,890
Current liabilities	**335,371**	282,421
Non-current liabilities	**1,348,524**	1,149,341
Total liabilities	**1,683,895**	1,431,762
Equity	**659,133**	692,128
Results:		
Revenue	**640,565**	588,241
(Loss)/profit for the year	**(95,886)**	36,403

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

18. FINANCIAL ASSETS

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At carrying value:				
Financial assets at FVTPL (a)	**2,988,831**	116,127	**-**	-
Financial assets at FVOCI (b)	**2,155,736**	-	**50**	-
Financial assets at amortised cost (c)	**2,144,987**	-	**47,170**	-
HTM investments (d)	**-**	644,254	**-**	1,000
AFS financial assets (e)	**-**	3,741,196	**-**	50
Loans and receivables (f)	**-**	1,937,263	**-**	29,796
	7,289,554	6,438,840	**47,220**	30,846
Malaysian government securities	**183,878**	209,245	**-**	-
Government investment issues	**1,826,349**	1,673,892	**-**	-
Unquoted corporate debt securities	**2,602,856**	2,317,789	**1,000**	1,000
Equity securities:				
Unquoted shares in Malaysia	**84,451**	44,796	**50**	50
Quoted shares in Malaysia:	**267,164**	126,501	**-**	-
Shariah approved unit trust funds	**168,589**	116,127	**-**	-
Real estate investment trusts	**16,299**	13,227	**-**	-
Fixed and call deposits	**306,395**	91,318	**-**	-
Islamic investment accounts	**1,701,627**	1,735,485	**42,493**	25,885
Other loans and receivables	**131,946**	110,460	**3,677**	3,911
	7,289,554	6,438,840	**47,220**	30,846

NOTES TO THE FINANCIAL STATEMENTS
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18. FINANCIAL ASSETS (CONT'D.)

	Group	
	2019 RM'000	2018 RM'000
(a) Financial assets at FVTPL		
At fair value:		
Designated upon initial recognition:		
Unquoted corporate debt securities	**4,178**	-
Government investment issues	**1,306,506**	-
Unquoted Islamic private debt securities:		
Government guaranteed	**702,381**	-
Unsecured	**507,833**	-
Mandatorily measured:		
Quoted shares in Malaysia:		
Shariah approved equities	**184,207**	-
Warrants	**43**	-
Others	**82,914**	-
Unquoted corporate debt securities	**15,142**	-
Unquoted Islamic private debt securities	**739**	-
Shariah approved unit trust funds	**168,589**	116,127
Real estate investment trusts	**16,299**	-
	2,988,831	116,127

NOTES TO THE FINANCIAL STATEMENTS
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18. FINANCIAL ASSETS (CONT'D.)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(b) Financial assets at FVOCI				
At fair value				
Malaysian government securities	183,878	-	-	-
Government investment issues	519,843	-	-	-
Unquoted corporate debt securities	1,031,242	-	-	-
Unquoted shares [(i)]	84,158	-	-	-
Unquoted Islamic private debt securities:				
Government guaranteed	105,860	-	-	-
Unsecured	230,462	-	-	-
Golf club memberships	293	-	50	-
	2,155,736	-	50	-

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

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

	Financial Park (Labuan) ("FPL") RM'000	Malaysian Rating Corporation Berhad ("MARC") RM'000
Cost, at 1 April 2018 as previously stated	48,852	410
Impact of adopting MFRS 9 (Note 2.27(iv))	33,203	1,907
Fair value, at 1 April 2018 as restated	82,055	2,317
Fair value movement during the year	(159)	(55)
Fair value, at 31 March 2019	81,896	2,262

Disclosures on expected credit losses recognised on financial assets at FVOCI are disclosed in Note 37(a).

NOTES TO THE FINANCIAL STATEMENTS
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18. FINANCIAL ASSETS (CONT'D.)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(c) Financial assets at amortised cost				
Unquoted corporate debt securities	-	-	1,000	-
Fixed and call deposits with licensed:				
Commercial banks	74,838	-	-	-
Foreign banks	231,557	-	-	-
Islamic investment accounts with licensed:				
Islamic banks	1,152,324	-	42,493	-
Investment banks	6,679	-	-	-
Development banks	542,624	-	-	-
Islamic commercial paper	5,019	-	-	-
Secured staff loans	7,856	-	2,378	-
Amounts due from subsidiaries (i)	-	-	776	-
Income due and accrued	67,884	-	55	-
Amount due from Insurance Pool accounts	4,250	-	-	-
Due from Lloyds' syndicate	17,098	-	-	-
Sundry receivables	34,858	-	468	-
	2,144,987	-	47,170	-

(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.

18. FINANCIAL ASSETS (CONT'D.)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(d) HTM investments				
At amortised cost/cost:				
Malaysian government securities	-	78,083	-	-
Government investment issues	-	540,922	-	-
Unquoted corporate debt securities	-	25,249	-	1,000
	-	644,254	-	1,000
At fair value:				
Malaysian government securities	-	77,404	-	-
Government investment issues	-	539,508	-	-
Unquoted corporate debt securities	-	25,723	-	1,009
	-	642,635	-	1,009
(e) AFS financial assets				
At cost:				
Unquoted shares in Malaysia [i]	-	44,796	-	50
At fair value:				
Malaysian government securities	-	131,162	-	-
Government investment issues	-	1,132,970	-	-
Quoted shares in Malaysia	-	126,228	-	-
Warrants	-	273	-	-
Unquoted corporate debt securities	-	2,292,540	-	-
Real estate investment trusts	-	13,227	-	-
	-	3,741,196	-	50

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

18. FINANCIAL ASSETS (CONT'D.)

(e) AFS financial assets (cont'd.)

(i) In the previous financial year, the investments in unquoted shares are measured at cost and their fair values are not disclosed as they cannot be measured reliably based on available information. The pertinent information of the investments in unquoted shares in Malaysia are as follows:

	Group 2018 RM'000
- 27,500,000 ordinary shares of Financial Park (Labuan) Sdn. Bhd. ("FPL"), representing an equity shareholding of 9%	28,283
Less: Impairment loss	(4,759)
	23,524
20,000,000 redeemable preference shares of FPL	20,569
	44,093
- 820,000 ordinary shares of Malaysian Rating Corporation Berhad ("MARC") representing an equity shareholding of 4%	410
- Others	293
	44,796

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

18. FINANCIAL ASSETS (CONT'D.)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(f) Loans and receivables				
At amortised cost/fair value:				
Fixed and call deposits with licensed:				
Commercial banks	-	11,388	-	-
Foreign banks	-	79,930	-	-
Islamic investment accounts with licensed:				
Islamic banks	-	1,154,572	-	17,672
Investment banks	-	114,090	-	-
Development banks	-	466,823	-	8,213
Secured staff loans	-	8,010	-	1,914
Amounts due from subsidiaries [i]	-	-	-	1,780
Income due and accrued	-	68,821	-	41
Amount due from Insurance Pool accounts	-	7,845	-	-
Sundry receivables	-	25,784	-	176
	-	1,937,263	-	29,796

[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.

NOTES TO THE FINANCIAL STATEMENTS

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19. INSURANCE/TAKAFUL CONTRACT LIABILITIES

	2019			2018		
	Gross RM'000	Reinsurance/ retakaful RM'000	Net RM'000	Gross RM'000	Reinsurance/ retakaful RM'000	Net RM'000
General reinsurance/takaful/retakaful funds (Note (a))	**2,471,642**	**(475,672)**	**1,995,970**	2,537,293	(427,090)	2,110,203
Family takaful/retakaful funds (Note (b))	**2,953,779**	**(64,181)**	**2,889,598**	2,723,297	(51,163)	2,672,134
Shareholder's funds (Note (c))	**64,469**	**-**	**64,469**	59,355	-	59,355
Total	**5,489,890**	**(539,853)**	**4,950,037**	5,319,945	(478,253)	4,841,692
(a) General reinsurance/takaful/retakaful funds						
Claim liabilities (Note (i))	**2,098,790**	**(418,710)**	**1,680,080**	2,181,919	(371,072)	1,810,847
Premium/contribution liabilities (Note (ii))	**372,852**	**(56,962)**	**315,890**	355,374	(56,018)	299,356
	2,471,642	**(475,672)**	**1,995,970**	2,537,293	(427,090)	2,110,203
(i) Claim liabilities						
At beginning of the year	**2,181,919**	**(371,072)**	**1,810,847**	2,137,519	(401,855)	1,735,664
Claims incurred in the current underwriting/accident year	**708,987**	**(142,301)**	**566,686**	315,400	(94,787)	220,613
Adjustment to claims incurred in prior underwriting/accident years due to changes in IBNR and PRAD	**(588,506)**	**28,750**	**(559,756)**	54,845	21,908	76,753
Movements in claims incurred in prior underwriting/accident years	**791,616**	**(58,160)**	**733,456**	590,427	(3,115)	587,312
Claims paid during the year	**(995,226)**	**124,073**	**(871,153)**	(916,272)	106,777	(809,495)
At end of the year	**2,098,790**	**(418,710)**	**1,680,080**	2,181,919	(371,072)	1,810,847
(ii) Premium/contribution liabilities						
At beginning of the year	**355,374**	**(56,018)**	**299,356**	390,334	(60,949)	329,385
Premiums/contributions written in the year	**1,403,665**	**(225,846)**	**1,177,819**	1,560,267	(236,025)	1,324,242
Premiums/contributions earned during the year	**(1,386,187)**	**224,902**	**(1,161,285)**	(1,595,227)	240,956	(1,354,271)
At end of the year	**372,852**	**(56,962)**	**315,890**	355,374	(56,018)	299,356

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

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

	2019			2018		
	Gross RM'000	Reinsurance/ retakaful RM'000	Net RM'000	Gross RM'000	Reinsurance/ retakaful RM'000	Net RM'000
(b) Family takaful/retakaful funds						
Provision for claims reported by contract holders	**66,889**	**(11,521)**	**55,368**	91,177	(14,516)	76,661
Participants' Investment Fund ("PIF")	**2,519,419**	**-**	**2,519,419**	2,366,126	-	2,366,126
Participants' Risk Fund ("PRF")	**232,993**	**(52,660)**	**180,333**	152,609	(36,647)	115,962
Net asset value attributable to unitholders	**134,478**	**-**	**134,478**	113,385	-	113,385
	2,953,779	**(64,181)**	**2,889,598**	2,723,297	(51,163)	2,672,134
At beginning of the year	**2,723,297**	**(51,163)**	**2,672,134**	2,580,122	(51,426)	2,528,696
Effect of adopting MFRS 9	**(5,214)**	**-**	**(5,214)**	-	-	-
At 1 April 2018 (restated)	**2,718,083**	**(51,163)**	**2,666,920**	2,580,122	(51,426)	2,528,696
Net earned contributions	**539,081**	**(71,594)**	**467,487**	611,303	(74,328)	536,975
Net creation of units	**42,240**	**-**	**42,240**	36,473	-	36,473
Liabilities paid for death, maturities, surrenders, benefits and claims	**(319,971)**	**58,745**	**(261,226)**	(285,547)	5,418	(280,129)
Net cancellation of units	**(10,907)**	**-**	**(10,907)**	(23,120)	-	(23,120)
Benefits and claims experience variation	**(24,288)**	**2,995**	**(21,293)**	(6,016)	(2,355)	(8,371)
Fees deducted	**(198,854)**	**-**	**(198,854)**	(214,541)	-	(214,541)
Other revenue and expenses	**(10,240)**	**-**	**(10,240)**	3,325	-	3,325
Transfer to shareholder's fund	**(16,738)**	**-**	**(16,738)**	(16,850)	-	(16,850)
Increase in reserve	**235,373**	**(3,164)**	**232,209**	38,148	71,528	109,676
At end of the year	**2,953,779**	**(64,181)**	**2,889,598**	2,723,297	(51,163)	2,672,134

	2019 Gross/net RM'000	2018 Gross/net RM'000
(c) Shareholder's funds		
At beginning of the year	**59,355**	63,203
Increase/(decrease) during the year	**5,114**	(3,848)
At end of the year	**64,469**	59,355

NOTES TO THE FINANCIAL STATEMENTS
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20. INSURANCE/TAKAFUL RECEIVABLES

	Group	
	2019 RM'000	2018 RM'000
Due contributions including agents' balances	**52,939**	76,182
Amounts due from brokers and ceding companies	**299,949**	355,875
	352,888	432,057
Less: Allowance for impairment	**(15,537)**	(13,753)
	337,351	418,304

Offsetting insurance/takaful receivables and insurance/takaful payables

	2019 RM'000	2018 RM'000
Gross amounts of recognised insurance/takaful receivables	**640,767**	690,299
Less: Gross amounts of recognised insurance/takaful payables set off in the statements of financial position	**(287,879)**	(258,242)
Net amounts of insurance/takaful receivables presented in the statements of financial position	**352,888**	432,057

Included in amounts due from brokers and ceding companies is an amount of RM1,266,063 (2018: RM533,027) 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.

21. TAX RECOVERABLE

	Company	
	2019 RM'000	2018 RM'000
Tax recoverable	**19,685**	19,685
Tax payable	**(1,458)**	(2,055)
	18,227	17,630

The Inland Revenue Board ("IRB") had, on 8 September 2017, issued notices of additional assessment (i.e. Form JA) to MNRB Holdings Berhad ("the Company") for the years of assessment ("YA") 2008 to 2014, disallowing the interest expense that the Company had deducted as part of its business expense in arriving at the taxable profit.

NOTES TO THE FINANCIAL STATEMENTS
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21. TAX RECOVERABLE (CONT'D.)

The additional tax payable by the Company under the above-mentioned notices was RM13,575,720. IRB had also treated the tax returns made by the Company for the above years of assessment as incorrect, and imposed a penalty of RM6,109,074 to the Company. This brought the total amount payable to IRB to RM19,684,794.

The Company disagreed with the additional assessment imposed by IRB for the above years of assessment and had submitted a notice of appeal by filing Form Q with the Special Commissioner of Income Tax ("SCIT") on 6 October 2017. At the case mention date held on 28 November 2018, the SCIT had fixed for the hearing of the appeal by the Company on 1 and 2 October 2020.

Notwithstanding the appeal and the hearing before the SCIT, the Company had paid the total amount payable of RM19,684,794.

Based on legal advice, the Company is of the view that there are strong justifications for its appeal and have treated the additional tax payment as tax recoverable.

22. NON-CURRENT ASSET HELD FOR SALE

	Group 2019 RM'000
Freehold land and buildings:	
At beginning of the year	-
Transfer from property, plant and equipment (Note 13)	**46,000**
Less: Costs to sell	**(125)**
At end of the year	**45,875**

The disposal of non-current asset held for sale is still in progress during the financial year.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

23. PARTICIPANTS' FUNDS

	Group	
	2019 RM'000	**2018 RM'000**
Participants' funds comprise the following:		
Accumulated surplus (Note (a))	**236,631**	209,939
Fair value reserves (Note (b))	**3,790**	(3,412)
Revaluation surplus (Note (c))	**54,873**	41,335
	295,294	247,862

(a) Accumulated surplus

At beginning of the year	**209,939**	162,486
Effect of adopting MFRS 9 (Note 2.27(iv))	**(485)**	-
At 1 April 2018, as restated	**209,454**	162,486
Net surplus of the general and family takaful and retakaful funds	**33,141**	62,274
Hibah paid and payable to participants during the year	**(5,964)**	(14,821)
At end of the year	**236,631**	209,939

(b) Fair value reserves

At beginning of the year	**(3,412)**	(106)
Effect of adopting MFRS 9 (Note 2.27(iv))	**4,076**	-
At 1 April 2018, as restated	**664**	(106)
Net gain/(loss) on fair value changes	**4,201**	(5,075)
Realised loss transferred to income statements	**-**	1,201
Deferred tax on fair value changes	**(1,075)**	568
Net change in fair value reserves attributable to participants	**3,126**	(3,306)
At end of the year	**3,790**	(3,412)

(c) Revaluation surplus

At beginning of the year	**41,335**	38,816
Recognised in other comprehensive income	**14,715**	2,738
Deferred tax on revaluation surplus	**(1,177)**	(219)
Net change in revaluation surplus attributable to participants	**13,538**	2,519
At end of the year	**54,873**	41,335

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24. BORROWING

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Sukuk Murabahah Programme	**320,000**	-	**320,000**	-
Revolving Credit Facility	**-**	320,000	**-**	320,000
	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) Sukuk Murabahah Programme

The Company issued RM320 million of Tier 2 Capital Subordinated Sukuk on 22 March 2019. The Sukuk carries a fixed profit rate of 5.2% per annum with a tenure of 10 years but is non-callable for the first 5 years. Further details are presented in Note 41(c).

(b) 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 2019, the Company made a full redemption of the said facility using the proceeds obtained from the issuance of its Sukuk Murabahah Programme.

25. INSURANCE/TAKAFUL PAYABLES

	Group	
	2019 RM'000	2018 RM'000
Due to agents, brokers, retrocessionaires and retakaful operators	**224,032**	270,444

Offsetting insurance/takaful receivables and insurance/takaful payables

	Group	
	2019 RM'000	2018 RM'000
Gross amounts of recognised insurance/takaful payables	**602,290**	683,928
Less: Gross amounts of recognised insurance/takaful receivables set off in the statements of financial position	**(378,258)**	(413,484)
Net amounts of insurance/takaful payables presented in the statements of financial position	**224,032**	270,444

NOTES TO THE FINANCIAL STATEMENTS
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25. INSURANCE/TAKAFUL PAYABLES (CONT'D.)

Included in amounts due to brokers and retrocessionaires is an amount of RM2,174,853 (2018: RM231,908) due to an associate, Labuan Reinsurance (L) Ltd. The amount payable is subject to settlement terms stipulated in the reinsurance contracts.

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

26. OTHER PAYABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Advance contributions	**3,395**	-	**-**	-
Deposit contributions	**49,228**	42,283	**-**	-
Outstanding commissions	**831**	2,921	**-**	-
Provisions	**27,066**	35,717	**5,940**	6,791
Amount due to subsidiaries [i]	**-**	-	**1,062**	157
Agency provident fund	**5,304**	-	**-**	-
Sundry payables and accruals	**146,708**	144,824	**2,286**	2,027
	232,532	225,745	**9,288**	8,975

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

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

NOTES TO THE FINANCIAL STATEMENTS
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27. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2019	2018	2019	2018
Group and Company	**'000**	**'000**	**RM'000**	**RM'000**
Issued and fully paid:				
At beginning of the year	**319,605**	319,605	**319,605**	319,605
Issuance of shares during the year	**447,446**	-	**402,701**	-
At end of the year	**767,051**	319,605	**722,306**	319,605

During the financial year, the Company increased its share capital from RM319,604,193 to RM772,305,476 via the issuance of 447,445,870 new ordinary shares pursuant to the rights issue completed on 31 October 2018, at an issue price of RM0.90 per rights share, on the basis of seven (7) rights shares for every five (5) existing ordinary shares held on 2 October 2018. The details are also disclosed in Note 41(a).

The new ordinary shares issued during the financial year rank *pari passu* in all respects with the existing shares of the Company.

28. DIVIDEND

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

29. EARNINGS PER SHARE

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
Net profit for the year (RM'000)	**104,407**	140,865	**13,916**	6,872
Weighted average number of ordinary shares in issue ('000)*	**514,134**	333,649	**514,134**	333,649
Basic and diluted earnings per share (sen)	**20.3**	42.2	**2.7**	2.1

* The weighted average number of ordinary shares in issue has been adjusted for the rights issue completed on 31 October 2018 for current and prior years.

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30. INVESTMENT PROPERTY

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

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

31. 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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Future minimum rental payments:				
Not later than 1 year	**956**	1,151	**1,248**	1,248
Later than 1 year and not later than 5 years	**1,065**	929	**-**	1,248
	2,021	2,080	**1,248**	2,496

(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 2 and 5 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.

31. OPERATING LEASE ARRANGEMENTS (CONT'D.)

(b) The Group as lessor (cont'd.)

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	
	2019 RM'000	2018 RM'000
Future minimum rental receipts:		
Not later than 1 year	**2,964**	2,721
Later than 1 year and not later than 5 years	**1,734**	1,530
	4,698	4,251

32. COMMITMENTS

The commitments of the Company and of the Group as at the reporting date are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Authorised and contracted for:				
- Intangible assets*	**8,034**	11,869	**668**	2
	8,034	11,869	**668**	2
Authorised but not contracted for:				
- Property, plant and equipment	**1,650**	787	**-**	-
- Intangible assets*	**1,643**	12,775	**35**	-
	3,293	13,562	**35**	-

* Relating to purchases and enhancements of the computer system of the Company and the reinsurance/retakaful and takaful subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS
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33. 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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Income/(expenses):				
Transactions with subsidiaries:				
Management fees received	-	-	38,899	35,025
Rental paid	-	-	(1,226)	(1,067)
Interest income	-	-	50	50
Transactions with an associate, Labuan Reinsurance (L) Ltd:				
Net reinsurance inwards	304	391	-	-
Gross contributions	-	6	-	-
Retakaful outward contributions	(246)	(3,139)	-	-
Retakaful commission	25	232	-	-
Claims recoveries	263	3,400	-	-

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 18(c),18(f), 20, 25 and 26 of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

33. RELATED PARTY DISCLOSURES (CONT'D.)

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-Executive Directors:				
Fees	**2,284**	2,329	**909**	844
Others	**604**	593	**231**	174
GCEO/Executive Directors/Director*:				
Salaries and bonus	**2,518**	3,717	**2,281**	1,328
Pension costs - EPF	**379**	736	**348**	341
Allowances	**201**	292	**-**	-
Benefits-in-kind	**72**	178	**72**	68
Others	**47**	91	**4**	4
Director of a subsidiary:				
Salaries and bonus	**715**	834	**715**	834
Pension costs - EPF	**117**	129	**117**	129
Social security costs	**1**	1	**1**	1
Other allowances	**64**	65	**64**	65
Benefits-in-kind	**86**	97	**86**	97
Shariah Committee members:				
Fees	**194**	192	**-**	-
Meeting allowances	**102**	69	**-**	-
Other key management personnel's remuneration:				
Salaries and bonus	**14,256**	11,978	**4,906**	4,140
Pension costs - EPF	**2,164**	2,366	**692**	668
Social security costs	**28**	15	**9**	8
Allowances	**1,116**	672	**270**	275
Benefits-in-kind	**793**	815	**214**	376
	25,741	25,169	**10,919**	9,352

* Included in the remuneration of Executive Directors in 2018 is remuneration for an Executive Director of a subsidiary who resigned as an Executive Director in 2018.

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34. SEGMENT INFORMATION

Group	Investment holding RM'000	Reinsurance business RM'000	Takaful operator RM'000	Retakaful operator RM'000	Others RM'000	Adjustments and eliminations RM'000	Consolidated RM'000
2019							
Results							
Net earned premiums/ contributions	-	968,061	684,359	20,279	-	-	1,672,699
Interest/profit income	2,096	102,117	150,467	7,257	80	(51)	261,966
Other revenue	69,642	(2,759)	113,025	139	12,235	(59,550)	132,732
Net claims and benefits	-	(644,882)	(575,965)	(13,087)	-	9,644	(1,224,290)
Other expenses	(39,433)	(327,340)	(301,222)	(12,095)	(11,985)	43,853	(648,222)
Depreciation	(423)	(2,738)	(3,452)	-	(186)	-	(6,799)
Amortisation	(405)	(978)	(4,643)	(125)	(30)	-	(6,181)
Finance costs	(16,244)	(51)	-	-	-	51	(16,244)
Share of results of associates	-	-	-	-	-	(13,121)	(13,121)
Operating profit before surplus attributable to takaful and retakaful participants and taxation	15,233	91,430	62,569	2,368	114	(19,174)	152,540
Surplus attributable to takaful participants	-	-	(23,497)	(9,644)	-	-	(33,141)
Operating profit before taxation	15,233	91,430	39,072	(7,276)	114	(19,174)	119,399
Zakat	-	-	(681)	-	-	-	(681)
Taxation	(1,317)	(8,397)	(2,996)	(1,595)	(6)	-	(14,311)
Net profit/(loss) for the year	13,916	83,033	35,395	(8,871)	108	(19,174)	104,407

NOTES TO THE FINANCIAL STATEMENTS
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34. SEGMENT INFORMATION (CONT'D.)

Group (cont'd.)	Investment holding RM'000	Reinsurance business RM'000	Takaful operator RM'000	Retakaful operator RM'000	Others RM'000	Adjustments and eliminations RM'000	Consolidated RM'000
2018							
Results							
Net earned premiums/ contributions	-	1,168,951	735,490	24,423	-	-	1,928,864
Interest/profit income	3,222	98,827	130,974	5,076	453	(50)	238,502
Other revenue	55,948	32,343	69,644	266	2,159	(61,070)	99,290
Net claims and benefits	-	(760,720)	(514,684)	(32,841)	-	-	(1,308,245)
Other expenses	(34,899)	(418,406)	(287,773)	(3,412)	(2,025)	60,615	(685,900)
Depreciation	(499)	(3,022)	(3,751)	-	-	-	(7,272)
Amortisation	(355)	(1,018)	(2,855)	-	(84)	-	(4,312)
Finance costs	(15,841)	(50)	-	-	-	50	(15,841)
Share of results of associates	-	-	-	-	-	9,712	9,712
Operating profit/(loss) before (surplus)/deficit attributable to takaful participants, zakat and taxation	7,576	116,905	127,045	(6,488)	503	9,257	254,798
(Surplus)/deficit attributable to takaful participants	-	-	(77,662)	15,388	-	-	(62,274)
Operating profit before zakat and taxation	7,576	116,905	49,383	8,900	503	9,257	192,524
Zakat	-	-	(563)	-	-	-	(563)
Taxation	(704)	(39,908)	(11,056)	572	-	-	(51,096)
Net profit for the year	6,872	76,997	37,764	9,472	503	9,257	140,865

NOTES TO THE FINANCIAL STATEMENTS
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34. SEGMENT INFORMATION (CONT'D.)

Group (cont'd.)	Investment holding RM'000	Reinsurance business RM'000	Takaful operator RM'000	Retakaful operator RM'000	Others RM'000	Adjustments and eliminations RM'000	Consolidated RM'000
2019							
Assets							
Segment assets [i]	1,375,982	3,709,811	4,706,720	96,146	14,394	(1,329,431)	8,573,622
Investments in associates	1,957	115,569	-	-	-	16,215	133,741
	1,377,939	3,825,380	4,706,720	96,146	14,394	(1,313,216)	8,707,363
Liabilities and Participants' funds							
Segment liabilities							
Participants' funds	-	-	298,411	(3,117)	-	-	295,294
Borrowings	320,000	1,000	-	-	-	(1,000)	320,000
Insurance and takaful contract liabilities	-	1,973,486	3,432,232	84,172	-	-	5,489,890
Other liabilities	9,288	191,329	281,183	21,434	2,890	(23,597)	482,527
	329,288	2,165,815	4,011,826	102,489	2,890	(24,597)	6,587,711
Equities							
Segment equities [i]	1,048,651	1,659,565	694,894	(6,343)	11,504	(1,288,619)	2,119,652
Total liabilities, participants' funds and equity	1,377,939	3,825,380	4,706,720	96,146	14,394	(1,313,216)	8,707,363

34. SEGMENT INFORMATION (CONT'D.)

Group (cont'd.)	Investment holding RM'000	Reinsurance business RM'000	Takaful operator RM'000	Retakaful operator RM'000	Others RM'000	Adjustments and eliminations RM'000	Consolidated RM'000
2018							
Assets							
Segment assets [i]	959,052	3,599,570	4,030,584	120,729	2,397	(916,341)	7,795,991
Investments in associates	1,957	129,876	-	-	-	7,176	139,009
	961,009	3,729,446	4,030,584	120,729	2,397	(909,165)	7,935,000
Liabilities and Participants' funds							
Segment liabilities							
Participants' funds	-	-	260,866	(13,004)	-	-	247,862
Borrowings	320,000	1,000	-	-	-	(1,000)	320,000
Insurance and takaful contract liabilities	-	2,037,525	3,168,225	114,195	-	-	5,319,945
Other liabilities	8,975	237,330	244,559	26,944	1,890	(10,506)	509,192
	328,975	2,275,855	3,673,650	128,135	1,890	(11,506)	6,396,999
Equities							
Segment equities [i]	632,034	1,453,591	356,934	(7,406)	507	(897,659)	1,538,001
Total liabilities, participants' funds and equity	961,009	3,729,446	4,030,584	120,729	2,397	(909,165)	7,935,000

[i] Included in segment assets is a Qard granted to the general and family retakaful funds by the shareholder's fund of the retakaful division of the reinsurance subsidiary, amounting to RM98.0 million (2018: RM84.6 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 (2018: RM72.1 million), have been eliminated in full upon consolidation.

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35. RISK MANAGEMENT FRAMEWORK

The Group Enterprise Risk Management ("ERM") Framework was established to provide a set of guidelines for implementing risk management throughout the Group. It encompasses the Group's risk management:

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

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

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

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

The Group ERM Framework aims to serve as a guide for the effective management of risks throughout the 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 primary objectives of the Group ERM Framework are as follows:

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

(ii) Embeds the Risk Management process and ensures it is an integral part of the Group's planning process at a strategic and operational level;

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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35. RISK MANAGEMENT FRAMEWORK (CONT'D.)

(a) Risk management governance

The Risk Management governance structure is as follows:

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

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

(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. The ORMC is also established at each of the main operating subsidiaries;

(iv) The Group Chief Risk Officer ("GCRO") and Risk Management Department ("RMD") establish the infrastructure and provide oversight of the risk management processes in the Company and across the main operating subsidiaries through the adoption of the Group ERM Framework; and

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

The Group has established Investment Policies at each main operating subsidiary to ensure proper risk management by investing in low-risk assets, deposits with licensed financial institutions, debt securities and other marketable securities. The Group investment strategy is towards capital preservation, return maximisation and liquidity management.

NOTES TO THE FINANCIAL STATEMENTS
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35. RISK MANAGEMENT FRAMEWORK (CONT'D.)

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

Further, each main operating subsidiary had put in place the following policies to ensure 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; and
- applying prudential standards in the assessment of security of its key retrocessionaires/retrotakaful/retakaful providers ("counterparties").

In this respect, each main operating 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 policies/certificates and assessment of circumstances. Past experience with similar events, historical claims development trends, legislative changes, judicial decisions and economic conditions are particularly relevant in claims reserving.

(b) Capital management objectives, policies and approach

The Internal Capital Adequacy Assessment Process ("ICAAP") Policy sets out the overall process where the subsidiaries ensure adequate capital is available to meet its capital requirements on an ongoing basis, in line with BNM Guidelines on Internal Capital Adequacy Assessment for Insurers, Internal Capital Adequacy Assessment for Takaful Operators, Risk-Based Capital Framework for Insurers ("RBC Framework"), Risk-Based Capital Framework for Takaful Operators ("RBCT Framework") and Policy Document on Stress Testing.

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

Under the CMP, the main operating 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 main operating subsidiaries will be able to manage their capital position above the respective internal target.

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35. RISK MANAGEMENT FRAMEWORK (CONT'D.)

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

Capital management objectives

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

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

Capital management policies

The key capital management policies are as follows:

(i) Ensure the Group has adequate capital to support its business objectives; and

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

Approach to capital management

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

(c) Regulatory framework

The Company and its main operating subsidiaries are required to comply with the Financial Services Act ("FSA") 2013 and Islamic Financial Services Act ("IFSA") 2013.

In line with the RBC Framework and RBCT Framework requirements on capital adequacy, the main operating subsidiaries actively manage their capital by taking into account the potential impact of business exposure on their business strategies, risk profiles and overall resilience.

In addition, the Company is required to comply with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa"), Capital Markets and Services Act 2007, Companies Act 2016 and other relevant Acts.

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36. UNDERWRITING RISK

The following disclosures relating to the underwriting risk of the Group are presented separately for each specific business. Elimination of intra-Group transactions are not considered as the disclosures represent how each Business Unit within the Group assesses and manages underwriting risk.

(a) General reinsurance/retakaful

(i) Nature of risk

The reinsurance subsidiary principally underwrites all classes of general reinsurance/retakaful 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. The most significant risk arises from adverse claims development and occurrence of new catastrophe losses. 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 risk exposure through the use of retrocession/retrotakaful programmes which are reviewed annually by the ORMC and RMCB, and subsequently approved by the Board. Prudent standards are applied in placement of the reinsurance subsidiary's key retrocessionaires/retrotakaful providers.

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

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36. UNDERWRITING RISK (CONT'D.)

(a) General reinsurance/retakaful (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	Retrocession RM'000	Net RM'000
2019			
Fire	**861,090**	**(184,740)**	**676,350**
Motor	**413,418**	**(8,124)**	**405,294**
Marine	**307,490**	**(95,139)**	**212,351**
Miscellaneous	**456,648**	**(22,728)**	**433,920**
	2,038,646	**(310,731)**	**1,727,915**
Local	**1,121,121**	**(175,840)**	**945,281**
Overseas	**917,525**	**(134,891)**	**782,634**
	2,038,646	**(310,731)**	**1,727,915**
2018			
Fire	916,378	(112,884)	803,494
Motor	371,547	(5,207)	366,340
Marine	319,134	(74,869)	244,265
Miscellaneous	526,092	(84,505)	441,587
	2,133,151	(277,465)	1,855,686
Local	1,205,335	(241,041)	964,294
Overseas	927,816	(36,424)	891,392
	2,133,151	(277,465)	1,855,686

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

36. UNDERWRITING RISK (CONT'D.)

(a) General reinsurance/retakaful (cont'd.)

(iii) Reserving risk

The reinsurance subsidiary's claim liabilities, and consequently some of the inputs used in determining its premium/contribution 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 statement.

(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 arise from a variety of factors such as the range and quality of data available, underlying assumptions made and random volatility in future experience.

Sensitivity analysis

The insurance/takaful contract liabilities 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/contribution rates in insurance/takaful and reinsurance/retakaful markets; and
(iv) Legislative and regulatory changes.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

36. UNDERWRITING RISK (CONT'D.)

(a) General reinsurance/retakaful (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%:

	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
	Increase/(decrease)			
2019				
Fire	**20,229**	**20,229**	**(20,229)**	**(18,611)**
Marine	**3,087**	**3,087**	**(3,087)**	**(2,840)**
Motor	**9,405**	**9,405**	**(9,405)**	**(8,653)**
Miscellaneous	**7,899**	**7,899**	**(7,899)**	**(7,267)**
	40,620	**40,620**	**(40,620)**	**(37,371)**
2018				
Fire	16,243	16,243	(16,243)	(13,303)
Marine	3,743	2,913	(2,913)	(2,564)
Motor	9,930	9,930	(9,930)	(7,641)
Miscellaneous	8,357	8,351	(8,351)	(6,663)
	38,273	37,437	(37,437)	(30,171)

* The impact on equity reflects the after tax impact.

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

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

36. UNDERWRITING RISK (CONT'D.)

(a) General reinsurance (cont'd.)

(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.

The methodology used in the valuation of general reinsurance liabilities involves 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. For overseas business, the valuation of general reinsurance liabilities is performed based on territorial grouping of risks to better reflect the underwriting performance.

36. UNDERWRITING RISK (CONT'D.)

(a) General reinsurance/retakaful (cont'd.)

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

Gross general reinsurance/retakaful contract liabilities for 2019:

Underwriting year	Before 2011 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	Sub Total RM'000
At the end of underwriting year		653,195	678,781	755,249	709,990	736,158	695,227	790,114	849,676	
One year later		755,795	699,168	778,872	738,302	776,819	841,478	715,481	-	
Two years later		831,359	703,132	810,844	744,827	823,354	800,205	-	-	
Three years later		884,511	741,350	923,036	742,262	809,917	-	-	-	
Four years later		918,231	755,438	967,111	729,685	-	-	-	-	
Five years later		924,282	822,195	953,217	-	-	-	-	-	
Six years later		1,046,734	799,572	-	-	-	-	-	-	
Seven years later		1,058,117	-	-	-	-	-	-	-	
Current estimate of booked ultimate claims incurred (a)	4,015,708	1,057,213	797,644	949,532	723,943	800,818	784,153	686,668	638,016	
At the end of underwriting year		74,108	48,231	66,414	50,464	48,141	50,779	47,943	105,412	
One year later		468,913	336,973	450,853	394,640	467,078	371,055	395,780	-	
Two years later		672,090	485,266	611,454	525,476	593,676	555,168	-	-	
Three years later		786,901	582,071	724,613	581,640	668,180	-	-	-	
Four years later		842,952	636,596	803,350	623,705	-	-	-	-	
Five years later		873,568	698,341	832,772	-	-	-	-	-	
Six years later		983,399	740,119	-	-	-	-	-	-	
Seven years later		1,009,690	-	-	-	-	-	-	-	
Cumulative payments to-date (b)	3,949,476	1,009,690	740,119	832,772	623,705	668,180	555,168	395,780	105,412	
Expected claim liabilities (a) - (b)	66,232	47,523	57,525	116,760	100,238	132,638	228,985	290,888	532,604	1,573,393

Other portfolios	105,176
Best estimate of claim liabilities	1,678,569
Claim handling expenses	9,778
Fund PRAD at 75% confidence interval	125,209
Gross general reinsurance/retakaful claim liabilities	1,813,556

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

36. UNDERWRITING RISK (CONT'D.)

(a) General reinsurance/retakaful (cont'd.)

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

Net general reinsurance/retakaful contract liabilities for 2019:

Underwriting year	Before 2011 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	Sub Total RM'000
At the end of underwriting year		565,450	646,499	745,437	705,370	703,964	863,017	783,472	851,093	
One year later		740,800	679,991	763,551	712,346	877,687	823,576	707,596	-	
Two years later		816,058	674,963	794,351	763,018	817,079	785,839	-	-	
Three years later		870,176	709,217	844,810	734,168	806,237	-	-	-	
Four years later		901,716	753,532	883,611	723,955	-	-	-	-	
Five years later		925,335	773,005	868,517	-	-	-	-	-	
Six years later		1,027,115	768,255	-	-	-	-	-	-	
Seven years later		1,042,602	-	-	-	-	-	-	-	
Current estimate of booked ultimate claims incurred (a)	3,819,861	1,041,705	766,401	864,869	718,209	797,147	770,021	679,624	639,349	
At the end of underwriting year		73,515	47,742	66,414	50,464	48,141	50,779	47,943	105,412	
One year later		462,589	333,140	446,728	394,520	467,060	369,591	395,792	-	
Two years later		663,963	478,500	607,074	521,806	593,458	550,347	-	-	
Three years later		776,430	574,004	689,440	577,362	667,555	-	-	-	
Four years later		831,445	618,991	761,309	618,482	-	-	-	-	
Five years later		862,696	671,610	792,241	-	-	-	-	-	
Six years later		970,672	711,549	-	-	-	-	-	-	
Seven years later		996,289	-	-	-	-	-	-	-	
Cumulative payments to-date (b)	3,759,264	996,289	711,549	792,241	618,482	667,555	550,347	395,792	105,412	
Expected claim liabilities (a) - (b)	60,597	45,416	54,852	72,628	99,727	129,592	219,674	283,832	533,937	1,500,255

Other portfolios	99,724
Best estimate of claim liabilities	1,599,979
Claim handling expenses	9,778
Fund PRAD at 75% confidence interval	99,472
Less: Retrocession recoveries	(191,320)
Net general reinsurance/retakaful claim liabilities	1,517,909

36. UNDERWRITING RISK (CONT'D.)

(a) General reinsurance/retakaful (cont'd.)

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

Gross general reinsurance/retakaful contract liabilities for 2018:

Underwriting year	Before 2010 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	Sub Total RM'000
At the end of underwriting year		640,777	653,195	678,781	755,249	709,990	736,158	695,227	790,114	
One year later		631,766	755,795	699,168	778,872	738,302	776,819	841,257	-	
Two years later		706,692	831,359	703,132	810,844	744,827	823,354	-	-	
Three years later		716,067	884,511	741,350	923,036	736,881	-	-	-	
Four years later		716,766	918,231	755,438	959,450	-	-	-	-	
Five years later		727,701	924,282	823,726	-	-	-	-	-	
Six years later		723,129	1,039,513	-	-	-	-	-	-	
Seven years later		756,466	-	-	-	-	-	-	-	
Current estimate of booked ultimate claims incurred (a)	**3,253,028**	**760,526**	**1,045,029**	**819,445**	**960,491**	**732,987**	**807,785**	**789,977**	**546,986**	
At the end of underwriting year		78,371	74,108	48,231	66,414	50,464	48,141	50,779	47,943	
One year later		318,276	468,913	336,973	450,853	394,640	467,078	371,055	-	
Two years later		514,735	672,090	485,266	611,454	525,476	593,676	-	-	
Three years later		600,229	786,901	582,071	682,220	581,640	-	-	-	
Four years later		656,500	842,952	636,596	803,350	-	-	-	-	
Five years later		676,846	873,567	698,341	-	-	-	-	-	
Six years later		688,755	983,399	-	-	-	-	-	-	
Seven years later		724,966	-	-	-	-	-	-	-	
Cumulative payments to-date (b)	**3,191,895**	**724,966**	**983,399**	**698,341**	**803,350**	**581,640**	**593,676**	**371,055**	**47,943**	
Expected claim liabilities (a) - (b)	61,133	35,560	61,630	121,104	157,141	151,347	214,109	418,922	499,043	1,719,989

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

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

36. UNDERWRITING RISK (CONT'D.)

(a) General reinsurance/retakaful (cont'd.)

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

Net general reinsurance/retakaful contract liabilities for 2018:

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

	RM'000
Other portfolios	(47,402)
Best estimate of claim liabilities	1,561,174
Claim handling expenses	8,235
Fund PRAD at 75% confidence interval	105,756
Less: Retrocession recoveries	(23,159)
Net general reinsurance/retakaful claim liabilities	1,652,006

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

36. UNDERWRITING RISK (CONT'D.)

(b) General takaful fund

(i) Nature of risk

The general takaful subsidiary principally issues the following types of general takaful contracts: Motor, Fire, Personal Accident and other Miscellaneous classes.

All participants pay a portion of contributions on the basis of tabarru' ("donation") into the General Takaful Risk Fund ("GTRF") for the purpose of meeting claims for events or risks covered under the takaful contracts.

The 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 to manage the solvency of the GTRF.

The general takaful subsidiary also manages its risk exposure by the use of retakaful arrangements. The retakaful treaty arrangements are reviewed annually by ORMC and 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 GTRF under the various scenarios according to regulatory guidelines, simulating drastic changes in major parameters such as new business volume and investment environment.

(ii) Reserving risk

The GTRF's claim liabilities, and consequently some of the inputs used in determining its contribution liabilities and Shareholder's Fund's expense liabilities, are based upon claims experience, existing knowledge of the events, the terms and conditions of relevant contracts and interpretation of prevailing circumstances. Upon notification of a claim, the general 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 general 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 statement.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

36. UNDERWRITING RISK (CONT'D.)

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

(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
2019			
Fire	**88,907**	**(24,336)**	**64,571**
Motor	**271,038**	**(123,020)**	**148,018**
Personal Accident	**20,058**	**(300)**	**19,758**
Miscellaneous	**52,993**	**(17,286)**	**35,707**
	432,996	**(164,942)**	**268,054**
2018			
Fire	68,489	(13,642)	54,847
Motor	263,453	(117,780)	145,673
Personal Accident	18,068	(31)	18,037
Miscellaneous	53,656	(18,172)	35,484
	403,666	(149,625)	254,041

(iv) Impact on liabilities, profit and equity

Key assumptions

The principal assumption underlying the estimation of liabilities is that the general takaful 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.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

36. UNDERWRITING RISK (CONT'D.)

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

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

Key assumptions (cont'd.)

Other key circumstances affecting the reliability of assumptions include delays in settlement.

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 management does not expect significant changes to the current legislations in the foreseeable future.

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 the GTRF. The correlation of assumptions will have a significant effect in determining the ultimate claim liabilities. 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.

	Change in assumption of ultimate claims ratio	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
	Increase/(decrease)				
2019					
Motor Act Average Severity	**+10%**	**46,447**	**31,310**	**(31,310)**	**(23,796)**
Motor Others Expected Loss Ratio	**+10%**	**32,209**	**19,345**	**(19,345)**	**(14,702)**
Fire Expected Loss Ratio	**+10%**	**5,972**	**1,993**	**(1,993)**	**(1,515)**

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

36. UNDERWRITING RISK (CONT'D.)

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

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

Sensitivity analysis (cont'd.)

	Change in assumption of ultimate claims ratio	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
		← Increase/(decrease) →			
2018					
Motor Act Average Severity	+10%	39,194	27,051	(27,051)	(20,559)
Motor Others Expected Loss Ratio	+10%	31,231	18,770	(18,770)	(14,265)
Fire Expected Loss Ratio	+10%	3,757	1,653	(1,653)	(1,256)

* 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 general 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 the greatest when the claim is at an early stage of development.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

36. UNDERWRITING RISK (CONT'D.)

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

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

Gross general takaful contract liabilities for 2019:

Accident year	Prior 2013 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	Total RM'000
At the end of accident year	635,225	108,384	141,258	176,571	174,218	190,776	195,417	**188,468**	
One year later	629,010	106,221	125,098	176,737	163,828	192,331	196,877	-	
Two years later	601,375	97,322	122,664	172,414	157,286	185,552	-	-	
Three years later	578,436	96,354	116,932	168,315	153,908	-	-	-	
Four years later	570,297	94,383	114,368	167,527	-	-	-	-	
Five years later	565,229	91,299	113,948	-	-	-	-	-	
Six years later	554,618	89,597	-	-	-	-	-	-	
Seven years later	556,766	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	**556,766**	**89,597**	**113,948**	**167,527**	**153,908**	**185,552**	**196,877**	**188,468**	
At the end of accident year	329,854	41,992	52,965	72,433	70,093	80,611	82,191	**73,362**	
One year later	450,625	70,413	89,811	121,645	112,184	132,501	131,743	-	
Two years later	506,154	81,651	102,861	141,980	130,725	153,910	-	-	
Three years later	528,178	85,797	106,947	154,662	138,037	-	-	-	
Four years later	536,958	86,573	108,544	157,119	-	-	-	-	
Five years later	540,166	87,856	109,092	-	-	-	-	-	
Six years later	544,151	88,484	-	-	-	-	-	-	
Seven years later	545,776	-	-	-	-	-	-	-	
Cumulative payments to-date	**545,776**	**88,484**	**109,092**	**157,119**	**138,037**	**153,910**	**131,743**	**73,362**	
Gross general takaful contract liabilities:									
Best Estimate of Claims Liabilities (incl. Allocated Loss Adjustment Expenses "ALAE")	**10,990**	**1,113**	**4,856**	**10,408**	**15,871**	**31,642**	**65,134**	**115,106**	**255,120**
Fund PRAD at 75%									**30,114**
Total									**285,234**

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

36. UNDERWRITING RISK (CONT'D.)

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

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

Net general takaful contract liabilities for 2019:

Accident year	Prior 2013 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	Total RM'000
At the end of accident year	675,135	77,046	89,101	104,071	110,041	113,257	113,775	**107,381**	
One year later	655,449	74,561	80,459	102,643	100,341	113,434	113,959	-	
Two years later	630,992	66,794	77,240	97,354	96,034	108,941	-	-	
Three years later	597,750	65,723	73,895	94,702	94,500	-	-	-	
Four years later	585,993	64,087	73,044	94,152	-	-	-	-	
Five years later	588,412	61,523	72,721	-	-	-	-	-	
Six years later	508,269	60,096	-	-	-	-	-	-	
Seven years later	503,531	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	**503,531**	**60,096**	**72,721**	**94,152**	**94,500**	**108,941**	**113,959**	**107,381**	
At the end of accident year	309,674	30,126	33,647	45,169	43,970	50,502	49,290	**46,005**	
One year later	419,362	50,073	56,856	71,475	69,156	79,164	79,694	-	
Two years later	467,270	57,352	64,848	82,078	80,147	90,931	-	-	
Three years later	480,275	59,537	68,204	86,274	84,404	-	-	-	
Four years later	490,361	58,440	69,343	87,824	-	-	-	-	
Five years later	492,638	59,117	69,749	-	-	-	-	-	
Six years later	491,981	59,519	-	-	-	-	-	-	
Seven years later	492,605	-	-	-	-	-	-	-	
Cumulative payments to-date	**492,605**	**59,519**	**69,749**	**87,824**	**84,404**	**90,931**	**79,694**	**46,005**	
Net general takaful contract liabilities:									
Best Estimate of Claims Liabilities (incl. ALAE)	**10,926**	**577**	**2,972**	**6,328**	**10,096**	**18,010**	**34,265**	**61,376**	**144,550**
Fund PRAD at 75%									**17,621**
Total									**162,171**

36. UNDERWRITING RISK (CONT'D.)

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

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

Gross general takaful contract liabilities for 2018:

Accident year	Prior 2012 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	Total RM'000
At the end of accident year	488,391	146,833	108,384	141,258	176,571	174,218	190,776	195,415	
One year later	491,305	137,705	106,221	125,098	176,737	163,828	192,331	-	
Two years later	471,810	129,564	97,322	122,664	172,414	157,286	-	-	
Three years later	452,356	126,080	96,354	116,932	168,315	-	-	-	
Four years later	442,223	128,074	94,383	114,368	-	-	-	-	
Five years later	440,113	125,116	91,299	-	-	-	-	-	
Six years later	436,064	118,554	-	-	-	-	-	-	
Seven years later	439,591	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	**439,591**	**118,554**	**91,299**	**114,368**	**168,315**	**157,286**	**192,331**	**195,415**	
At the end of accident year	281,268	48,586	41,992	52,965	72,433	70,093	80,611	82,190	
One year later	362,064	88,561	70,413	89,811	121,645	112,184	132,501	-	
Two years later	399,660	106,494	81,651	102,861	141,980	130,725	-	-	
Three years later	415,367	112,812	85,797	106,947	154,662	-	-	-	
Four years later	421,996	114,962	86,573	108,544	-	-	-	-	
Five years later	424,400	115,766	87,856	-	-	-	-	-	
Six years later	427,207	116,945	-	-	-	-	-	-	
Seven years later	427,518	-	-	-	-	-	-	-	
Cumulative payments to-date	**427,518**	**116,945**	**87,856**	**108,544**	**154,662**	**130,725**	**132,501**	**82,190**	
Gross general takaful contract liabilities:									
Best Estimate of Claims Liabilities (incl. Allocated Loss Adjustment Expenses "ALAE")	**12,073**	**1,609**	**3,443**	**5,824**	**13,653**	**26,561**	**59,830**	**113,225**	**236,218**
Fund PRAD at 75%									**28,978**
Total									**265,196**

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36. UNDERWRITING RISK (CONT'D.)

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

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

Net general takaful contract liabilities for 2018:

Accident year	Prior 2012 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	Total RM'000
At the end of accident year	535,362	139,773	77,046	89,101	104,071	110,041	113,257	113,775	
One year later	529,210	126,239	74,561	80,459	102,643	100,341	113,434	-	
Two years later	511,605	119,387	66,794	77,240	97,354	96,034	-	-	
Three years later	486,268	111,481	65,723	73,895	94,702	-	-	-	
Four years later	477,899	108,094	64,087	73,044	-	-	-	-	
Five years later	481,396	107,016	61,523	-	-	-	-	-	
Six years later	404,527	103,742	-	-	-	-	-	-	
Seven years later	400,982	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	**400,982**	**103,742**	**61,523**	**73,044**	**94,702**	**96,034**	**113,434**	**113,775**	
At the end of accident year	263,575	46,100	30,126	33,647	45,169	43,970	50,502	49,290	
One year later	338,047	81,315	50,073	56,856	71,475	69,156	79,164	-	
Two years later	371,266	96,004	57,352	64,848	82,078	80,147	-	-	
Three years later	379,463	100,812	59,537	68,204	86,274	-	-	-	
Four years later	388,271	102,091	58,440	69,343	-	-	-	-	
Five years later	390,340	102,298	59,117	-	-	-	-	-	
Six years later	389,265	102,716	-	-	-	-	-	-	
Seven years later	389,570	-	-	-	-	-	-	-	
Cumulative payments to-date	**389,570**	**102,716**	**59,117**	**69,343**	**86,274**	**80,147**	**79,164**	**49,290**	
Net general takaful contract liabilities:									
Best Estimate of Claims Liabilities (incl. ALAE)	**11,412**	**1,026**	**2,406**	**3,701**	**8,428**	**15,887**	**34,270**	**64,485**	**141,615**
Fund PRAD at 75%									**17,224**
Total									**158,839**

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36. UNDERWRITING RISK (CONT'D.)

(c) Family takaful fund

(i) Nature of risk

The family takaful subsidiary principally issues the following types of family takaful certificates: Ordinary Takaful Plans, Mortgage Takaful Plans, Group Takaful Plans and Investment-linked Takaful Plans. The takaful contributions are 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 family takaful subsidiary adopts 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 family takaful subsidiary adopts 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 process and inadequacy 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. Other sources of risks include certificate lapses and certificate claims such as mortality and morbidity experience.

The family 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 ORMC and RMCB, and approved by the Board.

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

NOTES TO THE FINANCIAL STATEMENTS
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36. UNDERWRITING RISK (CONT'D.)

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

(i) Nature of risk (cont'd.)

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 reduce.

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 and mortality/morbidity patterns.

(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
2019			
Family takaful plans	**1,167,990**	**(5,062)**	**1,162,928**
Investment-linked takaful plans	**39,693**	**(11,647)**	**28,046**
Mortgage takaful plans	**1,210,099**	**-**	**1,210,099**
Group credit takaful plans	**193,796**	**(6,456)**	**187,340**
Others	**124,290**	**(23,070)**	**101,220**
	2,735,868	**(46,235)**	**2,689,633**
2018			
Family takaful plans	1,027,495	(6,453)	1,021,042
Investment-linked takaful plans	71,527	(6,654)	64,873
Mortgage takaful plans	1,136,960	-	1,136,960
Group credit takaful plans	187,928	(8,343)	179,585
Others	78,963	(7,161)	71,802
	2,502,873	(28,611)	2,474,262

36. UNDERWRITING RISK (CONT'D.)

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

(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:

<u>Mortality and morbidity rates</u>

Assumptions are based on mortality rates as set out in the Product Documentation submitted to BNM. They reflect the historical 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 mortality/morbidity will lead to a larger number of claims (as claims could occur sooner than anticipated), which will reduce the surplus from the PRF and subsequently reduce profits for the shareholders in terms of lower surplus administration charge income. To the extent that the actual mortality/morbidity incidence rate is worse than that priced for the expected surplus arising in the PRF would be lower, leading to lower surplus administration charge income. If the poor experience persists, the PRF may go into deficit, requiring the shareholders to provide qard. This is mitigated with adequate retakaful arrangements as well as contract design (in some circumstances) that builds in repricing mechanisms.

<u>Discount rates</u>

Family takaful liabilities of credit-related products, for examples, 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 as prescribed in the valuation guidelines.

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36. UNDERWRITING RISK (CONT'D.)

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

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

Key assumptions (cont'd.)

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	2019 Discount rates	2018 Discount rates
Credit related products and individual regular contribution plans	Base mortality[1], adjusted for retakaful rates[2] rate	**GII discount rate**	GII discount
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 on possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and financial results of the family takaful fund. Correlations of assumptions will have significant effects in determining the ultimate family takaful liabilities. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions.

36. UNDERWRITING RISK (CONT'D.)

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

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

Sensitivity analysis (cont'd.)

	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on family takaful fund* RM'000
		Increase/(decrease)			
2019					
Mortality/morbidity	**+ 10%**	**97,438**	**50,293**	**(50,293)**	**(50,293)**
Discount rates	**+ 1%**	**(16,056)**	**(16,417)**	**16,417**	**16,417**
2018					
Mortality/morbidity	+ 10%	54,662	21,126	(21,126)	(21,126)
Discount rates	+ 1%	(10,876)	(11,675)	11,675	11,675

* 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) Family retakaful fund

(i) Nature of risk

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

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

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36. UNDERWRITING RISK (CONT'D.)

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

(i) Nature of risk (cont'd.)

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

The underwritten risks are further managed through retrotakaful arrangement.

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 are mainly spread within Malaysia, Brunei and Indonesia. These liabilities are run-off business transferred from Sinar Seroja Berhad.

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
2019			
Local	**14,371**	**(5,787)**	**8,584**
Overseas	**2,173**	**(638)**	**1,535**
	16,544	**(6,425)**	**10,119**
2018			
Local	13,895	(7,575)	6,320
Overseas	1,967	(461)	1,506
	15,862	(8,036)	7,826

36. UNDERWRITING RISK (CONT'D.)

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

(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.

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 before tax and the family retakaful fund should the ultimate loss ratio be increased by 20%:

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

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

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37. 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:

		2019		2018	
Group	**Note**	**Carrying value RM'000**	**Fair value RM'000**	**Carrying value RM'000**	**Fair value RM'000**
Financial and insurance/takaful assets					
Financial assets at FVTPL	18(a)	**2,988,831**	**2,988,831**	116,127	116,127
Financial assets at FVOCI	18(b)	**2,155,736**	**2,155,736**	-	-
Financial assets at amortised cost*	18(c)	**2,144,987**	**2,144,987**	-	-
HTM investments	18(d)	**-**	**-**	644,254	642,635
AFS financial assets	18(e)	**-**	**-**	3,741,196	3,741,196
Loans and receivables*	18(f)	**-**	**-**	1,937,263	1,937,263
Reinsurance/retakaful assets	19	**539,853**	**539,853**	478,253	478,253
Insurance/takaful receivables*	20	**337,351**	**337,351**	418,304	418,304
Cash and bank balances		**51,675**	**51,675**	142,099	142,099
		8,218,433	**8,218,433**	7,477,496	7,475,877
Financial and insurance/takaful liabilities					
Insurance/takaful contract liabilities	19	**5,489,890**	**5,489,890**	5,319,945	5,319,945
Other liabilities:					
Borrowing	24	**320,000**	**320,000**	320,000	320,000
Insurance/takaful payables*	25	**224,032**	**224,032**	270,444	270,444
Other payables*	26	**205,466**	**205,466**	190,028	190,028
		6,239,388	**6,239,388**	6,100,417	6,100,417

37. FINANCIAL RISK (CONT'D.)

		2019		2018	
Company	**Note**	**Carrying value RM'000**	**Fair value RM'000**	**Carrying value RM'000**	**Fair value RM'000**
Financial assets					
Financial assets at FVOCI	18(b)	**50**	**50**	-	-
Financial assets at amortised cost*	18(c)	**47,170**	**47,170**	-	-
HTM investments	18(d)	**-**	**-**	1,000	1,009
AFS financial assets	18(e)	**-**	**-**	50	50
Loans and receivables*	18(f)	**-**	**-**	29,796	29,796
Cash and bank balances		**515**	**515**	408	408
		47,735	**47,735**	31,254	31,263
Financial liabilities					
Borrowing	24	**320,000**	**320,000**	320,000	320,000
Other payables*	26	**3,348**	**3,348**	2,184	2,184
		323,348	**323,348**	322,184	322,184

* The carrying values of the financial assets at amortised cost, loans and receivables, insurance/takaful receivables and other liabilities approximate their fair values due to their short term nature.

(a) Credit Risk

Credit risk is the risk of a counterparty failing to perform its 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. This is linked to the creditworthiness and the expected ability of the issuer and/or financial institution ("counterparty") to make timely payment of interest and/or principal. Any adverse situations faced by the counterparty may result in rating downgrades and default which may impact the value as well as liquidity of the investments;

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

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

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37. FINANCIAL RISK (CONT'D.)

(a) Credit Risk (cont'd.)

The Group is exposed to investment credit risk on its investment portfolio, primarily from investments in bonds/sukuks. Creditworthiness assessment for new and existing investments are undertaken by the Group in accordance with the Investment Policy as approved by the Investment Committee. In addition, the credit ratings of the bonds/sukuks portfolios 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 bonds/sukuks portfolio has no material exposure below investment grade.

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

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

(ii) from amounts due from ceding companies; and

(iii) as a result of reserves held by the counterparties which would have to be met by the reinsurance/retakaful and takaful 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/sukuks that may be held. In addition, the policies are further aimed at investing in a diverse portfolio of bonds/sukuks 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 2019, the credit rating of the Group's fixed income portfolio was dominated by Government Investment Issues ("GII"), Malaysian Government Securities ("MGS") and securities rated AAA as determined by Rating Agency Malaysia ("RAM") and/or Malaysian Rating Corporation Berhad ("MARC"); and

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

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37. FINANCIAL RISK (CONT'D.)

(a) Credit Risk (cont'd.)

Credit exposure by credit rating for 2019

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

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						
Designated upon initial recognition:						
Unquoted corporate debt securities	2,000	2,178	-	-	-	4,178
Unquoted Islamic private debt securities:						
Government guaranteed	702,381	-	-	-	-	702,381
Unsecured	-	507,833	-	-	-	507,833
Government investment issues	1,306,506	-	-	-	-	1,306,506
Mandatorily measured:						
Quoted shares in Malaysia:						
Shariah approved equities	-	-	-	184,207	-	184,207
Warrants	-	-	-	43	-	43
Others	-	-	-	82,914	-	82,914
Unquoted debt securities	-	15,142	-	-	-	15,142
Unquoted Islamic private debt securities	-	-	739	-	-	739
Shariah approved unit trust funds	-	-	-	168,589	-	168,589
Real estate investment trusts	-	-	-	16,299	-	16,299

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31 March 2019

37. FINANCIAL RISK (CONT'D.)

(a) Credit Risk (cont'd.)

Credit exposure by credit rating for 2019 (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
Financial assets at FVOCI						
Government investment issues	519,843	-	-	-	-	519,843
Unquoted corporate debt securities	378,619	652,623	-	-	-	1,031,242
Malaysian government securities	183,878	-	-	-	-	183,878
Unquoted shares in Malaysia	-	-	-	84,158	-	84,158
Unquoted Islamic private debt securities:						
Government guaranteed	105,860	-	-	-	-	105,860
Unsecured	-	230,462	-	-	-	230,462
Golf club membership	-	-	-	293	-	293
Financial assets at amortised cost						
Fixed and call deposits with licensed:						
Commercial banks	-	74,838	-	-	-	74,838
Foreign banks	-	231,557	-	-	-	231,557
Islamic investment accounts with licensed:						
Islamic banks	-	1,152,324	-	-	-	1,152,324
Investment banks	-	6,679	-	-	-	6,679
Development banks	-	352,618	-	-	190,006	542,624
Islamic commercial paper	-	5,019	-	-	-	5,019
Secured staff loans	-	-	-	-	7,856	7,856
Income due and accrued	24,492	40,587	17	479	2,309	67,884

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31 March 2019

37. FINANCIAL RISK (CONT'D.)

(a) Credit Risk (cont'd.)

Credit exposure by credit rating for 2019 (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
Financial assets at amortised cost (cont'd.)						
Amount due from Insurance Pool accounts	-	-	-	-	4,250	4,250
Due from Lloyds' syndicate	-	-	-	-	17,098	17,098
Sundry receivables	-	-	-	5,580	29,278	34,858
Reinsurance/retakaful assets	-	242,168	-	10,396	230,327	482,891
Insurance/takaful receivables	-	2,758	-	-	334,593	337,351
Cash and bank balances	-	49,977	-	1,698	-	51,675
	3,223,579	3,566,763	756	554,656	815,717	8,161,471
Company						
Financial assets at FVOCI						
Golf club membership	-	-	-	50	-	50
Financial assets at amortised cost						
Unquoted debt securities	-	1,000	-	-	-	1,000
Islamic investment accounts with licensed:						
Islamic banks	-	42,493	-	-	-	42,493
Secured staff loans	-	-	-	-	2,378	2,378
Amounts due from subsidiaries	-	-	-	-	776	776
Income due and accrued	-	-	-	-	55	55
Sundry receivables	-	-	-	-	468	468
Cash and bank balances	-	515	-	-	-	515
	-	44,008	-	50	3,677	47,735

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31 March 2019

37. FINANCIAL RISK (CONT'D.)

(a) Credit Risk (cont'd.)

Credit exposure by credit rating for 2018

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						
Shariah approved equities	-	-	-	116,127	-	116,127
HTM investments						
Malaysian government securities	78,083	-	-	-	-	78,083
Unquoted corporate debt securities	25,003	-	246	-	-	25,249
Government investment issues	540,922	-	-	-	-	540,922
AFS financial assets						
Unquoted shares in Malaysia	-	-	-	44,796	-	44,796
Malaysian government securities	131,162	-	-	-	-	131,162
Unquoted corporate debt securities	967,535	1,325,005	-	-	-	2,292,540
Quoted shares in Malaysia	-	-	-	126,228	-	126,228
Warrants	-	-	-	273	-	273
Real estate investment trusts	-	-	-	13,227	-	13,227
Government investment issues	1,132,970	-	-	-	-	1,132,970
Loans and receivables						
Fixed and call deposits with licensed:						
Commercial banks	-	11,388	-	-	-	11,388
Foreign banks	-	79,930	-	-	-	79,930
Islamic investment accounts with licensed:						
Islamic banks	-	1,143,800	-	-	10,772	1,154,572
Investment banks	-	114,090	-	-	-	114,090
Development banks	-	329,532	-	-	137,291	466,823
Secured staff loans	-	-	-	-	8,010	8,010
Income due and accrued	-	-	-	-	68,821	68,821

37. **FINANCIAL RISK (CONT'D.)**

(a) **Credit Risk (cont'd.)**

Credit exposure by credit rating for 2018 (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
Loans and receivables (cont'd.)						
Amount due from Insurance Pool accounts	-	-	-	-	7,845	7,845
Other receivables and deposits	-	-	-	-	25,784	25,784
Reinsurance/retakaful assets	-	183,603	-	-	238,632	422,235
Insurance/takaful receivables	-	47,679	-	-	370,625	418,304
Cash and bank balances	-	130,331	-	-	11,768	142,099
	2,875,675	3,365,358	246	300,651	879,548	7,421,478
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	-	17,672	-	-	-	17,672
Development banks	-	8,213	-	-	-	8,213
Secured staff loans	-	-	-	-	1,914	1,914
Amounts due from subsidiaries	-	-	-	-	1,780	1,780
Income due and accrued	-	-	-	-	41	41
Other receivables and deposits	-	-	-	-	176	176
Cash and bank balances	-	408	-	-	-	408
	-	27,293	-	50	3,911	31,254

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

37. FINANCIAL RISK (CONT'D.)

(a) Credit Risk (cont'd.)

Investment assets - Reconciliation of allowance account

Significant increase in credit risk ("SICR")

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

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

Expected credit loss

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

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

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

37. FINANCIAL RISK (CONT'D.)

(a) Credit Risk (cont'd.)

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

The following table sets out information about the credit quality of financial assets measured at FVOCI.

Group	Total RM'000
2019	
Financial investments at FVOCI	
Government Guaranteed	1,188,200
AAA to BBB	883,085
Total carrying amount	**2,071,285**
Total ECL	**38**

	Total RM'000
At 1 April 2018, as previously stated	-
Effect of adopting MFRS 9	41
At 1 April 2018, as restated	41
Net adjustment of loss allowances	(3)
Balance as at 31 March 2019	**38**

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

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

37. FINANCIAL RISK (CONT'D.)

(a) Credit Risk (cont'd.)

Other financial asset - Reconciliation of allowance account

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

Prior to 1 April 2018, the Group and the Company assess impairment loss on receivables based on the accounting policy described in Note 2.13(i)(a).

Upon implementation of MFRS 9, the Group and the Company applied the simplified approach to receivables and measured the allowance for impairment loss based on a lifetime ECL from initial recognition as described in Note 2.13(i)(b).

Definition of default

The Group and the Company consider a financial asset to be in default by assessing the following criteria:

(i) Quantitative criteria

Takaful receivables of the takaful subsidiaries are considered to be in default when the counterparty fails to make contractual payments within 12 months from the time when they fall due, which is derived based on the subsidiaries' historical information.

Whereas for the reinsurance/retakaful subsidiary, insurance/takaful receivables are considered to be in default when the counterparty fails to make contractual payments within 24 months when they fall due, which is derived based on the subsidiary's historical information.

(ii) Qualitative criteria

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

37. FINANCIAL RISK (CONT'D.)

(a) Credit Risk (cont'd.)

Incorporation of forward-looking information

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

The sensitivity of the ECL to the economic variable assumptions affecting the calculation of ECL was not material to the Group and the Company for the year ended 31 March 2019.

Set out below is the information about the credit risk exposure on the insurance/takaful receivables of the Group's reinsurance/ retakaful subsidiary using a provision matrix:

	Not due RM'000	1 to 6 Months RM'000	7 to 12 Months RM'000	13 to 18 Months RM'000	19 to 24 Months RM'000	More than 24 Months RM'000	Total RM'000
31 March 2019							
ECL rate	**0.04%**	**0.22%**	**1.98%**	**8.93%**	**(83.27%)**	**94.81%**	**1.73%**
Gross carrying amount	**190,545**	**78,587**	**13,418**	**4,961**	**1,117**	**5,334**	**293,962**
Allowance for ECL	**69**	**171**	**266**	**443**	**(930)**	**5,057**	**5,075**

Table below shows the credit risk exposure on the takaful receivables of the Group's takaful subsidiaries using a provision matrix:

	Not due RM'000	0 to 3 Months RM'000	4 to 6 Months RM'000	7 to 9 Months RM'000	10 to 12 Months RM'000	> 1 Year RM'000	Total RM'000
31 March 2019							
ECL rate	**1.02%**	**5.52%**	**28.24%**	**30.77%**	**89.37%**	**93.65%**	**17.75%**
Gross carrying amount	**294**	**47,759**	**2,199**	**1,446**	**254**	**6,974**	**58,926**
Allowance for ECL	**3**	**2,635**	**621**	**445**	**227**	**6,531**	**10,462**

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

37. FINANCIAL RISK (CONT'D.)

(a) Credit Risk (cont'd.)

Incorporation of forward-looking information (cont'd.)

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

	Not credit impaired RM'000	Credit impaired RM'000	Total RM'000
Gross carrying amounts			
As at 1 April 2018	423,182	8,875	432,057
(Reduction)/Increase	(81,844)	2,675	(79,169)
As at 31 March 2019	**341,338**	**11,550**	**352,888**
Allowance for ECL			
As at 31 March 2018, as previously stated	7,213	6,540	13,753
Impact of adopting MFRS 9 (Note 2.27(iv))	(2,015)	4,651	2,636
As at 1 April 2018, as restated	5,198	11,191	16,389
Impairment losses/(reversal of impairment losses) during the year	2,118	(2,970)	(852)
As at 31 March 2019	**7,316**	**8,221**	**15,537**

Movement of allowance for impairment losses on receivables

	Group		
	Individually impaired RM'000	Collectively impaired RM'000	Total RM'000
2019			
At beginning of the year	**7,213**	**6,540**	**13,753**
Impact of adopting MFRS 9 (Note 2.27(iv))	**-**	**2,636**	**2,636**
As at 1 April 2018, as restated	**7,213**	**9,176**	**16,389**
Reversal of impairment losses for the year	**(552)**	**(300)**	**(852)**
At end of the year	**6,661**	**8,876**	**15,537**
2018			
At beginning of the year	8,222	26,096	34,318
Reversal of impairment losses for the year	(1,009)	(19,556)	(20,565)
At end of the year	7,213	6,540	13,753

37. FINANCIAL RISK (CONT'D.)

(a) Credit 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.

The Group and the Company assesses its liquidity risk by ensuring the following:

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

(ii) Additions/withdrawals from the Group's and the Company's investment funds are managed efficiently; and

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

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

(i) Daily cash flows;

(ii) Minimum liquidity holdings;

(iii) The composition and market values of investment portfolios, including liquid holdings; and

(iv) The holding of liquid assets in the respective reinsurance, retakaful and takaful funds.

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

Maturity Profiles

The table below summarises the maturity profile of the assets and liabilities of the Group and of the Company 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 recognized insurance/takaful liabilities. The reinsurers'/retakaful operators' share of unearned premium reserves and unearned contribution reserves have been excluded from the analysis as they are not contractual obligations.

Expense liabilities, contribution liabilities and the retakaful operators' share of contribution liabilities have been excluded from the analysis as there are no contractual obligations to make payments on those liabilities.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

37. FINANCIAL RISK (CONT'D.)

(b) Liquidity Risk (cont'd.)

Maturity profiles for 2019

Group	Carrying value RM'000	Up to 1 year RM'000	1 to 5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
Financial assets at FVTPL						
Designated upon initial recognition						
Unquoted corporate debt securities	4,178	2,131	2,431	-	-	4,562
Government investment issues	1,306,506	56,764	411,829	1,714,865	-	2,183,458
Unquoted Islamic private debt securities:						
Government guaranteed	702,381	31,753	189,791	983,370	-	1,204,914
Unsecured	507,833	43,118	238,779	407,606	-	689,503
Mandatorily measured						
Quoted shares in Malaysia:						
Shariah approved equities	184,207	-	-	-	184,207	184,207
Warrants	43	-	-	-	43	43
Others	82,914	-	-	-	82,914	82,914
Unquoted corporate debt securities	15,142	77	309	16,748	-	17,134
Unquoted Islamic private debt securities:						
Unsecured	739	754	-	-	-	754
Shariah approved unit trust funds	168,589	-	-	-	168,589	168,589
Real estate investment trusts	16,299	-	-	-	16,299	16,299

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

37. FINANCIAL RISK (CONT'D.)

(b) Liquidity Risk (cont'd.)

Maturity profiles for 2019 (cont'd.)

Group (cont'd.)	Carrying value RM'000	Up to 1 year RM'000	1 to 5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
Financial assets at FVOCI						
Malaysian government securities	183,878	7,428	58,040	180,576	-	246,044
Government investment issues	519,843	25,259	245,505	412,535	-	683,299
Unquoted corporate debt securities	1,031,242	128,282	674,166	452,700	-	1,255,148
Unquoted shares in Malaysia	84,158	-	-	-	84,158	84,158
Unquoted Islamic private debt securities:						
Government guaranteed	105,860	4,494	46,890	86,210	-	137,594
Unsecured	230,462	36,916	139,857	106,308	-	283,081
Golf club membership	293	-	-	-	293	293
Financial assets at amortised cost						
Fixed and call deposits with licensed:						
Commercial banks	74,838	75,306	-	-	-	75,306
Foreign banks	231,557	193,561	42,126	-	-	235,687
Islamic investment accounts with licensed:						
Islamic banks	1,152,324	1,166,529	-	-	-	1,166,529
Investment banks	6,679	6,679	-	-	-	6,679
Development banks	542,624	452,603	100,000	-	-	552,603
Islamic commercial paper	5,019	5,085	-	-	-	5,085
Secured staff loans	7,856	4,522	4,111	-	-	8,633
Income due and accrued	67,884	67,884	-	-	-	67,884
Amount due from Insurance Pool accounts	4,250	4,250	-	-	-	4,250

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

37. FINANCIAL RISK (CONT'D.)

(b) Liquidity Risk (cont'd.)

Maturity profiles for 2019 (cont'd.)

Group (cont'd.)	Carrying value RM'000	Up to 1 year RM'000	1 to 5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
Financial assets at amortised cost (cont'd.)						
Due from Lloyds' syndicate	17,098	-	-	-	17,098	17,098
Sundry receivables	34,858	34,858	-	-	-	34,858
Reinsurance/retakaful assets	482,891	171,374	213,185	72,595	25,737	482,891
Insurance/takaful receivables	337,351	336,365	986	-	-	337,351
Cash and bank balances	51,675	49,418	-	-	2,257	51,675
Total financial and insurance assets	8,161,471	2,905,410	2,368,005	4,433,513	581,595	10,288,523
Borrowings	(320,000)	(16,640)	(66,604)	(402,880)	-	(486,124)
Insurance/takaful contract liabilities	(5,052,569)	(813,772)	(1,329,165)	(2,784,422)	(125,210)	(5,052,569)
Insurance/takaful payables	(224,032)	(221,242)	(2,790)	-	-	(224,032)
Other payables	(205,466)	(205,466)	-	-	-	(205,466)
Total financial and insurance liabilities	(5,802,067)	(1,257,120)	(1,398,559)	(3,187,302)	(125,210)	(5,968,191)
Surplus	2,359,404	1,648,290	969,446	1,246,211	456,385	4,320,332

37. FINANCIAL RISK (CONT'D.)

(b) Liquidity Risk (cont'd.)

Maturity profiles for 2019 (cont'd.)

Company	Carrying value RM'000	Up to 1 year RM'000	1 to 5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
Financial assets at FVOCI						
Golf club membership	50	-	-	-	50	50
Financial assets at amortised cost						
Unquoted debt securities	1,000	50	198	1,070	-	1,318
Islamic investment accounts with licensed						
Islamic banks	42,493	42,493	-	-	-	42,493
Secured staff loans	2,378	2,378	-	-	-	2,378
Amount due from subsidiaries	776	776	-	-	-	776
Income due and accrued	55	55	-	-	-	55
Sundry receivables	468	468	-	-	-	468
Cash and bank balances	515	515	-	-	-	515
Total financial assets	47,735	46,735	198	1,070	50	48,053
Borrowing	(320,000)	(16,640)	(66,604)	(402,880)	-	(486,124)
Other payables	(3,348)	(3,348)	-	-	-	(3,348)
Total financial liabilities	(323,348)	(19,988)	(66,604)	(402,880)	-	(489,472)
(Deficit)/surplus	(275,613)	26,747	(66,406)	(401,810)	50	(441,419)

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

37. FINANCIAL RISK (CONT'D.)

(b) Liquidity Risk (cont'd.)

Maturity profiles for 2018

Group	Carrying value RM'000	Up to 1 year RM'000	1 to 5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
Financial assets at FVTPL						
Shariah approved unit trust funds	116,127	-	-	-	116,127	116,127
HTM investments						
Malaysian government securities	78,083	3,277	13,115	93,014	-	109,406
Unquoted corporate debt securities	25,249	6,070	3,744	22,914	-	32,728
Government investment issues	540,922	21,248	515,990	81,656	-	618,894
AFS financial assets						
Unquoted shares in Malaysia	44,796	-	-	-	44,796	44,796
Malaysian government securities	131,162	5,202	29,816	138,337	-	173,355
Unquoted corporate debt securities	2,292,540	278,746	1,128,124	1,806,760	-	3,213,630
Quoted shares in Malaysia	126,228	-	-	-	126,228	126,228
Warrants	273	-	-	-	273	273
Real estate investment trusts	13,227	-	-	-	13,227	13,227
Government investment issues	1,132,970	49,773	261,969	1,446,444	-	1,758,186

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

37. FINANCIAL RISK (CONT'D.)

(b) Liquidity Risk (cont'd.)

Maturity profiles for 2018 (cont'd.)

Group (cont'd.)	Carrying value RM'000	Up to 1 year RM'000	1 to 5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
Loans and receivables						
Fixed and call deposits with licensed:						
Commercial banks	11,388	4,483	6,905	-	-	11,388
Foreign banks	79,930	33,468	46,462	-	-	79,930
Islamic investment accounts with licensed:						
Islamic banks	1,154,572	1,201,808	-	-	-	1,201,808
Investment banks	114,090	114,198	-	-	-	114,198
Development bank	466,823	474,867	-	-	-	474,867
Secured staff loans	8,010	3,548	4,462	-	-	8,010
Income due and accrued	68,821	68,821	-	-	-	68,821
Amount due from Insurance Pool accounts	7,845	7,845	-	-	-	7,845
Sundry receivables	25,784	25,784	-	-	-	25,784
Reinsurance/retakaful assets	422,235	141,188	190,457	67,042	23,548	422,235
Insurance/takaful receivables	418,304	417,880	424	-	-	418,304
Cash and bank balances	142,099	142,099	-	-	-	142,099
Total financial and insurance assets	7,421,478	3,000,305	2,201,468	3,656,167	324,199	9,182,139
Borrowings	(320,000)	(329,881)	-	-	-	(329,881)
Insurance/takaful contract liabilities	(4,905,216)	(824,466)	(1,303,117)	(2,664,579)	(123,056)	(4,915,218)
Insurance/takaful payables	(270,444)	(244,710)	(10,629)	(1,944)	(3,283)	(260,566)
Other payables	(190,028)	(190,028)	-	-	-	(190,028)
Total financial and insurance liabilities	(5,685,688)	(1,589,085)	(1,313,746)	(2,666,523)	(126,339)	(5,695,693)
Surplus	1,735,790	1,411,220	887,722	989,644	197,860	3,486,446

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

37. FINANCIAL RISK (CONT'D.)

(b) Liquidity Risk (cont'd.)

<u>Maturity profiles for 2018 (cont'd.)</u>

Company	Carrying value RM'000	Up to 1 year RM'000	1 to 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	1,120	-	1,368
AFS financial assets						
Unquoted shares in Malaysia	50	-	-	-	50	50
Loans and receivables						
Islamic investment accounts with licensed:						
Islamic banks	17,672	17,708	-	-	-	17,708
Development banks	8,213	8,220	-	-	-	8,220
Secured staff loans	1,914	1,914	-	-	-	1,914
Amount due from subsidiaries	1,780	1,780	-	-	-	1,780
Income due and accrued	41	41	-	-	-	41
Sundry receivables	176	176	-	-	-	176
Cash and bank balances	408	408	-	-	-	408
Total financial assets	31,254	30,297	198	1,120	50	31,665
Borrowings	(320,000)	(329,880)	-	-	-	(329,880)
Other payables	(2,184)	(2,184)	-	-	-	(2,184)
Total financial liabilities	(322,184)	(332,064)	-	-	-	(332,064)
(Deficit)/surplus	(290,930)	(301,767)	198	1,120	50	(300,399)

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

37. FINANCIAL RISK (CONT'D.)

(c) Market Risk

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

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

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

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

Equity price risk

Equity price risk is the risk that the fair value or future cash flow of a financial instrument fluctuates because of changes in market prices (other than those arising from interest rate/profit rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting similar financial instruments traded in the market.

The Group's equity risk exposures relate to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices.

The equity price risk policy requires the Group and its main operating subsidiaries to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each sector, market and issuer, having regard also to such limits as stipulated by BNM. The 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. It should be noted that movements in these variables are non-linear.

NOTES TO THE FINANCIAL STATEMENTS
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37. FINANCIAL RISK (CONT'D.)

(c) Market Risk (cont'd.)

Equity price risk (cont'd.)

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 participants.

Sensitivity analysis

	Changes in market indices	Impact on profit before tax RM'000	Impact on equity/ participants' fund* RM'000
		← Increase/(decrease)	→
2019			
Group			
Price	**+5%**	**10,969**	**10,043**
Price	**-5%**	**(10,969)**	**(10,043)**
2018			
Group			
Price	+5%	-	5,993
Price	-5%	(7,494)	(9,352)

* The impact on equity reflects the after tax impact.

Foreign exchange risk/currency risk

Currency risk is the risk that the fair value or future cash flows of a financial asset and/or liability will fluctuate because of movements 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).

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

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

37. FINANCIAL RISK (CONT'D.)

(c) Market Risk (cont'd.)

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

Sensitivity analysis

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

	Changes in variable	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
		← Increase/(decrease)			→
2019					
Foreign currency	**+5%**	**34,508**	**34,508**	**(6,352)**	**(5,843)**
2018					
Foreign currency	+5%	30,482	30,482	(13,902)	(13,207)

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

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.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

37. FINANCIAL RISK (CONT'D.)

(c) Market Risk (cont'd.)

Interest/profit rate risk (cont'd.)

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 profit before tax RM'000	Impact on equity/ participants' fund* RM'000
		← Increase/(decrease) →	
2019			
Group			
Interest/profit rates	**+25 bp**	**(810)**	**(76,310)**
Interest/profit rates	**-25 bp**	**810**	**76,310**
2018			
Group			
Interest/profit rates	+25 bp	-	(42,962)
Interest/profit rates	-25 bp	-	42,962

* The impact on equity reflects the after tax impact.

NOTES TO THE FINANCIAL STATEMENTS
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38. OTHER RISKS

(a) Operational Risk

Operational risk is the risk of loss resulting from inadequate or ineffective or failed internal resources (people, processes and systems), or from external events. Operational risk is inherent in all activities of the Group, and can transverse multiple activities. It includes a wide spectrum of heterogeneous risks such as fraud, physical damage, business disruption, transaction failures, legal and regulatory breaches, as well as employee health and safety hazards. Operational risk may result in direct financial losses and indirect financial losses due to reputational damage.

The 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.

(b) 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 Risk Management Framework.

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

(c) Compliance Risk

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

The Group monitors 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.

(d) Property Investment Risk

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

39. SHAREHOLDERS', REINSURANCE, TAKAFUL AND RETAKAFUL FUNDS

(a) Consolidated income statement by fund

For the year ended 31 March 2019

	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	1,092,728	272,808	581,321	20,651	9,409	(1,214)	1,975,703
Premiums/contributions ceded to reinsurers/ retakaful operators	(124,667)	(97,181)	(71,594)	(3,056)	(6,725)	219	(303,004)
Net earned premiums/ contributions	968,061	175,627	509,727	17,595	2,684	(995)	1,672,699
Investment income	158,162	16,777	125,241	2,396	781	(36,423)	266,934
Net realised gains/(losses)	6,990	1,451	(621)	-	-	-	7,820
Net fair value (losses)/gains	(28,496)	(1,074)	93,668	-	15	8,659	72,772
Fee and commission income	374,590	23,614	3	-	-	(363,686)	34,521
Other operating revenue	13,614	2,347	5,203	154	14	(8,681)	12,651
Other revenue	524,860	43,115	223,494	2,550	810	(400,131)	394,698
Gross claims and benefit paid	(822,109)	(156,890)	(309,022)	(18,263)	(10,950)	2,037	(1,315,197)
Claims ceded to reinsurers/ retakaful operators	59,198	61,477	52,185	5,435	6,560	(2,037)	182,818
Gross change in contract liabilities	72,981	(20,039)	(235,013)	30,186	(682)	-	(152,567)
Change in contract liabilities ceded to reinsurers/ retakaful operators	45,048	16,708	14,629	(14,118)	(1,611)	-	60,656
Net claims and benefits	(644,882)	(98,744)	(477,221)	3,240	(6,683)	-	(1,224,290)

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

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

(a) Consolidated income statement by fund (cont'd.)

For the year ended 31 March 2019 (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
Fee and commission expenses	(384,372)	(96,792)	(215,592)	(8,589)	(382)	321,388	(384,339)
Management expenses	(292,696)	-	(2,137)	-	-	46,892	(247,941)
Finance costs	(16,295)	-	-	-	-	51	(16,244)
Other operating expenses	(1,350)	(2,303)	-	(403)	(3)	2,388	(1,671)
Changes in expense liabilities	(5,114)	-	-	-	-	-	(5,114)
Tax borne by participants	-	(5,643)	(16,274)	(1,178)	3	955	(22,137)
Other expenses	(699,827)	(104,738)	(234,003)	(10,170)	(382)	371,674	(677,446)
Share of results of associates	-	-	-	-	-	(13,121)	(13,121)
Operating profit/(loss) before (surplus)/deficit attributable to takaful participants, zakat and taxation	148,212	15,260	21,997	13,215	(3,571)	(42,573)	152,540
(Surplus)/deficit attributable to takaful participants	-	(15,260)	(21,997)	(13,215)	3,571	13,760	(33,141)
Operating profit before taxation	148,212	-	-	-	-	(28,813)	119,399
Zakat	(681)	-	-	-	-	-	(681)
Taxation	(14,311)	-	-	-	-	-	(14,311)
Net profit for the year attributable to equity holders of the Parent	133,220	-	-	-	-	(28,813)	104,407

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

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

(a) Consolidated income statement by fund (cont'd.)

For the year ended 31 March 2018

	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	1,288,445	281,073	647,776	25,709	9,896	(1,236)	2,251,663
Premiums/contributions ceded to reinsurers/ retakaful operators	(119,494)	(118,031)	(74,328)	(3,431)	(7,751)	236	(322,799)
Net earned premiums/ contributions	1,168,951	163,042	573,448	22,278	2,145	(1,000)	1,928,864
Investment income	119,735	16,609	112,903	2,629	885	(6,830)	245,931
Net realised (losses)/gains	(51,651)	(317)	5,031	-	-	48,894	1,957
Net fair value gains	10,254	905	204	-	-	328	11,691
Fee and commission income	384,137	27,778	114	3	-	(371,890)	40,142
Other operating revenue	76,302	2,517	28,914	181	22	(69,865)	38,071
Other revenue	538,777	47,492	147,166	2,813	907	(399,363)	337,792
Gross claims and benefit paid	(737,182)	(169,673)	(274,242)	(13,203)	(11,305)	3,786	(1,201,819)
Claims ceded to reinsurers/ retakaful operators	37,193	73,995	(578)	(625)	5,996	(3,786)	112,195
Gross change in contract liabilities	(29,203)	(5,326)	(138,585)	(19,769)	(10,079)	15,387	(187,575)
Change in contract liabilities ceded to reinsurers/ retakaful operators	(31,527)	1,670	(1,945)	(926)	1,682	-	(31,046)
Net claims and benefits	(760,719)	(99,334)	(415,350)	(34,523)	(13,706)	15,387	(1,308,245)

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

(a) Consolidated income statement by fund (cont'd.)

For the year ended 31 March 2018 (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
Fee and commission expenses	(427,358)	(91,683)	(231,391)	(10,026)	(322)	333,255	(427,525)
Management expenses	(281,507)	-	-	-	-	43,518	(237,989)
Finance costs	(15,891)	-	-	-	-	50	(15,841)
Other operating expenses	(42,837)	-	(253)	(412)	7	20,350	(23,145)
Changes in expense liabilities	3,848	-	-	-	-	-	3,848
Tax borne by participants	-	(2,826)	(9,914)	75	(11)	3	(12,673)
Other expenses	(763,745)	(94,509)	(241,558)	(10,363)	(326)	397,176	(713,325)
Share of results of associates	-	-	-	-	-	9,712	9,712
Operating profit/(loss) before (surplus)/deficit attributable to takaful participants, zakat and taxation	183,264	16,691	63,706	(19,795)	(10,980)	21,912	254,798
(Surplus)/deficit attributable to takaful participants	-	(16,691)	(63,706)	19,795	10,980	(12,652)	(62,274)
Operating profit/(loss) before zakat and taxation	183,264	-	-	-	-	9,260	192,524
Zakat	(563)	-	-	-	-	-	(563)
Taxation	(51,096)	-	-	-	-	-	(51,096)
Net profit for the year attributable to equity holders of the Parent	131,605	-	-	-	-	9,260	140,865

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

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

(b) Consolidated statement of financial position by fund

As at 31 March 2019

	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	122,427	-	-	-	-	81,760	204,187
Investment properties	-	-	81,760	-	-	(81,760)	-
Intangible assets	37,206	-	-	-	-	-	37,206
Deferred tax assets	9,538	1,423	-	-	-	2,286	13,247
Investments in subsidiaries	1,304,476	-	-	-	-	(1,304,476)	-
Investments in associates	117,526	-	-	-	-	16,215	133,741
Financial assets	3,948,575	461,430	3,095,850	74,662	9,822	(300,785)	7,289,554
Reinsurance/retakaful assets	305,037	164,941	57,756	5,694	6,425	-	539,853
Insurance/takaful receivables	276,110	23,031	25,433	9,299	3,478	-	337,351
Tax recoverable	55,753	-	-	(1,079)	-	-	54,674
Non-current assets held for sale	-	-	45,875	-	-	-	45,875
Cash and bank balances	17,442	460	32,486	715	572	-	51,675
Total assets	6,194,090	651,285	3,339,160	89,291	20,297	(1,586,760)	8,707,363

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

(b) Consolidated statement of financial position by fund (cont'd.)

As at 31 March 2019 (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
Liabilities and participants' funds							
Participants' funds	-	132,821	167,334	13,229	11	(18,101)	295,294
Borrowings	321,000	-	-	-	-	(1,000)	320,000
Insurance/takaful contract liabilities	2,037,954	432,995	2,947,235	65,161	16,544	(9,999)	5,489,890
Insurance/takaful payables	180,723	8,707	27,132	5,903	1,567	-	224,032
Other payables	224,331	72,211	188,952	4,998	2,175	(260,135)	232,532
Deferred tax liabilities	4,625	-	8,507	-	-	3,233	16,365
Provision for taxation	3,770	4,551	-	-	-	-	8,321
Provision for zakat	1,277	-	-	-	-	-	1,277
Total liabilities and participants' funds	2,773,680	651,285	3,339,160	89,291	20,297	(286,002)	6,587,711
Equity							
Share capital	2,026,912	-	-	-	-	(1,304,606)	722,306
Reserves	1,393,498	-	-	-	-	3,848	1,397,346
Total equity attributable to equity holders of the Parent	3,420,410	-	-	-	-	(1,300,758)	2,119,652
Total liabilities, participants' funds and equity	6,194,090	651,285	3,339,160	89,291	20,297	(1,586,760)	8,707,363

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

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

(b) Consolidated statement of financial position by fund (cont'd.)

As at 31 March 2018

	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	124,926	-	-	-	-	115,818	240,744
Investment properties	-	-	115,818	-	-	(115,818)	-
Intangible assets	32,131	-	-	-	-	-	32,131
Deferred tax assets	20,822	2,426	-	66	-	(4,971)	18,343
Investments in subsidiaries	904,476	-	-	-	-	(904,476)	-
Investments in associates	131,833	-	-	-	-	7,176	139,009
Financial assets	3,379,527	421,546	2,768,770	78,497	14,388	(223,888)	6,438,840
Reinsurance/retakaful assets	257,559	149,625	43,127	19,906	8,036	-	478,253
Insurance/takaful receivables	331,267	30,407	44,206	13,995	2,080	(3,651)	418,304
Tax recoverable	27,291	-	-	(21)	7	-	27,277
Cash and bank balances	43,132	27,589	70,175	203	1,000	-	142,099
Total assets	5,252,964	631,593	3,042,096	112,646	25,511	(1,129,810)	7,935,000

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

(b) Consolidated statement of financial position by fund (cont'd.)

As at 31 March 2018 (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
Liabilities and participants' funds							
Participants' funds	-	120,253	129,131	-	-	(1,522)	247,862
Borrowings	321,000	-	-	-	-	(1,000)	320,000
Insurance/takaful contract liabilities	2,096,878	403,666	2,730,440	95,828	15,919	(22,786)	5,319,945
Insurance/takaful payables	207,529	18,105	33,287	10,971	4,203	(3,651)	270,444
Other payables	164,960	89,138	146,947	5,847	5,389	(186,536)	225,745
Deferred tax liabilities	13,981	-	1,013	-	-	(4,310)	10,684
Provision for taxation	-	431	1,278	-	-	-	1,709
Provision for zakat	610	-	-	-	-	-	610
Total liabilities and participants' funds	2,804,958	631,593	3,042,096	112,646	25,511	(219,805)	6,396,999
Equity							
Share capital	1,224,211	-	-	-	-	(904,606)	319,605
Reserves	1,223,795	-	-	-	-	(5,399)	1,218,396
Total equity attributable to equity holders of the Parent	2,448,006	-	-	-	-	(910,005)	1,538,001
Total liabilities, participants' funds and equity	5,252,964	631,593	3,042,096	112,646	25,511	(1,129,810)	7,935,000

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

40. 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;

(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; and

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

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

	Valuation technique	Significant unobservable inputs	Range
2019			
Property, plant and equipment			
Office building of MRE	**Income approach**	**Yield**	**6.0% to 6.25%**
		Rental per square foot	**RM4.50**
Office buildings of TIFB	**Comparison approach**	**Sales price per square feet for similar properties**	**RM833 to RM1,545**
Unquoted shares in Malaysia	**Net assets**	**Net assets**	**Not applicable**
2018			
Property, plant and equipment			
Office building of MRE	Income approach	Yield	6.0% to 6.25%
		Rental per square foot	RM4.30 to RM4.96
Office buildings of TIFB	Comparison approach	Sales price per square feet for similar properties	RM512 to RM1,175

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.

40. 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:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group				
2019				
Assets measured at fair value:				
(a) Property, plant and equipment				
Freehold land	-	-	36,800	36,800
Buildings	-	-	163,312	163,312
	-	-	200,112	200,112
(b) Financial assets at FVTPL				
Designated upon initial recognition				
Unquoted corporate debt securities	-	4,178	-	4,178
Government investment issues	-	1,306,506	-	1,306,506
Unquoted islamic private debt securities:				
Government guaranteed	-	702,381	-	702,381
Unsecured	-	507,833	-	507,833
Mandatorily measured				
Quoted shares in Malaysia:				
Shariah approved equities	184,207	-	-	184,207
Warrants	43	-	-	43
Others	82,914	-	-	82,914
Unquoted corporate debt securities	-	15,142	-	15,142
Unquoted islamic private debt securities	-	739	-	739
Shariah approved unit trust funds	168,589	-	-	168,589
Real estate investment trusts	16,299	-	-	16,299
	452,052	2,536,779	-	2,988,831

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31 March 2019

40. 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: (cont'd.)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group (cont'd.)				
2019 (cont'd.)				
(c) Financial assets at FVOCI				
Malaysian government securities	**-**	**183,878**	**-**	**183,878**
Government investment issues	**-**	**519,843**	**-**	**519,843**
Unquoted corporate debt securities	**-**	**1,031,242**	**-**	**1,031,242**
Unquoted shares	**-**	**-**	**84,158**	**84,158**
Unquoted Islamic private debt securities:				
Government guaranteed	**-**	**105,860**	**-**	**105,860**
Unsecured	**-**	**230,462**	**-**	**230,462**
Golf club memberships	**-**	**-**	**293**	**293**
	-	**2,071,285**	**84,451**	**2,155,736**
2018				
Assets measured at fair value:				
(a) Property, plant and equipment				
Freehold land	-	-	36,800	36,800
Buildings	-	-	199,277	199,277
	-	-	236,077	236,077
(b) Financial assets at FVTPL				
Shariah approved unit trust funds	116,127	-	-	116,127
	116,127	-	-	116,127
(c) AFS financial assets				
Malaysian government securities	-	131,162	-	131,162
Unquoted corporate debt securities	-	2,292,540	-	2,292,540
Quoted shares in Malaysia	126,228	-	-	126,228
Warrants	273	-	-	273
Real estate investment trusts	13,227	-	-	13,227
Government investment issues	-	1,132,970	-	1,132,970
	139,728	3,556,672	-	3,696,400

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group (cont'd.)				
2018 (cont'd.)				
Assets for which fair values are disclosed:				
HTM investments				
Malaysian government securities	-	77,404	-	77,404
Unquoted corporate debt securities	-	25,723	-	25,723
Government investment issues	-	539,508	-	539,508
	-	642,635	-	642,635
Company				
2019				
Assets measured at fair value:				
Financial assets at FVOCI				
Golf membership	**-**	**-**	**50**	**50**
2018				
Assets for which fair values are disclosed:				
HTM investments				
Unquoted corporate debt securities	-	1,009	-	1,009

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41. SIGNIFICANT EVENTS

(a) Renounceable Rights Issue On the Basis of Seven (7) Ordinary Shares in MNRB ("Rights Shares") For Every Five (5) Existing Ordinary Shares Held In the Company ("Shares")

On 18 July 2018, the Company announced that it was proposing to undertake a renounceable rights issue on the basis of seven (7) Rights Shares for every five (5) existing Shares held ("Rights Issue").

On 31 October 2018, the Rights Issue was completed and resulted in the issuance of 447,445,870 new ordinary shares at an issue price of RM0.90 per share held on 2 October 2018 for a total cash consideration of RM402,701,283.

The proceeds from the Rights Issue were primarily utilised as follows:

(i) Subscription of 100 million new ordinary shares in Malaysian Re for a total consideration of RM100 million on 15 November 2018;

(ii) Subscription of 170 million new ordinary shares in TIFB for a total consideration of RM170 million on 30 November 2018; and

(iii) Subscription of 130 million new ordinary shares in TIGB for a total consideration of RM130 million on 30 November 2018.

(b) Licence split of TIB

On 30 November 2018, MNRB's wholly owned subsidiary, Takaful Ikhlas Berhad ("TIB"), completed the split of its composite takaful licence into two separate licences, one for managing family takaful business and another for managing general takaful business. In addition, on the same day, TIB completed the Business Transfer Scheme to transfer its general takaful business to Takaful Ikhlas General Berhad with immediate effect, pursuant to the Court Order granted by the High Court of Malaya on 18 October 2018.

Consequently, TIB would continue to carry on the management of family takaful business under its new name of Takaful Ikhlas Family Berhad ("TIFB").

(c) Issuance of Sukuk Murabahah

On 22 March 2019, the Company issued RM320 million of Tier 2 Capital Subordinated Sukuk with a fixed profit rate of 5.2% per annum and a tenure of 10 years, but non callable for the first 5 years. The tenure is subject to early redemption and the final redemption date is on 22 March 2029.

On the same day, the Company fully redeemed the outstanding balance of its revolving credit facility amounting to RM320 million.

42. SUBSEQUENT EVENT

On 1 June 2019, upon obtaining the vesting order from the High Court of Malaya dated 14 May 2019, the general takaful business ("the business") of Hong Leong MSIG Takaful Berhad was transferred to TIGB pursuant to the Business Transfer Scheme which was duly approved by BNM in accordance with Section 112 of the Islamic Financial Services Act, 2013.