FINANCIAL STATEMENTS

DIRECTORS' REPORT

DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and the Company for the financial year ended 31 March 2021.

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	189,495	72,975

RESERVES AND PROVISIONS

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, the Company paid an interim single tier dividend of 3.00 sen per ordinary share totalling RM23,492,631 which was declared on 17 September 2020 and paid on 23 October 2020 in respect of the financial year ended 31 March 2021.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company since the beginning of the financial year to the date of this report.

SIGNIFICANT AND SUBSEQUENT EVENT

The details of significant event during the year and subsequent event after the year are disclosed in Note 40 to the financial statements.

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:

Name of Directors	Holding Company	Subsidiaries					
	MNRB*	Malaysian Re*	Takaful IKHLAS Family*	Takaful IKHLAS General*	MRDL*	MSSB*	SSB*
Datuk Johar Che Mat	✓	-	✓	✓	✓	-	-
George Oommen	✓	✓	✓	✓	✓	-	-
Khalid Sufat	✓	✓	-	-	-	-	-
Junaidah Mohd Said	✓	-	-	-	-	-	-
Zaida Khalida Shaari	✓	-	-	-	-	-	-
Dato' Wan Roshdi Wan Musa	✓	-	-	-	-	-	-
Zaharudin Daud	-	Appointed on 23 November 2020	Appointed on 23 November 2020	Appointed on 23 November 2020	Appointed on 21 January 2021	-	-
Hijah Arifakh Othman	-	-	-	✓	-	-	-
Rosinah Mohd Salleh	-	-	-	✓	-	-	-
Arul Sothy S Mylvaganam	-	-	-	✓	-	-	-
Noor Rida Hamzah	-	-	✓	-	-	-	-
Professor Dato' Dr. Ahmad Hidayat Buang	-	-	✓	-	-	-	-
Shareen Ooi Bee Hong	-	-	✓	-	-	-	-
Woon Tai Hai	-	-	✓	✓	-	-	-
Datin Zaimah Zakaria	-	✓	-	-	-	-	-
Datuk Nik Moustpha Nik Hassan	-	-	-	✓	-	-	-
Velayudhan Harikes	-	Appointed on 1 April 2021	-	-	-	-	-
Dato' Amirudin Abdul Halim	-	-	-	Appointed on 1 April 2021	-	-	-
Rizal Mohd Zin	-	-	-	-	-	-	Appointed on 20 November 2020

Name of Directors	Holding Company	Subsidiaries					
	MNRB*	Malaysian Re*	Takaful IKHLAS Family*	Takaful IKHLAS General*	MRDL*	MSSB*	SSB*
Zainudin Ishak	-	-	-	-	✓	✓	-
Norazman Hashim	-	-	-	-	-	✓	✓
Mustaffa Ahmad	-	Resigned on 22 September 2020	-	-	-	-	-
Mohd Din Merican	-	Resigned on 23 November 2020	Resigned on 23 November 2020	Resigned on 22 September 2020	Resigned on 23 November 2020	-	Resigned on 23 November 2020

In accordance with Clause 91 of the Company's Constitution, Datuk Johar Che Mat and Zaida Khalida Shaari will be retiring at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

* MNRB - MNRB Holdings Berhad
Malaysian Re - Malaysian Reinsurance Berhad
Takaful IKHLAS Family - Takaful Ikhlas Family Berhad
Takaful IKHLAS General - Takaful Ikhlas General Berhad
MRDL - Malaysian Re (Dubai) Ltd.
MSSB - MMIP Services Sdn Bhd
SSB - Sinar Seroja Berhad

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 32 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 Part 1, Section 3 of the Fifth Schedule 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 million at a contribution of RM62,000.

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 income statements, 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;

  (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 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.

(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 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.

OTHER STATUTORY INFORMATION (CONT'D.)

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 AND AUDITORS' REMUNERATION

The retiring auditors, Messrs. Ernst & Young PLT, have expressed their willingness to accept re-appointment. Details of the 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 25 June 2021.

Datuk Johar Che Mat **Khalid Sufat**

Kuala Lumpur, Malaysia

STATEMENT BY DIRECTORS

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

We, Datuk Johar Che Mat and Khalid Sufat, 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 139 to 310 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 Group and of the Company as at 31 March 2021 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 25 June 2021.

Datuk Johar Che Mat **Khalid Sufat**

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 139 to 310 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 July 2021.) **Norazman Hashim**

Before me,

Commissioner for 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 2021 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 139 to 310.

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 2021, 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 Code of Ethics for Professional Accountants (including International Independence Standards) ("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 each matter below, our description of how our audit addressed the matter is provided in that context.

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

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 2021 amounted to RM6.3 billion (as disclosed in Note 20 to the financial statements) or approximately 85% 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:

(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 the Risk-Based Capital Framework for Takaful Operators issued by Bank Negara Malaysia as well as the accounting policies described in Notes 2.5, 2.6 and 2.7 to the financial statements 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 liabilitites 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 3.2 to the financial statements) and any significant changes thereon may have a material effect on the insurance/takaful contract liabilities.

Our audit procedures were focused on the following key areas:

- Understanding and documenting the qualifications, objectivity and independence of the Appointed Actuaries tasked with estimating the insurance/takaful contract liabilities of the Group;
- Reviewing the reports prepared by the Appointed Actuaries in respect of the insurance/takaful contract liabilities of the Group;
- Assessing the valuation methodologies applied by the Group to derive the insurance/takaful contract liabilities;
- Assessing the design and testing the operating effectiveness of key internal controls over the actuarial valuation process with respect to financial reporting, including the bases used by the Group in determining and approving the key assumptions applied;
- Assessing the experience analyses of the reinsurance, retakaful and takaful businesses 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. We have also also reviewed the impacts considered by the Group arising from the COVID-19 pandemic to the assumptions and the methodologies applied in deriving the valuation of the insurance/takaful contract liabilities. In addition and where appropriate, comparisons have also been made against other industry constituents and the experience of the respective subsidiaries;

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

Key audit matters (cont'd.)

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

- 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 have also considered the impacts of the COVID-19 pandemic to the assumptions and the methodologies applied by the Group in deriving the valuation of the insurance/takaful contract liabilities. 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 unearned premium reserves ("UPR")/ unearned contribution reserves ("UCR") calculations produced by management and thereafter, comparing the UPR/UCR against the unexpired risk reserves ("URR") valuations 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 unearned wakalah fees ("UWF") calculations produced by management and, thereafter, comparing the UWF against the unexpired expense reserves ("UER") valuations 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 UER valuations performed by the Appointed Actuary to ascertain if adequate reserves have been established for the shareholder's fund of the family takaful business;

- Reviewing the Liability Adequacy Test results performed by the reinsurance, retakaful and takaful subsidiaries;

- Auditing the fair value of financial assets and adequacy of liabilities of the investment-linked funds of the family takaful business;

- Performing control tests over the creation and cancellation of units of the investment-linked funds as well as calculation of Net Asset Values; and

- Assessing the adequacy of disclosures made in the financial statements in respect of the insurance/takaful contract liabilities of the Group.

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

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

Key audit matters (cont'd.)

2. *Tax recoverable of the Group*

As disclosed in Note 22 to the financial statements, the Group is currently appealing against additional tax assessments and penalties raised by the Inland Revenue Board of Malaysia ("IRB"), amounting to approximately RM24.9 million and RM19.7 million respectively. These additional tax assessments and penalties were paid by the Group and the Company and were recorded as tax recoverable. The outcome of the appeals can only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group and the appeals could develop in ways not initially expected. The Group and the Company continue to assess the development of these matters to determine the recoverability of these amounts. 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 reviewed correspondences between the Group and external legal counsel to obtain an understanding of the matters. We have enquired and discussed with management on the developments in legal proceedings and obtained confirmations from the Group's external legal counsel to compare the expert opinions to management's position. We have considered the objectivity, independence and expertise of the legal advisers and we have 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 Directors' Report and 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.

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

Key audit matters (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 made by the directors.

- 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.)

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, actions taken to eliminate threats or safeguards applied.

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 PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Kuala Lumpur, Malaysia
25 June 2021

Ahmad Hammami bin Muhyidin
No. 03313/07/2021 J
Chartered Accountant

INCOME STATEMENTS

for the year ended 31 March 2021

		Group		Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Gross earned premiums/contributions	4(a)	**2,501,782**	2,162,418	**-**	-
Premiums/contributions cededto reinsurers/ retakaful operators	4(b)	**(341,430)**	(277,824)	**-**	-
Net earned premiums/ contributions		**2,160,352**	1,884,594	**-**	-
Investment income	5	**264,889**	284,121	**87,864**	42,808
Net realised gains/(losses)	6	**23,119**	94,401	**70**	(4)
Net fair value losses	7	**(4,482)**	(18,780)	**-**	-
Fee and commission income	8	**44,181**	48,762	**38,997**	37,394
Other operating revenue	11	**10,996**	23,741	**164**	274
Other revenue		**338,703**	432,245	**127,095**	80,472
Gross claims and benefits paid		**(1,125,679)**	(1,313,534)	**-**	-
Claims ceded to reinsurers/retakaful operators		**160,317**	243,772	**-**	-
Gross change in contract liabilities		**(418,405)**	(195,154)	**-**	-
Change in contract liabilities ceded to reinsurers/ retakaful operators		**(36,037)**	(99,578)	**-**	-
Net claims and benefits		**(1,419,804)**	(1,364,494)	**-**	-
Fee and commission expenses	8	**(478,490)**	(452,839)	**-**	-
Management expenses	9	**(288,973)**	(262,780)	**(36,398)**	(37,035)
Finance costs		**(16,798)**	(16,981)	**(16,773)**	(16,728)
Other operating expenses	11	**(12,659)**	(2,528)	**(274)**	-
Change in expense liabilities	20	**(15,956)**	(7,731)	**-**	-
Tax borne by participants	12	**(9,584)**	(17,998)	**-**	-
Other expenses		**(822,460)**	(760,857)	**(53,445)**	(53,763)
Share of results of associates		**15,472**	(9,838)	**-**	-

INCOME STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

		Group		Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit before surplus attributable to takaful and retakaful participants and taxation		**272,263**	181,650	**73,650**	26,709
Surplus attributable to takaful and retakaful participants	24(a)	**(49,027)**	(30,728)	**-**	-
Profit before zakat and taxation		**223,236**	150,922	**73,650**	26,709
Zakat		**(1,293)**	(1,286)	**-**	-
Taxation	12	**(32,448)**	(16,729)	**(675)**	1,897
Net profit for the year attributable to equity holders of the Holding Company		**189,495**	132,907	**72,975**	28,606
Basic and diluted earnings per share attributable to equity holders of the Holding Company (sen)	30	**24.2**	17.2		

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

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 March 2021

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Net profit for the year	**189,495**	132,907	**72,975**	28,606
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	**(6,224)**	9,663	**-**	-
Effects of foreign exchange translation reserve on investment in subsidiary	**(489)**	808	**-**	-
Net (loss)/gains on financial assets at fair value through other comprehensive income ("FVOCI"):				
Net (loss)/gains on fair value changes	**(7,105)**	51,260	**-**	-
Realised gains transferred to income statement (Note 6)	**(11,575)**	(36,308)	**-**	-
Deferred tax relating to net (loss)/gain on financial assets at FVOCI	**2,447**	(2,532)	**-**	-
Other comprehensive loss/(income) attributable to participants (Note 24(b))	**2,071**	(2,191)	**-**	-
Other comprehensive income/(loss) not to be reclassified to income statement in subsequent periods:				
Net gain on fair value changes on financial assets at FVOCI	**223**	224	**-**	-
Revaluation of land and buildings	**3,359**	2,895	**-**	-
Deferred tax relating to revaluation of land and buildings	**(296)**	369	**-**	-
Other comprehensive income attributable to participants (Note 24(c))	**(1,880)**	(2,305)	**-**	-
Total comprehensive income for the year	**170,026**	154,790	**72,975**	28,606

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

STATEMENTS OF FINANCIAL POSITION

as at 31 March 2021

		Group		Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Assets					
Property, plant and equipment	13	**203,377**	204,189	**1,496**	1,442
Intangible assets	14	**71,805**	36,578	**3,138**	2,718
Right-of-use assets	15	**2,906**	4,548	**2,184**	3,246
Investments in subsidiaries	16	**-**	-	**1,304,476**	1,304,476
Investments in associates	17	**134,805**	133,282	**1,957**	1,957
Financial and other assets	18	**8,335,257**	7,754,754	**127,547**	75,108
Deferred tax assets	19	**21,503**	15,404	**1,617**	1,742
Reinsurance/retakaful assets	20	**457,235**	497,328	**-**	-
Insurance/takaful receivables	21	**498,866**	381,703	**-**	-
Tax recoverable	22	**68,670**	68,604	**20,166**	20,049
Cash and bank balances		**115,789**	118,417	**290**	294
Total assets		**9,910,213**	9,214,807	**1,462,871**	1,411,032
Liabilities and participants' funds					
Participants' funds	24	**377,724**	332,738	**-**	-
Borrowing	25	**320,000**	320,000	**320,000**	320,000
Insurance/takaful contract liabilities	20	**6,340,990**	5,843,073	**-**	-
Lease liabilities	15	**2,754**	4,219	**2,115**	3,159
Insurance/takaful payables	26	**202,171**	169,851	**-**	-
Other payables	27	**230,682**	250,306	**16,994**	13,593
Deferred tax liabilities	19	**9,827**	11,946	**-**	-
Tax payable	22	**6,279**	9,423	**-**	-
Provision for zakat		**1,466**	1,464	**-**	-
Total liabilities and participants' funds		**7,491,893**	6,943,020	**339,109**	336,752
Equity					
Share capital	28	**738,502**	738,502	**738,502**	738,502
Reserves		**1,679,818**	1,533,285	**385,260**	335,778
Total equity attributable to equity holders of the Holding Company		**2,418,320**	2,271,787	**1,123,762**	1,074,280
Total liabilities, participants' funds and equity		**9,910,213**	9,214,807	**1,462,871**	1,411,032

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 2021

	← Attributable to equity holders of the Holding Company					→
		← Reserves			→	
		← Non-distributable		→	Distributable	
	Share capital RM'000	**Foreign exchange translation reserve RM'000**	**Foreign exchange reserve RM'000**	**Revaluation reserve RM'000**	**Retained profits RM'000**	**Total RM'000**
Group						
At 1 April 2019	722,306	43,329	58,457	47,059	1,248,826	2,119,977
Net profit for the year	-	-	-	-	132,907	132,907
Other comprehensive income for the year	-	10,471	10,453	959	-	21,883
Total comprehensive income for the year	-	10,471	10,453	959	132,907	154,790
Issuance of shares pursuant to Dividend Reinvestment Plan ("DRP") (Note 28)	16,196	-	-	-	-	16,196
Dividends paid during the year (Note 29)	-	-	-	-	(19,176)	(19,176)
At 31 March 2020	738,502	53,800	68,910	48,018	1,362,557	2,271,787
At 1 April 2020	738,502	53,800	68,910	48,018	1,362,557	2,271,787
Net profit for the year	-	-	-	-	189,495	189,495
Other comprehensive income for the year	-	(6,713)	(13,939)	1,183	-	(19,469)
Total comprehensive income for the year	-	(6,713)	(13,939)	1,183	189,495	170,026
Dividends paid during the year (Note 29)	-	-	-	-	(23,493)	(23,493)
At 31 March 2021	**738,502**	**47,087**	**54,971**	**49,201**	**1,528,559**	**2,418,320**

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 2021

	Attributable to equity holders of the Company		
		Distributable	
	Share capital RM'000	Retained profits RM'000	Total RM'000
Company			
At 1 April 2019	722,306	326,348	1,048,654
Issuance of shares pursuant to DRP (Note 28)	16,196	-	16,196
Net profit for the year, representing total comprehensive income for the year	-	28,606	28,606
Dividend paid during the year (Note 29)	-	(19,176)	(19,176)
At 31 March 2020	738,502	335,778	1,074,280
Net profit for the year, representing total comprehensive income for the year	-	72,975	72,975
Dividends paid during the year (Note 29)	-	(23,493)	(23,493)
At 31 March 2021	**738,502**	**385,260**	**1,123,762**

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 2021

	Group		Company	
	2021	**2020**	**2021**	**2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash flows from operating activities				
Profit before zakat and taxation	**223,236**	150,922	**73,650**	26,709
Adjustments for:				
Net fair value losses on financial assets at FVTPL	**4,482**	18,780	**-**	-
Impairment losses on FVOCI financial assets	**189**	576	**-**	-
Impairment losses on financial assets at amortised cost	**131**	-	**-**	-
Impairment/(reversal of impairment) loss on insurance/ takaful receivables	**8,899**	(1,677)	**-**	-
Depreciation of property, plant and equipment	**6,103**	5,893	**600**	459
Amortisation of intangible assets	**10,594**	6,633	**698**	387
Depreciation of right-of-use ("ROU") assets	**2,896**	3,720	**1,062**	1,187
Tax borne by participants	**9,584**	17,998	**-**	-
Net gains on disposal of property, plant and equipment	**(70)**	(25)	**(70)**	-
Net loss on disposal of intangible assets	**-**	4	**-**	4
Net loss on disposal of non-current asset held for sale	**-**	850	**-**	-
Impairment loss on buildings	**34**	585	**-**	-
Increase in gross premium/contribution liabilities	**63,556**	97,417	**-**	-
Interest/profit income	**(255,714)**	(271,712)	**(2,701)**	(2,208)
Dividend income	**(15,028)**	(16,412)	**(85,163)**	(40,600)
Rental income	**(2,482)**	(3,317)	**-**	-
Finance cost on borrowing	**16,640**	16,685	**16,640**	16,685
Finance costs on lease liabilities	**158**	296	**133**	43
Realised gains on disposals of investments	**(23,049)**	(95,230)	**-**	-
Net amortisation of premiums on investments	**7,280**	6,285	**-**	-
Share of results of associates	**(15,472)**	9,838	**-**	-
Profit/(loss) from operations before changes in operating assets and liabilities	**41,967**	(51,891)	**4,849**	2,666

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities (cont'd.)				
Increase in placements with licensed financial institutions, Islamic investment accounts and marketable securities	**(658,896)**	(344,964)	**(54,432)**	(27,176)
Net proceeds from disposal of investments	**45,691**	12,537	**-**	-
Decrease/(increase) in staff loans	**2,626**	218	**880**	(257)
Increase in insurance/takaful receivables	**(126,062)**	(42,675)	**-**	-
Decrease/(Increase) in other receivables	**16,191**	(37,561)	**462**	(359)
Net change in balances with subsidiaries	**-**	-	**3,673**	3,483
Increase in gross claim liabilities, actuarial liabilities and unallocated surplus	**418,405**	248,035	**-**	-
Increase in expense liabilities	**15,956**	7,731	**-**	-
Increase in participants' fund	**45,177**	32,948	**-**	-
Decrease in reinsurance/retakaful assets	**40,093**	42,525	**-**	-
Increase/(decrease) in insurance/takaful payables	**32,320**	(54,181)	**-**	-
(Decrease)/Increase in other payables	**(19,624)**	17,620	**39**	1,299
Taxes and zakat (paid)/recoverable	**(52,600)**	(57,397)	**(667)**	203
Interest/profit received	**274,590**	256,721	**3,041**	1,647
Dividends received	**11,651**	21,427	**163**	-
Rental received	**849**	3,344	**-**	-
Net cash generated from/(used in) operating activities	**88,334**	54,437	**(41,992)**	(18,494)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Cash flows from investing activities				
Purchase of property, plant and equipment	**(2,199)**	(3,227)	**(654)**	(601)
Purchase of intangible assets	**(45,821)**	(6,009)	**(1,118)**	(737)
Dividends received from subsidiaries and associate	**-**	-	**85,000**	40,600
Proceeds from disposal of property, plant and equipment	**70**	39	**70**	-
Proceeds from disposal of non-current assets held for sale	**-**	45,025	**-**	-
Net cash (used in)/generated from investing activities	**(47,950)**	35,828	**83,298**	39,262
Cash flows from financing activities				
Payment of lease liablilites	**(2,879)**	(3,858)	**(1,177)**	(1,324)
Interest/profit paid	**(16,640)**	(16,685)	**(16,640)**	(16,685)
Dividends paid	**(23,493)**	(2,980)	**(23,493)**	(2,980)
Net cash used in financing activities	**(43,012)**	(23,523)	**(41,310)**	(20,989)
Cash and bank balances				
Net (decrease)/increase during the year	**(2,628)**	66,742	**(4)**	(221)
At beginning of the year	**118,417**	51,675	**294**	515
At end of the year	**115,789**	118,417	**290**	294

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

NOTES TO THE FINANCIAL STATEMENTS
31 March 2021

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 932 and 174 (2020: 935 and 169) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution on 25 June 2021.

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 amended MFRSs applicable for annual financial periods beginning on or after 1 January 2020, as fully described in Note 2.28.

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

Basis of measurement

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

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 the entity 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.

Functional and presentation currency

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Accounting period

For the general reinsurance 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 2021.

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 the amount of 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.

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 intragroup 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, the 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 participants in the funds 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 the takaful/retakaful subsidiaries, a concept known as segregation of funds. However, in compliance with MFRS 10 *Consolidated Financial Statement*s, 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 the takaful/retakaful subsidiaries over the respective funds.

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 assets and liabilities, income, expenses and cash flows are eliminated in full during amalgamation and consolidation.

The takaful and retakaful funds of the takaful/retakaful subsidiaries are consolidated and amalgamated from the date of control and continue to be consolidated until the date such control ceases.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(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 policies 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.

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 policies 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Business combination from third party

Business combinations involving entities not under common control are accounted for by applying the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 Financial Instruments ("MFRS 9"), is measured at fair value with the changes in fair value recognised in the statement of comprehensive income in accordance with MFRS 9. Other contingent consideration that is not within the scope of MFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGU") that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 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 benevolent profit/interest-free loan or Qard.

In the 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 business and inwards non-proportional treaty reinsurance/retakaful business.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

(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 actuaries, using a mathematical method of estimation similar to Incurred But Not Reported ("IBNR") claims.

(ii) Unearned premium and contribution reserves

The UPR/UCR represent 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 UPR/UCR is computed based on time-apportioned over the contracts' period or according to the duration of the certificates.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;
- Time apportionment method for all classes of general takaful business within Malaysia except Long Term Fire, Mortgage Reducing Personal Accident, Marine and Aviation cargo;
- Geometric method for Long Term Fire and Mortgage Reducing Personal Accident; and
- 25% method for Marine and Aviation Cargo.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(c) Claim liabilities

The amount of outstanding claims is the best estimate value of claim liabilities, which includes 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 actuaries, using a mathematical method of estimation based on, amongst others, actual claims development patterns.

(d) Liability adequacy test

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

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

(e) Acquisition costs and commission expenses

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

2.6 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 shareholders and participants in accordance with the terms and conditions of the respective contracts or as prescribed by the Group Shariah Committee.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(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 relating to benefits payable of the family retakaful fund are recognised as advised by ceding companies.

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

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

The family takaful contract liabilities are derecognised when the contracts expire, are discharged or are cancelled. At each reporting date, an assessment is made on whether the recognised family takaful contract liabilities are adequate by performing a liability adequacy test as disclosed in Note 2.6(d).

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

Surplus, defined as the difference between the value of the family fund and its liabilities, including retained surplus, is 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 which will be repaid when the fund returns to a surplus position.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

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

(d) Liability adequacy test

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

2.7 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/cedants and the takaful and reinsurance/retakaful subsidiaries.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.7 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.)

Unexpired expense reserves

The UER is determined based on the expected future expenses payable by the shareholder's funds in managing the general takaful and retakaful funds for the full contractual obligation of the takaful and retakaful contracts as at the end of the financial year, less any expected cash flows from future wakalah fee income, and any other income due to the shareholder's funds that can be determined with reasonable certainty, including a PRAD calculated at a 75% confidence level. The method used to value the UER is consistent with the method used in estimating the URR as disclosed in Note 2.5(b)(i).

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 2.5(b)(ii).

(ii) Expense liabilities of family takaful and retakaful funds

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

(iii) Liability adequacy test

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.8 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.

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.

2.9 Reinsurance and retakaful assets

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 businesses, 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 2.8 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.10 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 statements 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 the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statements 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.10 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 4%
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.

(d) Derecognition

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

2.11 Intangible assets

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

On disposal of intangible assets, the difference between net proceeds and the carrying amount is recognised in the income statements.

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 statements.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.11 Intangible assets (cont'd.)

(a) Software development in progress

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

(b) Computer software and licences

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

The acquired computer software and licences are amortised at 10% to 33% 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.

(c) Preferred partnership fee in relation to bancatakaful arrangement

The preferred partnership fee represents an upfront fee paid by the Group to two Islamic banks under a 5-years preferred bancatakaful arrangement as follows:

(i) Following the initial recognition of the cost of preferred partnership fee, the fee is amortised based on the straight line method, until the expiry of the contract which is within five (5) years. Upon the expiry of the contract, if the total projected production is not met, the contract may be extended for an additional period of time as mutually agreed between the Group and the bank.

(ii) Following the initial recognition of the cost of preferred partnership fee, the fee is amortised based on the actual contribution received over the total committed contribution, until the expiry of the contract which is within five (5) years. Upon the expiry of the contract, if the total projected production is not met, the contract may be renewed for another year or the bank will compensate the Group on a pro-rated basis on the balance of the 'unamortised' fee.

2.12 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.12 Financial assets (cont'd.)

(a) Classification and subsequent measurement

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 2.12(b) and 2.12(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.12 Financial assets (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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.12 Financial assets (cont'd.)

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

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

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.

(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 Other Comprehensive Income ("OCI"). Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

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

Upon initial recognition, the Group and the Company can make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in equity instrument within the scope of MFRS 9 that is 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 manage together and for which there is 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).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.12 Financial assets (cont'd.)

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

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

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.

(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 has designated debt instruments under the family takaful/retakaful 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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.12 Financial assets (cont'd.)

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

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

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group and the Company's original expectations, the Group and the 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. Changes in business model are not expected to be frequent but should such an event take 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. Changes in the objective(s) of the business model must be effected before the reclassification date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.12 Financial assets (cont'd.)

(c) The Solely Payments of Principal and Interest ("SPPI") Test

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

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

The most significant elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. In assessing the SPPI test, the Group and the 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 the 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.

(e) 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 rights to receive cash flows from the asset or have 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 the 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.

When the Group and the 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 the Company's continuing involvement, in which case, the Group and the 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 the Company have retained.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.12 Financial assets (cont'd.)

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

When assessing whether or not to derecognise an instrument, amongst others, the Group and the Company consider 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 Group and the Company record a modification gain or loss.

2.13 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 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.13 Fair value measurement (cont'd.)

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

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

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

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

An annual valuation is performed to reflect the fair value of the Group's self-occupied 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 39.

2.14 Impairment of assets

(i) Financial assets

The Group and the 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 the Company expect to receive, discounted at the appropriate effective interest/profit rate.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.14 Impairment of assets (cont'd.)

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

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.

- 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.14 Impairment of assets (cont'd.)

(i) Financial assets (cont'd.)

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

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

(i) Debt instruments/sukuks at AC and FVOCI

In accordance 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 experienced a SICR since initial recognition are classified as Stage 2, and are assigned a lifetime ECL.

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

(ii) Insurance/takaful receivables

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

For insurance/takaful receivables and reinsurance deposits of the reinsurance subsidiary, the Group considers the balances to be in default when contractual payments are two years past due and eigtheen months past due respectively. As for the takaful receivables of the takaful subsidiaries, receivables where the contractual payments are one year past due are considered to be in default.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.14 Impairment of assets (cont'd.)

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

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

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

2.15 Non-current assets held for sale

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

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

2.16 Measurement and impairment of Qard

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

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

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

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

2.17 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.

2.18 Cash and cash equivalents

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.19 Insurance and takaful receivables

Insurance/takaful receivables are amounts receivable under the contractual terms of a reinsurance/retakaful/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/profit method.

The Group recognises an allowance for ECL for insurance receivables and recognises that impairment loss in the income statement. The basis for recognition of such impairment loss is as described in Note 2.14(i).

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

2.20 Leases

The Group and the Company assess at contract inception whether a contract is, or contains, a lease. Leases arise when the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) The Group and the Company as lessee

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

(a) Right-of-use assets

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

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

The ROU assets are also subject to impairment as disclosed under Note 2.14(ii).

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.20 Leases (cont'd.)

(i) The Group and the Company as lessee (cont'd.)

(b) Lease liabilities

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

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

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

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

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

(ii) The Group as lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income arising is accounted for on a straight-line basis over the lease terms and is included in investment income in the statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.21 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 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 at FVTPL.

(b) Other financial liabilities

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

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

For other financial liabilities, gains and losses are recognised in the income statements 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 statements.

2.22 Provisions

Provisions are recognised when the Group and the Company have 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.23 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 statements, except when it arises from a transaction which is recognised directly in other comprehensive income, in which case the deferred tax is also charged or credited directly in other comprehensive income.

2.24 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 and the Company. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated balances. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(b) Defined contribution plan

As required by law, the Group and the Company make contributions to the national pension scheme, the Employees Provident Fund ("EPF"). The Group and the Company also make additional contributions to the EPF for eligible employees by referring to their earnings. Such contributions are recognised as an expense in the income statements as incurred.

(c) Employees' terminal benefits

As required by the previous law in the United Arab Emirates, the Group has made 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.25 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 are determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

(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 approximate the exchanges 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) Ltd., 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.26 Revenue recognition

Revenue is recognised when the performance obligation is satisfied at an amount that reflects the consideration to which the Group and the Company expect to be entitled.

(a) Interest and profit income

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

(b) Rental income

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

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

(d) Management fees

Management fees are recognised when services are rendered.

(e) Wakalah fees

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

(f) Premiums and contributions income

Premiums/contributions are recognised in accordance with the policies stated in Notes 2.5(a) and 2.6(a).

(g) Commission income

Commission income derived from reinsurers/retakaful operators in the course of cession of premiums/contributions to reinsurers/retakaful operators are recognised in the income statement when they are incurred. Commission income is properly allocated to the relevant periods.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.27 Zakat

Zakat represents an obligatory amount payable by the takaful subsidiaries 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 an additional sum above the obligatory amount payable.

2.28 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:

Amendments to MFRSs

At the beginning of the current financial year, the Group and the Company adopted the following Amendments/ improvements to MFRSs which are mandatory for annual periods beginning on or after 1 January 2020.

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.29 Standards issued but not yet effective

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

Description	**Effective for annual periods beginning on or after**
Amendments to MFRS 16 Leases *Covid-19-Related Rent Concessions*	1 June 2020
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 *Interest Rate Benchmark Reform-Phase 2*	1 January 2021
Amendments to MFRS 16 Leases *Covid-19-Related Rent Concessions beyond 30 June 2021*	1 April 2021
Annual Improvements to MFRS Standards 2018–2020	
i) MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards*	
ii) MFRS 9 *Financial Instruments*	
iii) MFRS 16 *Leases*	
iv) MFRS 141 *Agriculture*	1 January 2022
Amendments to MFRS 3 *Business Combinations (Reference to Conceptual Framework)*	1 January 2022
Amendments to MFRS 116 *Property, Plant and Equipment*	1 January 2022
Amendments to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*	1 January 2022
Amendments to MFRS 101 *Presentation of Financial Statements Classification of Liabilities as Current or Non-current*	1 January 2023
Amendments to MFRS 101 *Presentation of Financial Statements Disclosure of Accounting Policies*	1 January 2023
MFRS 17 *Insurance Contracts*	1 January 2023
Amendments to MFRS 17 *Insurance Contracts*	1 January 2023
Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates*	1 January 2023
Amendments to MFRS 10 *Consolidated Financial Statements and MFRS 128 Investment in Associates and Joint Ventures*	To be announced by MASB

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

MFRS 17 *Insurance Contracts* and Amendments to MFRS 17

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

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

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured at every reporting period (the fulfilment cash flows);
- A Contractual Service Margin ("CSM") that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profitability of the insurance contracts to be recognised in the income statement over the service period (i.e., coverage period);
- The immediate recognition of the loss arising from onerous contracts in the income statement, with no CSM recognised on the balance sheet on initial recognition;
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and 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 cedants/participants will always receive, 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 and expenses) are presented separately from the insurance finance income or expense; and
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

3.1 Critical judgements made in applying accounting policies

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. The Group and the Company have not applied any significant judgements in preparing the financial statements.

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

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 (Note 20)

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, 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.There may be reporting lag between the occurrence of an insured event and the time it is actually recorded. For these cases, the IBNR reserves are estimated. Even for liabilities which have been recorded, there are potential uncertainties as to the magnitude of the final claims compared to initial reserve provisions. For these cases, IBNER reserve provision are estimated. There are various factors affecting the level of uncertainty such as inflation, judicial interpretations, legislative changes and claims handling procedures. The sensitivity of these assumptions and their impact to results and the equity position of the businesses are disclosed in Note 35(a)(iv) and 35(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.

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/retakaful liabilities involves a more granular segregation of the business of the reinsurance/retakaful 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

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

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

(a) General reinsurance, takaful and retakaful businesses (Note 20) (cont'd.)

Effective from 1 April 2020, the formula of UCR computation for all classes of the general takaful fund has been revised whereby the wakalah fee is computed on gross contribution less ceded amount.

This method earns the retakaful commission income in the general takaful fund rather than recognising the retakaful commission income immediately as revenue income which gives a fairer view of the net tabarru' amount. With this change, the UCR net of proportional retakaful arrangement is expected to be higher by the amount of unearned ceding commission. The clauses applied is more accurate in reflecting the unexpired portion of tabarru' allocation where a proportional treaty is in place. The change in the UCR computation has been accounted for prospectively in the current financial year in accordance with the requirements of MFRS 108: *Accounting Policies, Changes Accounting Estimates and Errors*. The day 1 effect on the financial statements for the year ended 31 March 2021 are described as below:

Group	RM'000
Income statements	
Net earned premiums/contributions	13,374
Statements of financial position	
Insurance/takaful contract liabilities	(13,374)

(b) Family takaful and retakaful businesses (Note 20)

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.

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

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

(b) Family takaful and retakaful businesses (Note 20) (cont'd.)

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 35(c)(iii) and 35(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.

(c) Expense Liabilities (Note 20)

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)(ii). 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 are approved by BNM.

4. NET EARNED PREMIUMS/CONTRIBUTIONS

		Group	
		2021 RM'000	2020 RM'000
(a)	**Gross earned premiums/contributions**		
	Insurance and takaful contracts	**2,565,338**	2,259,835
	Change in premium/contribution liabilities	**(63,556)**	(97,417)
		2,501,782	2,162,418
(b)	**Premiums/contributions ceded to reinsurers/retakaful operators**		
	Insurance and takaful contracts	**(337,374)**	(281,651)
	Change in premium/contribution liabilities	**(4,056)**	3,827
		(341,430)	(277,824)
	Net earned premiums/contributions	**2,160,352**	1,884,594

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2021

5. INVESTMENT INCOME

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Financial assets at FVTPL				
Designated upon initial recognition:				
Interest/profit income	**107,371**	106,492	**-**	-
Mandatorily measured:				
Interest/profit income	**319**	267	**-**	-
Dividend income:				
- Quoted shares in Malaysia	**12,725**	12,166	**-**	-
- Shariah approved unit trust fund	**806**	2,228	**163**	-
- Real estate investment trusts	**733**	1,136	**-**	-
Financial assets at FVOCI				
Interest/profit income	**87,925**	91,767	**-**	-
Dividend income on unquoted shares in Malaysia	**764**	882	**-**	-
Financial assets at amortised cost				
Interest/profit income	**60,099**	73,186	**2,701**	2,208
Dividend income from subsidiaries	**-**	-	**85,000**	40,000
Dividend income from associate	**-**	-	**-**	600
Rental income	**2,482**	3,317	**-**	-
Net amortisation of premiums on investments	**(7,280)**	(6,285)	**-**	-
Investment expenses	**(1,055)**	(1,035)	**-**	-
	264,889	284,121	**87,864**	42,808

6. NET REALISED GAINS/(LOSSES)

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Property, plant and equipment				
Net realised gains	**70**	25	**70**	-
Intangible assets				
Net realised losses	**-**	(4)	**-**	(4)
Non-current asset held for sale				
Net realised loss	**-**	(850)	**-**	-
Financial assets at FVTPL				
Quoted shares in Malaysia:				
Shariah approved equities in Malaysia	**3,308**	4,454	**-**	-
Others	**(2,203)**	1,650	**-**	-
Unquoted Islamic private debt securities	**1,222**	15,608	**-**	-
Government investment issues	**1,824**	33,665	**-**	-
Shariah approved unit trust funds	**5,994**	2,754	**-**	-
Real estate investment trusts	**1,329**	791	**-**	-
Net realised gains	**11,474**	58,922	**-**	-
Financial assets at FVOCI				
Unquoted corporate debt securities	**3,823**	7,479	**-**	-
Unquoted Islamic private debt securities	**1,515**	1,408	**-**	-
Government investment issues	**6,237**	27,421	**-**	-
Net realised gains	**11,575**	36,308	**-**	-
	23,119	94,401	**70**	(4)

NOTES TO THE FINANCIAL STATEMENTS
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7. NET FAIR VALUE LOSSES

	Group	
	2021	2020
	RM'000	RM'000
Net fair value losses on financial assets at FVTPL	**(4,482)**	(18,780)

8. FEE AND COMMISSION INCOME/(EXPENSES)

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Fee and commission income				
Management fees	**6,149**	8,152	**38,997**	37,394
Commission income	**38,032**	40,610	**-**	-
	44,181	48,762	**38,997**	37,394
Fee and commission expenses				
Commission expenses	**(478,490)**	(452,839)	**-**	-

9. MANAGEMENT EXPENSES

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Salaries, bonus and other related costs	**102,698**	94,535	**22,031**	22,694
Short term accumulating compensated absences	**1,565**	72	**419**	(28)
Group Chief Executive Officer ("GCEO"), directors and Group Shariah Committee ("GSC") members' remuneration (Note 10)	**6,921**	6,116	**3,561**	2,617
Pension costs - EPF	**14,551**	12,769	**3,044**	3,027
Social security costs	**784**	766	**150**	159
Retirement benefits	**-**	125	**-**	66
Auditors' remuneration:				
Statutory auditors of the Group				
- statutory audit and audit related	**2,017**	1,703	**91**	88
- regulatory-related	**100**	115	**28**	33
- other services	**143**	63	**45**	10
Depreciation of property, plant and equipment (Note 13)	**6,103**	5,893	**600**	459
Depreciation of right-of-use assets (Note 15)	**2,896**	3,720	**1,062**	1,187
Amortisation of intangible assets (Note 14)	**10,594**	6,633	**698**	387
Expenses relating to leases of low-value assets (Note 15)	**834**	449	**503**	252
Expenses relating to short-term leases (Note 15)	**17**	98	**-**	-
Agency expenses	**10,210**	6,189	**-**	-
Marketing and promotional costs	**57,157**	42,296	**224**	361
Electronic data processing costs	**15,832**	21,750	**879**	1,106
Management fee	**-**	-	**741**	-
Professional and legal fees	**13,616**	12,298	**836**	1,761
Contributions and donations	**498**	428	**-**	-
Other management expenses	**42,437**	46,762	**1,486**	2,856
	288,973	262,780	**36,398**	37,035

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10. GCEO, DIRECTORS' AND GSC MEMBERS' REMUNERATION

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Number of non-executive directors	**19**	20	**6**	11
GCEO:				
Salaries and bonus	**2,195**	2,111	**1,834**	1,425
Pension costs - EPF and SOCSO	**393**	359	**332**	242
Benefits-in-kind	**26**	23	**26**	23
Fees	**134**	196	**-**	-
Others	**465**	38	**445**	-
	3,213	2,727	**2,637**	1,690
Non-executive directors of the Company:				
Fees	**1,555**	1,816	**761**	766
Others	**410**	478	**189**	184
Benefts-in-kind	**31**	-	**31**	-
	1,996	2,294	**981**	950
Non-executive director of the subsidiaries:				
Fees	**1,203**	701	**-**	-
Others	**327**	150	**-**	-
	1,530	851	**-**	-
Group Shariah Committee members:				
Fees	**177**	196	**-**	-
Allowances	**62**	71	**-**	-
	239	267	**-**	-
Total GCEO, directors' and GSC members' remuneration excluding benefits-in-kind	**6,921**	6,116	**3,561**	2,617

10. GCEO, DIRECTORS' AND GSC MEMBERS' REMUNERATION (CONT'D.)

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

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
GCEO:				
RM800,001 to RM850,000	**1**	-	**1**	-
RM1,650,001 to RM1,700,000	**-**	-	**-**	1
RM1,800,001 to RM1,850,000	**-**	-	**1**	-
RM2,350,001 to RM2,400,000	**1**	-	**-**	-
RM2,700,001 to RM2,750,000	**-**	1	**-**	-
Non-executive directors of the Company:				
RM0 to RM50,000	**-**	1	**-**	1
RM50,001 to RM100,000	**-**	2	**-**	8
RM100,001 to RM150,000	**3**	2	**3**	1
RM150,001 to RM200,000	**-**	3	**2**	1
RM200,001 to RM250,000	**-**	1	**1**	-
RM300,001 to RM350,000	**1**	-	**-**	-
RM500,001 to RM550,000	**-**	1	**-**	-
RM550,001 to RM600,000	**1**	-	**-**	-
RM600,001 to RM650,000	**-**	1	**-**	-
RM650,001 to RM700,000	**1**	-	**-**	-
Non-executive director of the subsidiaries:				
RM0 to RM50,000	**3**	2	**-**	-
RM50,001 to RM100,000	**1**	2	**-**	-
RM100,001 to RM150,000	**6**	1	**-**	-
RM150,001 to RM200,000	**2**	1	**-**	-
RM200,001 to RM250,000	**-**	1	**-**	-
RM250,001 to RM300,000	**1**	1	**-**	-
RM500,001 to RM550,000	**-**	1	**-**	-

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2021

10. GCEO, DIRECTORS' AND GSC MEMBERS' REMUNERATION (CONT'D.)

	Group				Company			
	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
2021								
Group Chief Executive Officer ("GCEO")								
Zaharudin Daud (Appointed on 23 November 2020)	665	-	153	818	665	-	153	818
Mohd Din Merican (Resigned on 23 November 2020)	1,530	134	731	2,395	1,169	-	650	1,819
Total GCEO remuneration	2,195	134	884	3,213	1,834	-	803	2,637
Non-Executive Directors of the Company:								
Datuk Johar Che Mat	-	443	144	587	-	171	64	235
George Oommen	-	519	141	660	-	121	31	152
Khalid Sufat	-	262	69	331	-	138	38	176
Junaidah Mohd Said	-	116	33	149	-	116	33	149
Zaida Khalida Shaari	-	111	29	140	-	111	29	140
Dato' Wan Roshdi Wan Musa	-	104	25	129	-	104	25	129
	-	1,555	441	1,996	-	761	220	981
Total GCEO and directors' remuneration	2,195	1,689	1,325	5,209	1,834	761	1,023	3,618

10. GCEO, DIRECTORS' AND GSC MEMBERS' REMUNERATION (CONT'D.)

	Group				Company			
	Salary and bonus RM'000	Fees RM'000	Benefits-in-kind and other emoluments	Total RM'000	Salary and bonus RM'000	Fees RM'000	Benefits-in-kind and other emoluments RM'000	Total RM'000
2020								
Group Chief Executive Officer ("GCEO")/ Executive Director								
Mohd Din Merican	2,111	196	420	2,727	1,425	-	265	1,690
Non-Executive Directors of the Company:								
Datuk Johar Che Mat	-	407	100	507	-	159	31	190
George Oommen	-	506	123	629	-	118	30	148
Khalid Sufat (Appointed on 1 October 2019)	-	129	32	161	-	69	18	87
Junaidah Mohd Said (Appointed on 1 October 2019)	-	58	19	77	-	58	16	74
Zaida Khalida Shaari (Appointed on 1 October 2019)	-	58	18	76	-	58	15	73
Hijah Arifakh Othman (Resigned on 1 October 2019)	-	101	21	122	-	52	10	62
Mustaffa Ahmad (Resigned on 1 October 2019)	-	129	46	175	-	58	15	73
Rosinah Mohd Salleh (Resigned on 1 October 2019)	-	102	39	141	-	49	13	62
Arul Sothy Mylvaganam (Resigned on 1 October 2019)	-	167	39	206	-	52	13	65
Noor Rida Hamzah (Resigned on 1 October 2019)	-	125	34	159	-	58	16	74
Dato Sharkawi Alis (Resigned with effect from 1 July 2019)	-	34	7	41	-	35	7	42
	-	1,816	478	2,294	-	766	184	950
Total GCEO and directors' remuneration	2,111	2,012	898	5,021	1,425	766	449	2,640

NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2021

11. OTHER OPERATING REVENUE/(EXPENSES)

	Group		Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Other operating revenue				
Gains on foreign exchange	**-**	7,318	**-**	-
Reversal of impairment losses on insurance/takaful receivables (Note 36(a))	**-**	1,677	**-**	-
Recovery of bad debts	**151**	155	**-**	-
Non-operating interest income	**142**	1,418	**6**	9
Miscellaneous income	**10,382**	10,873	**158**	265
Management income pursuant to business transfer from HLMTB	**321**	2,300	**-**	-
	10,996	23,741	**164**	274
Other operating expenses				
Losses on foreign exchange	**(2,905)**	-	**-**	-
Impairment losses oninsurance/takaful receivables (Note 36(a))	**(8,899)**	-	**-**	-
Impairment losses on financial assets at:				
FVOCI	**(189)**	(576)	**-**	-
Amortised cost	**(131)**	-	**-**	-
Impairment loss on buildings (Note 34)	**(34)**	(585)	**-**	-
Miscellaneous expenses	**(501)**	(1,367)	**(274)**	-
	(12,659)	(2,528)	**(274)**	-

12. TAXATION

	Group		Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Malaysian income tax:				
Tax expense for the year	**29,827**	26,268	**538**	415
Under/(over) provision in prior years	**2,947**	(2,737)	**12**	(2,440)
	32,774	23,531	**550**	(2,025)
Deferred tax (Note 19):				
(Over)/under provision in prior years	**(173)**	230	**(173)**	230
Relating to origination and reversal of temporary differences	**(153)**	(7,032)	**298**	(102)
	(326)	(6,802)	**125**	128
	32,448	16,729	**675**	(1,897)

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% (2020: 24%) of the estimated assessable profit for the year. Income tax on the Group's reinsurance/retakaful and family takaful business are calculated at a preferential tax rate of 8% (2020: 8%).

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

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit before zakat and tax	**223,236**	150,922	**73,650**	26,709
Taxation at Malaysian statutory tax rate of 24%	**53,577**	36,222	**17,676**	6,411
Effects of different tax rate in respect of reinsurance/ retakaful business	**(4,008)**	(4,162)	**-**	-
Income not subject to tax	**(74,499)**	(62,109)	**(20,456)**	(9,712)
Expenses not deductible for tax purposes	**59,029**	47,560	**4,328**	4,250
Utilisation of previously unrecognised tax losses	**(712)**	(636)	**(712)**	(636)
(Over)/under provision of deferred tax in prior years	**(173)**	230	**(173)**	230
Under/(over) provision of tax in prior years	**2,947**	(2,737)	**12**	(2,440)
Share of results of associates	**(3,713)**	2,361	**-**	-
Tax expense for the year	**32,448**	16,729	**675**	(1,897)

Tax borne by participants

	Group	
	2021 RM'000	2020 RM'000
Current income tax:		
Current year's provision	**15,516**	23,307
Over provision of tax expense in prior years	**(191)**	(3,367)
	15,325	19,940
Deferred income tax (Note 19):		
Deferred tax relating to origination and reversal of temporary differences	**(5,741)**	(1,942)
Tax expense for the year	**9,584**	17,998

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

Group	Freehold land RM'000	Buildings RM'000	Computer equipment RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Valuation/Cost						
At 1 April 2019	36,800	165,600	10,867	38,796	2,118	254,181
Additions	-	1,368	893	509	457	3,227
Disposals	-	-	(5,747)	(1,600)	(221)	(7,568)
Revaluation surplus	-	2,895	-	-	-	2,895
Foreign exchange translation	-	359	8	22	12	401
Elimination of accumulated depreciation on revaluation	-	(7,319)	-	-	-	(7,319)
At 31 March 2020	36,800	162,903	6,021	37,727	2,366	245,817
Additions	-	210	1,321	61	607	2,199
Disposals	-	-	-	-	(752)	(752)
Revaluation surplus	-	3,359	-	-	-	3,359
Foreign exchange translation	-	(226)	2	(16)	(9)	(249)
Elimination of accumulated depreciation on revaluation	-	(4,659)	-	-	-	(4,659)
At 31 March 2021	**36,800**	**161,587**	**7,344**	**37,772**	**2,212**	**245,715**

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

Group	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
Accumulated depreciation and impairment loss						
At 31 March 2019	-	2,288	10,457	35,709	1,540	49,994
Depreciation charge for the year (Note 9)	-	4,446	449	769	229	5,893
Disposals	-	-	(5,742)	(1,591)	(221)	(7,554)
Elimination of accumulated depreciation on revaluation	-	(7,319)	-	-	-	(7,319)
Foreign exchange translation	-	-	2	23	4	29
Impairment loss during the year (Note 11)	-	585	-	-	-	585
At 31 March 2020	-	-	5,166	34,910	1,552	41,628
Depreciation charge for the year (Note 9)	-	4,625	556	636	286	6,103
Disposals	-	-	-	-	(752)	(752)
Elimination of accumulated depreciation on revaluation	-	(4,659)	-	-	-	(4,659)
Foreign exchange translation	-	-	(1)	(14)	(1)	(16)
Impairment loss during the year (Note 11)	-	34	-	-	-	34
At 31 March 2021	**-**	**-**	**5,721**	**35,532**	**1,085**	**42,338**
Net carrying amount						
At 31 March 2021	**36,800**	**161,587**	**1,623**	**2,240**	**1,127**	**203,377**
At 31 March 2020	36,800	162,903	855	2,817	814	204,189

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

Revaluation of freehold land and buildings

Freehold land and buildings in Malaysia have been revalued based on valuations performed by accredited independent valuers having appropriate recognised professional qualification. The valuations are based on the income and comparison approaches and are effective on 31 March 2021.

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

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. The comparison was premised on the factors of location, size, lease, restrictive covenants age and condition of the building as well as the time element.

Description of the fair value hierarchy for freehold land and buildings and the significant inputs used in the valuation are provided in Note 39.

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

Group	Freehold land RM'000	Buildings RM'000	Total RM'000
Cost			
At 1 April 2019	15,596	145,760	161,356
Additions	-	1,368	1,368
At 31 March 2020	15,596	147,128	162,724
Additions	-	211	211
At 31 March 2021	**15,596**	**147,339**	**162,935**
Accumulated depreciation			
At 1 April 2019	-	47,666	47,666
Depreciation charge for the year	-	4,446	4,446
Impairment losses during the year	-	585	585
At 31 March 2020	-	52,697	52,697
Depreciation charge for the year	-	4,625	4,625
Impairment losses during the year	-	34	34
At 31 March 2021	**-**	**57,356**	**57,356**
Net carrying amount			
At 31 March 2021	**15,596**	**89,983**	**105,579**
At 31 March 2020	15,596	94,431	110,027

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

Company	Computer equipment RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost				
At 1 April 2019	3,112	3,142	1,114	7,368
Additions	592	9	-	601
Disposals	(154)	(191)	-	(345)
At 31 March 2020	3,550	2,960	1,114	7,624
Additions	413	4	237	654
Disposals	-	-	(752)	(752)
At 31 March 2021	**3,963**	**2,964**	**599**	**7,526**
Accumulated depreciation				
At 1 April 2019	2,890	2,351	827	6,068
Charge for the year (Note 9)	240	146	73	459
Disposals	(154)	(191)	-	(345)
At 31 March 2020	2,976	2,306	900	6,182
Charge for the year (Note 9)	361	135	104	600
Disposals	-	-	(752)	(752)
At 31 March 2021	**3,337**	**2,441**	**252**	**6,030**
Net carrying amount				
At 31 March 2021	**626**	**523**	**347**	**1,496**
At 31 March 2020	574	654	214	1,442

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14. INTANGIBLE ASSETS

Group	Software development in progress RM'000	Computer software and licences RM'000	Preferred partnership fees RM'000	Total RM'000
Cost				
At 1 April 2019	13,923	64,826	6,000	84,749
Additions	3,356	2,653	-	6,009
Disposal	-	(612)	-	(612)
Reclassification	(1,660)	1,660	-	-
At 31 March 2020	15,619	68,527	6,000	90,146
Additions	14,122	3,699	28,000	45,821
Reclassification	(408)	408	-	-
At 31 March 2021	**29,333**	**72,634**	**34,000**	**135,967**
Accumulated amortisation				
At 1 April 2019	-	44,386	3,157	47,543
Amortisation for the year (Note 9)	-	4,932	1,701	6,633
Disposal	-	(608)	-	(608)
At 31 March 2020	-	48,710	4,858	53,568
Amortisation for the year (Note 9)	-	5,435	5,159	10,594
At 31 March 2021	**-**	**54,145**	**10,017**	**64,162**
Net carrying amount				
At 31 March 2021	**29,333**	**18,489**	**23,983**	**71,805**
At 31 March 2020	15,619	19,817	1,142	36,578

14. INTANGIBLE ASSETS (CONT'D.)

Company	Software development in progress RM'000	Computer software and licences RM'000	Total RM'000
Cost			
At 1 April 2019	1,045	8,882	9,927
Additions	-	737	737
Disposal	-	(612)	(612)
Reclassification	(1,045)	1,045	-
At 31 March 2020	-	10,052	10,052
Additions	-	1,118	1,118
At 31 March 2021	**-**	**11,170**	**11,170**
Accumulated amortisation			
At 1 April 2019	-	7,555	7,555
Amortisation for the year (Note 9)	-	387	387
Disposal	-	(608)	(608)
At 31 March 2020	-	7,334	7,334
Amortisation for the year (Note 9)	-	698	698
At 31 March 2021	**-**	**8,032**	**8,032**
Net carrying amount			
At 31 March 2021	**-**	**3,138**	**3,138**
At 31 March 2020	-	2,718	2,718

15. LEASE

(a) The Group and the Company as lessee

The Group and the Company have lease contracts for various items of equipments and office buildings used in their operations. Lease of office buildings generally have lease terms between 3 to 6 years, while computer and office equipment generally have lease terms of up to 3 years. The Group and the Company's obligations under leases are secured by the lessor's title to the leased assets. Generally, the Group and the Company are restricted from assigning and subleasing the leased assets. There are several lease contracts that include extension options, which are further discussed below.

The Group and the Company also have certain leases of equipment with lease terms of 12 months or less and leases of equipments which are of low value. The Group and the Company apply the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

(i) Right-of-use assets:

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

Group	Data Centre RM'000	Office buildings RM'000	Computer and office equipment RM'000	Total RM'000
Cost				
At 1 April 2019	1,074	2,805	3,924	7,803
Additions during the year	-	434	-	434
Lease derecognised during the year	-	(22)	-	(22)
Foreign exchange translation	-	36	-	36
At 31 March 2020	1,074	3,253	3,924	8,251
Additions during the year	-	1,270	-	1,270
Lease derecognised during the year	-	(483)	(2,925)	(3,408)
Foreign exchange translation	-	6	-	6
At 31 March 2021	**1,074**	**4,046**	**999**	**6,199**

15. LEASE (CONT'D.)

(a) The Group and the Company as lessee (cont'd.)

(i) Right-of-use assets (cont'd.):

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period: (cont'd.)

Group (cont'd.)	Data Centre RM'000	Office buildings RM'000	Computer and office equipment RM'000	Total RM'000
Accumulated depreciation				
At 1 April 2019	-	-	-	-
Charge for the year (Note 9)	416	1,117	2,187	3,720
Lease derecognised during the year	-	(22)	-	(22)
Foreign exchange translation	-	5	-	5
At 31 March 2020	416	1,100	2,187	3,703
Charge for the year (Note 9)	416	1,111	1,369	2,896
Lease derecognised during the year	-	(483)	(2,925)	(3,408)
Foreign exchange translation	-	22	-	22
At 31 March 2021	**832**	**1,750**	**631**	**3,213**
Net Carrying Amount				
At 31 March 2021	**242**	**2,296**	**368**	**2,906**
At 31 March 2020	658	2,153	1,737	4,548

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15. LEASE (CONT'D.)

(a) The Group and the Company as lessee (cont'd.)

(i) Right-of-use assets (cont'd):

Company	Office buildings RM'000	Computer and office equipment RM'000	Total RM'000
Cost			
At 1 April 2019	1,159	215	1,374
Additions during the year	3,059	-	3,059
At 31 March 2020/31 March 2021	**4,218**	**215**	**4,433**
Accumulated depreciation			
At 1 April 2019	-	-	-
Charge for the year (Note 9)	1,148	39	1,187
At 31 March 2020	1,148	39	1,187
Charge for the year (Note 9)	1,023	39	1,062
At 31 March 2021	**2,171**	**78**	**2,249**
Net carrying amount			
At 31 March 2021	**2,047**	**137**	**2,184**
At 31 March 2020	3,070	176	3,246

(ii) Lease liabilities:

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	Group RM '000	Company RM '000
At 1 April 2019	7,332	1,369
Additions	421	3,071
Accretion of interest	296	43
Payments	(3,858)	(1,324)
Foreign exchange translation	28	-
At 31 March 2020	4,219	3,159
Additions	1,270	-
Accretion of interest	158	133
Payments	(2,879)	(1,177)
Foreign exchange translation	(14)	-
At 31 March 2021	**2,754**	**2,115**

15. LEASE (CONT'D.)

(a) The Group and the Company as lessee (cont'd.)

(ii) Lease liabilities (cont'd):

The following table sets out the maturity analysis of lease liabilities, showing contractual discounted and undiscounted cash flows:

	Group	
	2021	**2020**
	RM '000	**RM '000**
Contractual discounted cash flow:		
Within 1 year	**1,560**	2,700
After 1 year but not more than 5 years	**1,108**	1,519
More than 5 years	**86**	-
	2,754	4,219
Undiscounted cash flow:		
Within 1 year	**1,821**	2,762
After 1 year but not more than 5 years	**1,059**	1,659
More than 5 years	**87**	-
	2,967	4,421

	Company	
	2021	**2020**
	RM '000	**RM '000**
Contractual discounted cash flow:		
Within 1 year	**1,041**	1,045
After 1 year but not more than 5 years	**1,074**	2,114
	2,115	3,159
Undiscounted cash flow:		
Within 1 year	**1,121**	1,177
After 1 year but not more than 5 years	**1,102**	2,222
	2,223	3,399

15. LEASE (CONT'D.)

(a) The Group and the Company as lessee (cont'd.)

(iii) Amount recognised in the statements of comprehensive income

	Group	
	2021 RM '000	2020 RM '000
Depreciation expense of right-of-use assets (Note 9)	**2,896**	3,720
Finance cost on lease liabilities	**158**	296
Expenses relating to short-term leases (Note 9)	**17**	98
Expenses relating to leases of low-value assets (Note 9)	**834**	449
Total amount recognised in profit or loss	**3,905**	4,563

	Company	
	2021 RM '000	2020 RM '000
Depreciation expense of right-of-use assets (Note 9)	**1,062**	1,187
Finance cost on lease liabilities	**133**	43
Expenses relating to leases of low-value assets (Note 9)	**503**	252
Total amount recognised in profit or loss	**1,698**	1,482

(iv) Amount recognised in the statement of cash flows

	Group	
	2021 RM '000	2020 RM '000
Payment of lease liability	**(2,879)**	(3,858)
Non-cash additions to ROU assets	**1,270**	434
	(1,609)	(3,424)

	Company	
	2021 RM '000	2020 RM '000
Payment of lease liability	**(1,177)**	(1,324)
Non-cash additions to ROU assets	**-**	3,059
	(1,177)	1,735

15. LEASE (CONT'D.)

(a) The Group and the Company as lessee (cont'd.)

(v) Extension options

Most lease of the Group and the Company's office buildings contain extension options exercisable by the Group and the Company and not the lessors. At the commencement of a lease, the Group and the Company assess whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control

All of the extension options for office buildings have been included in the lease liability because the Group is reasonably certain that the lease will be extended based on past practice and the existing economic incentive.

(b) The Group as lessor

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

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	
	2021 RM '000	**2020 RM '000**
Future minimum rental receivable:		
Not later than 1 year	**2,050**	3,685
Later than 1 year and not later than 5 years	**1,458**	3,508
	3,508	7,193

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16. INVESTMENTS IN SUBSIDIARIES

	Company 2021 RM '000	Company 2020 RM '000
Unquoted shares, at cost:		
In Malaysia		
At the beginning and end of the year	**1,298,106**	1,298,106
Outside Malaysia		
At the beginning and end of the year	**6,370**	6,370
	1,304,476	1,304,476

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest 2021 %	Effective ownership interest 2020 %
Malaysian Reinsurance Berhad ("Malaysian Re")	Malaysia	Underwriting of all classes of general reinsurance business and management of family and general retakaful business	**100**	100
Takaful Ikhlas Family Berhad ("Takaful IKHLAS Family")	Malaysia	Management of family and investment-linked takaful business	**100**	100
Takaful Ikhlas General Berhad ("Takaful IKHLAS General")	Malaysia	Management of general takaful business	**100**	100
Sinar Seroja Berhad	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 Malaysian Re	**100**	100

* Audited by a firm of chartered accountants affiliated to Ernst & Young PLT, Malaysia.

17. INVESTMENTS IN ASSOCIATES

	Group 2021 RM '000	Group 2020 RM '000
Unquoted shares in Malaysia, at cost	**77,615**	77,615
Share of post-acquisition retained profits	**15,200**	(272)
Share of post-acquisition fair value reserve	**(5,545)**	2,180
Post-acquisition foreign exchange translation reserve *	**47,535**	53,759
	134,805	133,282
Represented by share of net assets	**134,805**	133,282

	Company 2021 RM '000	Company 2020 RM '000
Unquoted shares in Malaysia, at cost	**1,957**	1,957

* This is in respect of retranslation 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 2021 %	2020 %
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 and retakaful 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 2020 and management financial statements to the end of the accounting period of 31 March 2021 have been used.

** Audited by a firm other than Ernst & Young PLT, Malaysia.

17. INVESTMENTS IN ASSOCIATES (CONT'D.)

The summarised financial information of the associates, not adjusted for the proportion of ownership interest held by the Group, are as follows:

	2021 RM '000	2020 RM '000
Assets and liabilities:		
Current assets	**2,416,818**	2,636,293
Non-current assets	**72,004**	80,213
Total assets	**2,488,822**	2,716,506
Current liabilities	**287,510**	324,557
Non-current liabilities	**1,539,421**	1,733,547
Total liabilities	**1,826,931**	2,058,104
Equity	**661,891**	658,402
Results:		
Revenue	**633,017**	673,545
Profit/(loss) for the year	**70,209**	(51,251)
Share of net profit/(loss) for the year	**15,472**	(9,838)

18. FINANCIAL AND OTHER ASSETS

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

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At carrying value:				
Financial assets at FVTPL (a)	**3,101,637**	2,968,600	**31,800**	-
Financial assets at FVOCI (b)	**2,082,950**	2,254,163	**50**	50
Amortised cost and other assets (c)	**3,150,670**	2,531,991	**95,697**	75,058
	8,335,257	7,754,754	**127,547**	75,108
Malaysian government securities	**155,329**	145,670	**-**	-
Government investment issues	**1,580,241**	1,863,258	**-**	-
Unquoted corporate debt securities	**1,048,715**	1,119,053	**1,000**	1,000
Islamic commercial paper	**149,475**	-	**-**	-
Commercial paper	**54,820**	-	**-**	-
Equity securities:				
Unquoted shares in Malaysia	**84,838**	84,675	**50**	50
Quoted shares in Malaysia	**312,968**	295,637	**-**	-
Unquoted perpetual bond in Malaysia	**4,950**	-	**-**	-
Unquoted Islamic private debt securities	**1,738,886**	1,577,346	**-**	-
Shariah approved unit trust funds	**241,218**	113,826	**31,800**	-
Real estate investment trusts	**17,442**	23,298	**-**	-
Fixed and call deposits	**341,042**	353,179	**-**	-
Islamic investment accounts	**2,458,178**	1,998,974	**92,301**	69,669
Other receivables and prepayments	**147,155**	179,838	**2,396**	4,389
	8,335,257	7,754,754	**127,547**	75,108

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18. FINANCIAL AND OTHER ASSETS (CONT'D.)

(a) Financial assets at FVTPL

	Group		Company	
At fair value:	**2021 RM'000**	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Designated upon initial recognition:				
Unquoted corporate debt securities	**1,162**	2,190	**-**	-
Government investment issues	**1,141,718**	1,262,018	**-**	-
Unquoted Islamic private debt securities	**1,362,102**	1,253,077	**-**	-
Mandatorily measured:				
Quoted shares in Malaysia:				
Shariah approved equities	**215,664**	209,176	**-**	-
Warrants	**-**	11	**-**	-
Others	**97,304**	86,450	**-**	-
Unquoted perpetual bond in Malaysia	**4,950**	-	**-**	-
Unquoted corporate debt securities	**19,469**	17,928	**-**	-
Unquoted Islamic private debt securities	**608**	626	**-**	-
Shariah approved unit trust funds	**241,218**	113,826	**31,800**	-
Real estate investment trusts	**17,442**	23,298	**-**	-
	3,101,637	2,968,600	**31,800**	-

18. FINANCIAL AND OTHER ASSETS (CONT'D.)

(b) Financial assets at FVOCI

	Group		Company	
At fair value:	**2021 RM'000**	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Malaysian government securities	**155,329**	145,670	**-**	-
Government investment issues	**438,523**	601,240	**-**	-
Unquoted corporate debt securities	**1,028,084**	1,098,935	**-**	-
Unquoted Islamic private debt securities	**376,176**	323,643	**-**	-
Unquoted shares in Malaysia *	**84,605**	84,382	**-**	-
Golf club memberships	**233**	293	**50**	50
	2,082,950	2,254,163	**50**	50

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

Disclosures on expected credit losses recognised on financial assets at FVOCI are disclosed in Note 36(a).

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18. FINANCIAL AND OTHER ASSETS (CONT'D.)

(c) Financial assets at amortised cost

	Group		Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
At amortised cost:				
Unquoted corporate debt securities	**-**	-	**1,000**	1,000
Fixed and call deposits with licensed:				
Commercial banks	**77,313**	121,384	**-**	-
Foreign banks	**263,729**	231,795	**-**	-
Islamic investment accountswith licensed:				
Islamic banks	**1,892,300**	1,550,743	**77,487**	43,979
Investment banks	**5,903**	3,982	**-**	-
Development banks	**559,975**	444,249	**14,814**	25,690
Islamic commercial paper	**149,475**	-	**-**	-
Commercial paper	**54,820**	-	**-**	-
Secured staff loans	**5,315**	7,941	**1,755**	2,635
Amounts due from subsidiaries *	**-**	-	**-**	311
Income due and accrued	**64,567**	78,433	**276**	616
Amount due from Insurance Pool accounts	**9,864**	29,716	**-**	-
Due from Lloyds' syndicate	**44,985**	36,971	**-**	-
Sundry receivables	**19,087**	18,383	**282**	289
	3,147,333	2,523,597	**95,614**	74,520
Other assets:				
Other receivables	**304**	6,993	**-**	413
Prepayments	**3,033**	1,401	**83**	125
	3,150,670	2,531,991	**95,697**	75,058

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

* The carrying amounts disclosed are non-trade in nature, unsecured, not subject to any interest/profit elements and repayable on demand.

18. FINANCIAL AND OTHER ASSETS (CONT'D.)

(d) Average effective interest rate

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

	Group		Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Debt securities	**4.43%**	4.97%	**5.06%**	5.06%
Staff loans	**3.02%**	3.02%	**3.04%**	3.04%
Deposits with financial institutions	**2.05%**	2.78%	**2.39%**	3.41%

19. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
At 1 April	**3,458**	(3,123)	**1,742**	1,870
Recognised in:				
Income statement (Note 12)	**326**	6,802	**(125)**	(128)
Participants' funds (Note 12)	**5,741**	1,942	**-**	-
Other comprehensive income	**2,151**	(2,163)	**-**	-
At 31 March	**11,676**	3,458	**1,617**	1,742

Deferred tax assets and liabilities are offset when there is a legally enforeceable right to set-off current tax assets against current tax liabilities and when the deferred income taxes relates to the same authority. The net deferred tax assets and liabilities shown on the statements of financial position after appropriate offsetting are as follows:

	Group		Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Deferred tax assets	**21,503**	15,404	**1,617**	1,742
Deferred tax liabilities	**(9,827)**	(11,946)	**-**	-
	11,676	3,458	**1,617**	1,742

19. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D.)

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

Group	Provisions and payables RM'000	Unabsorbed/ accelerated capital allowances RM'000	Impairment losses on loans and receivables	Premium/ contribution and expense liabilities RM'000	Financial assets RM'000	Revaluation of land and buildings RM'000	Others RM'000	Total RM'000
2021								
At 1 April 2020	**3,130**	**(1,528)**	**2,004**	**8,761**	**(4,768)**	**(7,161)**	**3,020**	**3,458**
Recognised in:								
Income statement (Note 12)	**1,144**	**38**	**-**	**2,054**	**(3,599)**	**-**	**689**	**326**
Participants' fund (Note 12)	**1,186**	**966**	**1,772**	**-**	**1,807**	**(163)**	**173**	**5,741**
Other comprehensive income	**-**	**-**	**-**	**-**	**2,447**	**(296)**	**-**	**2,151**
At 31 March 2021	**5,460**	**(524)**	**3,776**	**10,815**	**(4,113)**	**(7,620)**	**3,882**	**11,676**
2020								
At 1 April 2019	1,215	(929)	1,343	6,656	(5,873)	(7,982)	2,447	(3,123)
Recognised in:								
Income statement (Note 12)	208	367	174	2,098	4,229	-	(274)	6,802
Participants' fund (Note 12)	1,707	(966)	487	7	(592)	452	847	1,942
Other comprehensive income	-	-	-	-	(2,532)	369	-	(2,163)
At 31 March 2020	3,130	(1,528)	2,004	8,761	(4,768)	(7,161)	3,020	3,458

19. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D.)

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

Company	Unabsorbed/ accelerated capital allowances RM'000	Others RM'000	Total RM'000
2021			
At 1 April 2020	**(155)**	**1,897**	**1,742**
Recognised in income statement (Note 12)	**35**	**(160)**	**(125)**
At 31 March 2021	**(120)**	**1,737**	**1,617**
2020			
At 1 April 2019	(398)	2,268	1,870
Recognised in income statement (Note 12)	243	(371)	(128)
At 31 March 2020	(155)	1,897	1,742

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

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Unutilised business losses	**12,598**	13,310	**4,495**	5,207

The unutilised tax losses of the Group and the Company are available for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act 1967 and guidelines issued by the tax authority.

The Malaysia Finance Act gazetted on 27 December 2018 has imposed a time limitation to restrict the carry forward of the unutilised tax losses. The unutilised tax losses accumulated up to the year of assessment 2018 are allowed to be carried forward for 7 consecutive years of assessment (i.e. from year of assessment 2019 to 2025) and any balance of the unutilised losses thereafter shall be disregarded.

However, for any unutilised tax losses that originated from the year of assessment 2019 onwards, these are allowed to be carried forward for a maximum period of 7 consecutive years of assessment immediately following that originating year of assessment and any balance of the unutilised tax losses thereafter shall be disregarded.

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20. INSURANCE/TAKAFUL CONTRACT LIABILITIES

	2021 Gross RM'000	2021 Reinsurance/ retakaful RM'000	2021 Net RM'000	2020 Gross RM'000	2020 Reinsurance/ retakaful RM'000	2020 Net RM'000
General reinsurance/takaful/retakaful funds (Note (a))	**2,841,022**	**(365,206)**	**2,475,816**	2,592,140	(437,330)	2,154,810
Family takaful/retakaful funds (Note (b))	**3,411,712**	**(92,029)**	**3,319,683**	3,178,633	(59,998)	3,118,635
Expense liabilities (Note (c))	**88,256**	**-**	**88,256**	72,300	-	72,300
Total	**6,340,990**	**(457,235)**	**5,883,755**	5,843,073	(497,328)	5,345,745

(a) General reinsurance/takaful/retakaful funds

	2021 Gross RM'000	2021 Reinsurance/ retakaful RM'000	2021 Net RM'000	2020 Gross RM'000	2020 Reinsurance/ retakaful RM'000	2020 Net RM'000
Claim liabilities (Note (i))	**2,305,694**	**(306,976)**	**1,998,718**	2,120,368	(375,044)	1,745,324
Premium/contribution liabilities (Note (ii))	**535,328**	**(58,230)**	**477,098**	471,772	(62,286)	409,486
	2,841,022	**(365,206)**	**2,475,816**	2,592,140	(437,330)	2,154,810

(i) Claim liabilities

	2021 Gross RM'000	2021 Reinsurance/ retakaful RM'000	2021 Net RM'000	2020 Gross RM'000	2020 Reinsurance/ retakaful RM'000	2020 Net RM'000
At 1 April	**2,120,368**	**(375,044)**	**1,745,324**	2,098,790	(418,710)	1,680,080
Transferred from Hong Leong Malaysia Takaful Berhad ("HLMTB") on 1 June 2019	**-**	**-**	**-**	51,278	(51,729)	(451)
Claims incurred in the current underwriting/ accident year	**540,030**	**(86,757)**	**453,273**	487,691	(36,251)	451,440
Adjustment to claims incurred in prior underwriting/accident years due to changes in IBNR and PRAD	**44,202**	**22,341**	**66,543**	(1,500)	14,296	12,796
Movements in claims incurred in prior underwriting/accident years	**430,459**	**36,957**	**467,416**	453,985	(59,921)	394,064
Claims paid during the year	**(829,365)**	**95,527**	**(733,838)**	(969,876)	177,271	(792,605)
At 31 March	**2,305,694**	**(306,976)**	**1,998,718**	2,120,368	(375,044)	1,745,324

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

	2021			2020		
	Gross RM'000	Reinsurance/ retakaful RM'000	Net RM'000	Gross RM'000	Reinsurance/ retakaful RM'000	Net RM'000
(a) General reinsurance/takaful/retakaful funds (cont'd.)						
(ii) Premium/contribution liabilities						
At 1 April	**471,772**	**(62,286)**	**409,486**	372,852	(56,962)	315,890
Transferred from HLMTB on 1 June 2019	**-**	**-**	**-**	1,503	(1,497)	6
Premiums/contributions written in the year	**1,870,494**	**(254,658)**	**1,615,836**	1,634,390	(198,372)	1,436,018
Premiums/contributions earned during the year	**(1,806,938)**	**258,714**	**(1,548,224)**	(1,536,973)	194,545	(1,342,428)
At 31 March	**535,328**	**(58,230)**	**477,098**	471,772	(62,286)	409,486
(b) Family takaful/retakaful funds						
Provision for claims reported by contract holders	**82,316**	**(13,630)**	**68,686**	74,438	(13,386)	61,052
Participants' Investment Fund ("PIF")	**2,808,666**	**-**	**2,808,666**	2,704,591	-	2,704,591
Participants' Risk Fund ("PRF")	**336,449**	**(78,399)**	**258,050**	263,924	(46,612)	217,312
Net asset value attributable to unitholders	**184,281**	**-**	**184,281**	135,680	-	135,680
	3,411,712	**(92,029)**	**3,319,683**	3,178,633	(59,998)	3,118,635

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

	2021			2020		
	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 (cont'd.)						
At 1 April	**3,178,633**	**(59,998)**	**3,118,635**	2,953,779	(64,181)	2,889,598
Net earned contributions	**635,619**	**(82,716)**	**552,903**	583,399	(83,279)	500,120
Net creation of units	**59,225**	**-**	**59,225**	42,046	-	42,046
Liabilities paid for death, maturities, surrenders, benefits and claims	**(296,314)**	**64,790**	**(231,524)**	(343,658)	66,501	(277,157)
Net cancellation of units	**(21,870)**	**-**	**(21,870)**	(33,499)	-	(33,499)
Benefits and claims experience variation	**7,878**	**(244)**	**7,634**	7,549	(1,865)	5,684
Fees deducted	**(221,440)**	**-**	**(221,440)**	(208,161)	-	(208,161)
Other revenue and expenses	**11,971**	**-**	**11,971**	(7,346)	-	(7,346)
Transfer to shareholder's fund	**(16,052)**	**-**	**(16,052)**	(24,559)	-	(24,559)
Increase in reserve	**74,062**	**(13,861)**	**60,201**	209,083	22,826	231,909
At 31 March	**3,411,712**	**(92,029)**	**3,319,683**	3,178,633	(59,998)	3,118,635

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

	2021 Gross/net RM'000	2020 Gross/net RM'000
(c) Expense liabilities		
At 1 April	**72,300**	64,469
Transferred from HLMTB on 1 June 2019	**-**	100
Increase during the year	**15,956**	7,731
At 31 March	**88,256**	72,300

21. INSURANCE/TAKAFUL RECEIVABLES

	Group	
	2021 RM'000	**2020 RM'000**
Due contributions including agents' balances	**116,905**	76,525
Amounts due from brokers and ceding companies	**406,808**	321,126
	523,713	397,651
Less: Allowance for impairment	**(24,847)**	(15,948)
	498,866	381,703

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

	2021 RM'000	2020 RM'000
Gross amounts of recognised insurance/takaful receivables	**1,100,224**	979,522
Less: Gross amounts of recognised insurance/takaful payables set off in the statements of financial position	**(576,511)**	(581,871)
Net amounts of insurance/takaful receivables presented in the statements of financial position	**523,713**	397,651

Included in gross amounts due from brokers and ceding companies is an amount of RM35,271 (2020: RM1,845,374) 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.

Disclosures on the movement of the allowance for impairment losses on insurance/takaful receivables are presented in Note 36(a).

22. TAX RECOVERABLE/(PAYABLE)

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Tax recoverable	**68,670**	68,604	**20,166**	20,049
Tax payable	**(6,279)**	(9,423)	**-**	-
	62,391	59,181	**20,166**	20,049

Included in the total tax recoverable above are two pending appeal cases and tax paid in excess to the Inland Revenue Board ("IRB"). The pending appeal cases relate to MNRB and Takaful IKHLAS Family, as follows:

(i) IRB had, on 8 September 2017, issued notices of additional assessment (i.e. Forms JA) to 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.

The additional tax payable by the Company under the above-mentioned notices was RM13,576,000. IRB had also treated the tax returns made by the Company for the above YA as incorrect, and imposed a penalty of RM6,109,000 to the Company. This brought the total amount payable to IRB to RM19,685,000.

The Company disagreed with the additional assessment imposed by IRB for the above YA 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 the date for hearing of the appeal by the Company on 1 and 2 October 2020. During the meeting on 1 October 2020, parties were notifed by the SCIT that the hearing had to be vacated for reasons that could not be avoided.

Subsequently, the case management with the SCIT which were initially fixed for 28 May 2021 has been vacated in light of the Movement Control Order 3.0. Accordingly, a new mention date has been fixed for 4 August 2021.

Notwithstanding the appeal and the hearing before the SCIT, the Company had paid the total amount payable of RM19,685,000. The Company is also at liberty to pursue an amicable settlement of this matter.

Based on legal advice, the Company is of the view that there are strong justifications for its appeal and have treated the above tax payment as tax recoverable. As at the date of the financial statements, there have been no further developments on this matter.

22. TAX RECOVERABLE/(PAYABLE) (CONT'D.)

Included in the total tax recoverable above are two pending appeal cases and tax paid in excess to the Inland Revenue Board ("IRB"). The pending appeal cases relate to MNRB and Takaful IKHLAS Family, as follows: (cont'd.)

(ii) The IRB had, on 28 December 2018, issued notices of additional assessments to Takaful IKHLAS Family for YA 2011 and YA 2013 for RM3,052,000 and RM2,147,000 respectively.

Takaful IKHLAS Family disagreed with the additional assessment imposed by IRB for the above YA and had submitted a notice of appeal by filing Form Q with the SCIT on 24 January 2019. The SCIT had fixed a preliminary hearing of the appeal by Takaful IKHLAS Family on 24 April 2020 but it was later postponed due to the Movement Control Order (""MCO""). The new case mention date was re-scheduled to 9 September 2020 but was subsequently postponed to 31 March 2021.

The lawyer of Takaful IKHLAS Family had appeared before the SCIT on 31 March 2021 for a case management. Parties are to update the SCIT on 16 August 2021 on the progress of any settlement and the relevant cause papers will also have to be filed on the same date so as to enable the matter to be expedited, to prevent further delay to this matter.

Notwithstanding the appeal and the proposed hearing before the SCIT, Takaful IKHLAS Family had paid the total amount payable of RM5,199,000. Takaful IKHLAS Family is also at liberty to pursue an amicable settlement of this matter.

Takaful IKHLAS Family is of the view that there are strong justifications for its appeal and have treated the said payment as tax recoverable. As at the date of the financial statements, there have been no further developments on this matter.

23. NON-CURRENT ASSET HELD FOR SALE

	Group	
	2021 RM'000	**2020 RM'000**
Freehold land and building:		
At 1 April	-	45,875
Disposal	-	(45,875)
At 31 March	-	-

The non-current asset held for sale relates to an investment property of the family takaful fund/self-occupied property of the Group; the disposal was completed on 5 December 2019 with the Group recognising a loss on disposal amounting to RM850,000 as disclosed in Note 6.

24. PARTICIPANTS' FUNDS

	Group	
	2021	**2020**
	RM'000	**RM'000**
Participants' funds comprise the following:		
Accumulated surplus (Note (a))	**339,070**	293,893
Fair value reserves (Note (b))	**2,693**	4,764
Revaluation surplus (Note (c))	**35,961**	34,081
	377,724	332,738

(a) Accumulated surplus

	2021 RM'000	**2020 RM'000**
At 1 April	**293,893**	237,848
Net surplus of the general and family takaful and retakaful funds	**49,027**	30,728
Net surplus of the retakaful funds to shareholders	**1,150**	8,882
Transfer from HLMTB on 1 June 2019	**-**	3,338
Hibah paid and payable to participants during the year	**(5,000)**	(10,000)
Transfer from revaluation surplus arising from disposal	**-**	23,097
At 31 March	**339,070**	293,893

(b) Fair value reserves

	2021 RM'000	**2020 RM'000**
At 1 April	**4,764**	2,573
Net gains on fair value changes	**(529)**	6,084
Realised gains transferred to income statements	**(2,209)**	(3,301)
Deferred tax on fair value changes	**667**	(592)
Net change in fair value reserves attributable to participants	**(2,071)**	2,191
At 31 March	**2,693**	4,764

(c) Revaluation surplus

	2021 RM'000	**2020 RM'000**
At 1 April	**34,081**	54,873
Recognised in other comprehensive income	**2,043**	1,853
Deferred tax on revaluation surplus	**(163)**	452
Net change in revaluation surplus attributable to participants	**1,880**	2,305
Transfer to accumulated surplus arising from disposal	**-**	(23,097)
At 31 March	**35,961**	34,081

25. BORROWING

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Sukuk Murabahah Programme	**320,000**	320,000	**320,000**	320,000

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. The tenure is subject to early redemption and the final redemption date is on 22 March 2029.

26. INSURANCE/TAKAFUL PAYABLES

	Group	
	2021 RM'000	2020 RM'000
Due to agents, brokers, retrocessionaires and retakaful operators	**202,171**	169,851

Offsetting insurance/takaful receivables and insurance/takaful payables

	Group	
	2021 RM'000	2020 RM'000
Gross amounts of recognised insurance/takaful payables	**778,682**	751,722
Less: Gross amounts of recognised insurance/takaful receivables set off in the statements of financial position	**(576,511)**	(581,871)
Net amounts of insurance/takaful payables presented in the statements of financial position	**202,171**	169,851

Included in gross amounts due to brokers and retrocessionaires is an amount of RM932,209 (2020: RM698,513) 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.

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27. OTHER PAYABLES

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Advance contributions	**3,386**	3,503	**-**	-
Deposit contributions	**57,318**	62,361	**-**	-
Provisions	**44,819**	45,635	**6,190**	7,494
Amount due to subsidiaries *	**-**	-	**7,442**	4,080
Agency provident fund	**5,642**	5,722	**-**	-
Amount due to participants	**6,375**	6,215	**-**	-
Hibah payables	**19,467**	18,775	**-**	-
Sundry payables	**93,675**	108,095	**3,362**	2,019
	230,682	250,306	**16,994**	13,593

* 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.

28. SHARE CAPITAL

	Number of ordinary shares		Amount	
Group and Company	2021 '000	2020 '000	2021 RM'000	2020 RM'000
Issued and fully paid:				
At 1 April	**783,088**	767,051	**738,502**	722,306
Issued pursuant to the DRP	**-**	16,037	**-**	16,196
At 31 March	**783,088**	783,088	**738,502**	738,502

In the previous year, the Company increased its share capital from RM722,306,000 to RM738,502,000 via the issuance of 16,036,633 new ordinary shares amounting to RM16,196,000 upon election by shareholders to reinvest the electable portion of the interim dividend, of RM0.025 per ordinary share, in new ordinary shares as permitted under the DRP.

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

29. DIVIDEND

	Group and Company	
	2021 RM'000	**2020 RM'000**
Recognised during the financial year:		
Interim dividend of 2.5 sen per ordinary share on 767,050,063 ordinary shares, declared on 15 October 2019 and paid on 12 December 2019	**-**	19,176
Interim dividend of 3.0 sen per ordinary share on 783,086,696 ordinary shares, declared on 17 September 2020 and paid on 23 October 2020	**23,493**	-

In the previous year, out of the total dividend distribution of RM19,176,000, a total of RM16,196,000 was converted into RM16,036,633 new ordinary shares of the Company pursuant to the DRP. The remaining portion of RM2,980,000 was paid in cash on 12 December 2019.

30. EARNINGS PER SHARE

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

	Group		Company	
	2021	**2020**	**2021**	**2020**
Net profit for the year (RM'000)	**189,495**	132,907	**72,975**	28,606
Weighted average number of ordinary shares in issue ('000)*	**783,088**	772,812	**783,088**	772,812
Basic and diluted per share (sen)	**24.2**	17.2	**9.3**	3.7

The Group and the Company have no dilution in their earnings per ordinary share as there are no diluted potential ordinary shares.

* The weighted average number of ordinary shares in issue for the previous year has been adjusted upon completion of the DRP exercise on 12 December 2019.

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31. CAPITAL COMMITMENTS AND CONTINGENCIES

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

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Authorised and contracted for:				
- Property, plant and equipment	**4,314**	343	**-**	-
- Intangible assets*	**8,816**	8,599	**13**	525
	13,130	8,942	**13**	525
Authorised but not contracted for:				
- Property, plant and equipment	**1,136**	653	**55**	50
- Intangible assets*	**27,292**	26,124	**145**	215
	28,428	26,777	**200**	265

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

The Group has provided bank guarantees on the services contracts with external parties of RM624,930 in the form of cash deposit in marginal accounts.

32. 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	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Income/(expenses):				
Transactions with subsidiaries:				
Management fees received	**-**	-	**38,997**	37,394
Management fees for property and admin	**-**	-	**(741)**	-
Net dividend received	**-**	-	**85,000**	40,000
Payment of lease liabilities rental paid	**-**	-	**(1,102)**	(1,236)
Interest income	**-**	-	**49**	50
Gross contribution paid	**-**	-	**(537)**	(1,218)
Transactions with an associate:				
Net dividend received	**-**	-	**-**	600
Net reinsurance inwards	**818**	898	**-**	-
Gross contributions	**6**	4	**-**	-
Retakaful outward contributions	**(9,370)**	(4,132)	**-**	-
Retakaful commission	**368**	519	**-**	-
Claims recoveries	**1,528**	1,402	**-**	-

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), 21, 26 and 27 of the financial statements.

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32. RELATED PARTY DISCLOSURES (CONT'D)

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

	Group		Company	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
GCEO:				
Salaries and bonus	**2,195**	2,111	**1,834**	1,425
Pension costs - EPF and SOCSO	**393**	359	**332**	242
Fees	**134**	196	**-**	-
Benefits-in-kind	**26**	23	**26**	23
Others	**465**	38	**445**	-
	3,213	2,727	**2,637**	1,690
Non-executive directors of the Company:				
Fees	**1,555**	1,816	**761**	766
Others	**410**	478	**189**	184
Benefits-in-kind	**31**	-	**31**	-
	1,996	2,294	**981**	950
Non-executive directors of subsidiaries:				
Fees	**1,203**	701	**-**	-
Others	**327**	150	**-**	-
	1,530	851	**-**	-
Shariah Committee members:				
Fees	**177**	196	**-**	-
Meeting allowances	**62**	71	**-**	-
	239	267	**-**	-
Other key management personnel's remuneration:				
Salaries and bonus	**18,190**	17,202	**5,641**	4,672
Pension costs - EPF and SOCSO	**3,007**	2,703	**922**	746
Allowances	**2,629**	3,067	**833**	789
	23,826	22,972	**7,396**	6,207

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33. 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
2021							
Results							
Net earned premiums/ contributions	-	1,262,380	855,599	43,726	-	(1,353)	2,160,352
Interest/profit income	2,701	85,270	162,007	5,771	14	(49)	255,714
Other revenue	124,395	51,902	25,592	358	11,908	(131,166)	82,989
Net claims and benefits	-	(857,422)	(540,116)	(22,266)	-	-	(1,419,804)
Other expenses	(34,313)	(402,766)	(375,806)	(12,497)	(10,758)	50,071	(786,069)
Depreciation of property, plant and equipment	(600)	(2,686)	(2,494)	-	(323)	-	(6,103)
Depreciation of right-of-use assets	(1,062)	-	(4,232)	-	(515)	2,913	(2,896)
Amortisation of intangible assets	(698)	(1,067)	(8,675)	(123)	(31)	-	(10,594)
Finance costs	(16,773)	(44)	(243)	-	(32)	294	(16,798)
Share of results of associates	-	-	-	-	-	15,472	15,472
Operating profit before surplus attributable to takaful and retakaful participants and taxation	73,650	135,567	111,632	14,969	263	(63,818)	272,263
Surplus attributable to takaful and retakaful participants	-	-	(42,733)	(6,294)	-	-	(49,027)
Operating profit before taxation	73,650	135,567	68,899	8,675	263	(63,818)	223,236
Zakat	-	-	(1,173)	(120)	-	-	(1,293)
Taxation	(675)	(10,892)	(20,790)	(90)	(1)	-	(32,448)
Net profit for the year	72,975	124,675	46,936	8,465	262	(63,818)	189,495

33. 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
2020							
Results							
Net earned premiums/ contributions	-	1,106,682	756,710	22,937	-	(1,735)	1,884,594
Interest/profit income	2,208	96,435	165,652	7,401	66	(50)	271,712
Other revenue	78,264	29,580	132,252	330	11,768	(91,661)	160,533
Net claims and benefits	-	(756,199)	(607,068)	(1,227)	-	-	(1,364,494)
Other expenses	(35,002)	(383,570)	(332,879)	(8,438)	(11,225)	43,484	(727,630)
Depreciation of property, plant and equipment	(459)	(2,734)	(2,516)	-	(184)	-	(5,893)
Depreciation of right-of-use assets	(1,187)	-	(4,772)	-	(515)	2,754	(3,720)
Amortisation of intangible assets	(387)	(1,049)	(5,042)	(123)	(32)	-	(6,633)
Finance costs	(16,728)	(50)	(395)	-	(57)	249	(16,981)
Share of results of associates	-	-	-	-	-	(9,838)	(9,838)
Operating profit before surplus attributable to takaful and retakaful participants and taxation	26,709	89,095	101,942	20,880	(179)	(56,797)	181,650
Surplus attributable to takaful and retakaful participants	-	-	(24,832)	(5,896)	-	-	(30,728)
Operating profit before taxation	26,709	89,095	77,110	14,984	(179)	(56,797)	150,922
Zakat	-	-	(1,227)	(59)	-	-	(1,286)
Taxation	1,897	(7,603)	(10,970)	(47)	(6)	-	(16,729)
Net profit for the year	28,606	81,492	64,913	14,878	(185)	(56,797)	132,907

33. 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
2021							
Assets							
Segment assets[i]	1,460,914	4,029,262	5,462,788	307,036	13,671	(1,498,263)	9,775,408
Investments in associates	1,957	116,268	-	-	-	16,580	134,805
	1,462,871	4,145,530	5,462,788	307,036	13,671	(1,481,683)	9,910,213
Liabilities and Participants' funds							
Segment liabilities							
Participants' funds	-	-	358,168	19,556	-	-	377,724
Borrowings	320,000	1,000	-	-	-	(1,000)	320,000
Insurance and takaful contract liabilities	-	2,223,260	4,036,313	86,791	-	(5,374)	6,340,990
Other liabilities	19,109	118,708	317,270	173,841	1,862	(177,611)	453,179
	339,109	2,342,968	4,711,751	280,188	1,862	(183,985)	7,491,893
Equities							
Segment equities[i]	1,123,762	1,802,562	751,037	26,848	11,809	(1,297,698)	2,418,320
Total liabilities, participants' funds and equity	1,462,871	4,145,530	5,462,788	307,036	13,671	(1,481,683)	9,910,213

33. 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
2020							
Assets							
Segment assets[(i)]	1,409,075	3,760,906	5,114,051	241,312	14,497	(1,458,316)	9,081,525
Investments in associates	1,957	121,932	-	-	-	9,393	133,282
	1,411,032	3,882,838	5,114,051	241,312	14,497	(1,448,923)	9,214,807
Liabilities and Participants' funds							
Segment liabilities							
Participants' funds	-	-	320,687	12,051	-	-	332,738
Borrowings	320,000	1,000	-	-	-	(1,000)	320,000
Insurance and takaful contract liabilities	-	2,054,424	3,717,034	71,615	-	-	5,843,073
Other liabilities	16,752	114,639	316,979	139,370	2,569	(143,100)	447,209
	336,752	2,170,063	4,354,700	223,036	2,569	(144,100)	6,943,020
Equities							
Segment equities[(i)]	1,074,280	1,712,775	759,351	18,276	11,928	(1,304,823)	2,271,787
Total liabilities, participants' funds and equity	1,411,032	3,882,838	5,114,051	241,312	14,497	(1,448,923)	9,214,807

(i) Included in segment assets is Qard granted to the general and family retakaful funds by the shareholder's fund of the retakaful division of the reinsurance subsidiary, amounting to RM68.5 million (2020: RM71.5 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 RM62.1 million (2020: RM63.2 million), have been eliminated in full upon consolidation.

34. 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, and comply with, all relevant governance and regulatory requirements 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.

(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 (Malaysian Reinsurance Berhad, Takaful IKHLAS Family Berhad and Takaful IKHLAS General Berhad);

34. RISK MANAGEMENT FRAMEWORK (CONT'D.)

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

(ii) The Group Management Risk & Compliance Committee ("GMRCC"), which comprises the President & Group Chief Executive Officer, the President & CEOs and selected members of Senior Management from the Company and its main operating subsidiaries, 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.

(iii) 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

(iv) At the operational level, the implementation of risk management processes in the day to day operations of the Group is consistent with the Group ERM Framework.

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. Further, 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's investment strategy is aimed towards capital preservation, income optimisation and liquidity management.

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 portfolios by:

- observing underwriting guidelines and limits; and
- applying prudential standards in the assessment of security of its key retrocessionaires/retrotakaful/retakaful operators ("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.

(iii) Product Pricing Policy which serves as an internal standard and guide in the pricing and re-pricing exercise of relevant General Takaful & Family Takaful products. The Policy was designed to ensure the selected pricing methodologies and actuarial assumptions are sound, and the profitability of the product are within the subsidiaries' risk appetite and in line with business strategy. The Policy also ensures all related risks and their corresponding mitigations are well documented.

34. RISK MANAGEMENT FRAMEWORK (CONT'D.)

(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 Group measures and monitors its capital position through its Group Capital Adequacy Ratio ("GCAR") and Group Capital Sufficiency Indicator ("GCSI"), in line with BNM's capital requirement for Insurance Groups.

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.

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 profiles.

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 are 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.

34. RISK MANAGEMENT FRAMEWORK (CONT'D.)

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

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, as applicable, with the Financial Services Act (“FSA”) 2013, the Islamic Financial Services Act (“IFSA”) 2013, the Companies Act 2016, other relevant Acts, and Policy Documents issued by BNM from time to time.

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”), and the Capital Markets and Services Act 2007.

(d) Asset-liability management (“ALM”) framework

The main risk that each operating subsidiary faces due to the nature of investments and liabilities is the mismatch of assets to liabilities (investment risks). Each subsidiary manages these positions within the ALM framework to achieve long-term investment returns in excess of its obligations. The principal technique identified is to match assets to the liabilities arising from reinsurance/retakaful/takaful contracts. Amongst the mechanism to manage the ALM framework is the assessment and monitoring of the investment portfolio duration as well as the liability duration for specific risks.

An Asset-Liability Committee ("ALCO") has been established at each main subsidiary to manage and monitor asset-liability mismatch risks. The ALCO ultimately reports to the Board of the respective subsidiaries through its Investment Committee.

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

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

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35. UNDERWRITING RISK (CONT'D.)

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

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

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

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

(ii) Concentration of risk by type of business

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

	Gross RM'000	Retro-takaful/ Retro-cession RM'000	Net RM'000
2021			
Fire	**1,002,882**	**(125,343)**	**877,539**
Motor	**454,431**	**(5,585)**	**448,846**
Marine	**258,085**	**(14,079)**	**244,006**
Miscellaneous	**576,389**	**(25,261)**	**551,128**
	2,291,787	**(170,268)**	**2,121,519**
Local	**1,297,207**	**(141,055)**	**1,156,152**
Overseas	**994,580**	**(29,213)**	**965,367**
	2,291,787	**(170,268)**	**2,121,519**

35. UNDERWRITING RISK (CONT'D.)

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

(ii) Concentration of risk by type of business (cont'd)

	Gross RM'000	Retro-takaful/ Retro-cession RM'000	Net RM'000
2020			
Fire	840,391	(98,135)	742,256
Motor	422,721	(4,033)	418,688
Marine	323,034	(110,202)	212,832
Miscellaneous	524,618	(31,545)	493,073
	2,110,764	(243,915)	1,866,849
Local	1,188,376	(182,512)	1,005,864
Overseas	922,388	(61,403)	860,985
	2,110,764	(243,915)	1,866,849

(iii) Reserving risk

The reinsurance/retakaful 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 notification of a market loss event, the reinsurance/retakaful 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 and any updates on market loss events.

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

(iv) Impact on liabilities, profit and equity

Key assumptions

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

35. UNDERWRITING RISK (CONT'D.)

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

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

Key assumptions (cont'd.)

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/retakaful 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;
(iv) Changes in reinsurance/retakaful markets; and
(v) Legislative and regulatory changes.

The sensitivity analysis was applied to the ultimate loss ratio of the reinsurance/retakaful subsidiary by increasing or decreasing the said ratio by 5%. The increase/(decrease) was applied to the earned exposure in the last 2 years where the uncertainty of the ultimate loss is higher as claim is at an early stage of development. The table below shows the impact on the Group’s gross and net claim liabilities, profit before tax and equity should the ultimate loss ratio be increased/(decreased) 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
2021	← Increase/(decrease) →			
Increase 5%				
Fire	**50,161**	**49,110**	**(47,230)**	**(43,452)**
Marine	**14,124**	**13,826**	**(13,397)**	**(12,325)**
Motor	**25,019**	**24,495**	**(24,495)**	**(22,535)**
Miscellaneous	**30,827**	**30,176**	**(29,146)**	**(26,814)**
	120,131	**117,607**	**(114,268)**	**(105,126)**

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35. UNDERWRITING RISK (CONT'D.)

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

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

Sensitivity analysis (cont'd.)

2021 (cont'd.)	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax* RM'000	Impact on equity** RM'000
	(Decrease)/increase			
Decrease 5%				
Fire	(50,146)	(49,110)	47,230	43,452
Marine	(14,123)	(13,826)	13,397	12,325
Motor	(25,011)	(24,495)	24,495	22,535
Miscellaneous	(30,821)	(30,176)	29,146	26,814
	(120,101)	(117,607)	114,268	105,126

2020	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)			
Increase 5%				
Fire	42,104	41,885	(40,308)	(37,083)
Marine	13,972	12,273	(11,826)	(10,880)
Motor	22,816	22,697	(22,697)	(20,882)
Miscellaneous	27,935	27,791	(26,751)	(24,611)
	106,827	104,646	(101,582)	(93,456)

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35. UNDERWRITING RISK (CONT'D.)

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

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

Sensitivity analysis (cont'd.)

2020	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax* RM'000	Impact on equity** RM'000
	← (Decrease)/increase			→
Decrease 5%				
Fire	(42,104)	(41,885)	40,308	37,083
Marine	(13,972)	(12,273)	11,826	10,880
Motor	(22,816)	(22,697)	22,697	20,882
Miscellaneous	(27,935)	(27,791)	26,751	24,611
	(106,827)	(104,646)	101,582	93,456

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

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

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

(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 general reinsurance/retakaful 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 underwriting year is the greatest when the claim is at an early stage of development.

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

The claims development for the previous underwriting years have been restated in the gross claims development table in the current year, to better reflect the Group's gross participation in the businesses. Prior year's comparative was not restated as it is not material.

35. UNDERWRITING RISK (CONT'D.)

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

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

The claims development for the previous underwriting years have been restated in the gross claims development table in the current year, to better reflect the Group's gross participation in the businesses. Prior year's comparative was not restated as it is not material.

Gross general reinsurance/retakaful contract liabilities for 2021:

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

35. UNDERWRITING RISK (CONT'D.)

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

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

Gross general reinsurance/retakaful contract liabilities for 2021: (cont'd.)

	Subtotal RM'000
Other portfolios	79,787
Best estimate of claim liabilities	1,835,762
Claim handling expenses	13,375
Fund PRAD at 75% confidence interval	136,242
Gross general reinsurance/retakaful claim liabilities	1,985,379
Elimination upon consolidation	(5,374)
Gross general reinsurance/retakaful contract liabilities after elimination	1,980,005

Net general reinsurance/retakaful contract liabilities for 2021:

Underwriting year	Before 2013 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	Subtotal RM'000
At the end of underwriting year		745,438	705,370	703,964	863,017	783,471	851,093	926,223	998,304	
One year later		763,552	712,346	877,687	823,576	707,596	939,331	900,746	-	
Two years later		794,351	763,018	817,079	785,839	689,271	878,022	-	-	
Three years later		844,810	734,168	806,237	791,205	691,601	-	-	-	
Four years later		883,611	723,955	823,471	778,759	-	-	-	-	
Five years later		868,517	801,563	823,650	-	-	-	-	-	
Six years later		905,640	799,699	-	-	-	-	-	-	
Seven years later		913,380	-	-	-	-	-	-	-	
Current estimate of booked ultimate claims incurred (a)	**5,757,698**	**912,326**	**795,797**	**820,030**	**772,317**	**683,477**	**869,270**	**851,361**	**582,442**	

35. UNDERWRITING RISK (CONT'D.)

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

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

Net general reinsurance/retakaful contract liabilities for 2021: (cont'd.)

Underwriting year	Before 2013 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	Subtotal RM'000
At the end of underwriting year		66,414	50,464	48,141	50,779	47,943	105,412	72,432	63,606	
One year later		446,728	394,520	467,060	369,591	395,792	539,287	384,880	-	
Two years later		607,074	521,806	593,458	550,347	516,091	669,253	-	-	
Three years later		689,440	577,362	667,555	640,952	563,218	-	-	-	
Four years later		761,309	618,482	724,812	670,036	-	-	-	-	
Five years later		792,241	684,641	741,604	-	-	-	-	-	
Six years later		851,276	696,148	-	-	-	-	-	-	
Seven years later		857,681	-	-	-	-	-	-	-	
Cumulative payments to-date (b)	**5,663,156**	**857,681**	**696,148**	**741,604**	**670,036**	**563,218**	**669,253**	**384,880**	**63,606**	
Expected claim liabilities (a) - (b)	94,542	54,645	99,649	78,426	102,281	120,259	200,017	466,481	518,836	1,735,136

	Subtotal RM'000
Other portfolios	80,955
Best estimate of claim liabilities	1,816,091
Claim handling expenses	13,375
Fund PRAD at 75% confidence interval	120,397
Less: Retrocession recoveries	(126,914)
Net general reinsurance/retakaful claim liabilities	1,822,949
Elimination upon consolidation	(5,374)
Net general reinsurance/retakaful claim liabilities after elimination	1,817,575

35. UNDERWRITING RISK (CONT'D.)

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

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

Gross general reinsurance/retakaful contract liabilities for 2020:

Underwriting year	Before 2012 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	Subtotal RM'000
At the end of underwriting year		678,781	755,249	709,990	736,158	695,227	790,114	849,676	946,948	
One year later		699,168	778,872	738,302	776,819	841,478	715,481	960,687	-	
Two years later		703,132	810,844	744,827	823,354	800,205	708,469	-	-	
Three years later		741,350	923,036	742,262	809,917	802,761	-	-	-	
Four years later		755,438	967,111	729,685	827,090	-	-	-	-	
Five years later		822,195	953,217	808,786	-	-	-	-	-	
Six years later		799,572	991,885	-	-	-	-	-	-	
Seven years later		807,584	-	-	-	-	-	-	-	
Current estimate of booked ultimate claims incurred (a)	**5,200,091**	**806,941**	**989,992**	**805,275**	**821,447**	**793,368**	**694,718**	**906,122**	**588,547**	
At the end of underwriting year		48,231	66,414	50,464	48,141	50,779	47,943	105,412	72,520	
One year later		336,973	450,853	394,640	467,078	371,055	395,780	542,781	-	
Two years later		485,266	611,454	525,476	593,676	555,168	516,379	-	-	
Three years later		582,071	724,613	581,640	668,180	645,941	-	-	-	
Four years later		636,596	803,350	623,705	726,269	-	-	-	-	
Five years later		698,341	832,772	690,471	-	-	-	-	-	
Six years later		740,119	892,672	-	-	-	-	-	-	
Seven years later		769,854	-	-	-	-	-	-	-	
Cumulative payments to-date (b)	**5,125,927**	**769,854**	**892,672**	**690,471**	**726,269**	**645,941**	**516,379**	**542,781**	**72,520**	
Expected claim liabilities (a) - (b)	74,164	37,087	97,320	114,804	95,178	147,427	178,339	363,341	516,027	1,623,687

35. UNDERWRITING RISK (CONT'D.)

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

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

Gross general reinsurance/retakaful contract liabilities for 2020: (cont'd.)

	Subtotal RM'000
Other portfolios	51,486
Best estimate of claim liabilities	1,675,173
Claim handling expenses	10,193
Fund PRAD at 75% confidence interval	127,877
Gross general reinsurance/retakaful claim liabilities	1,813,243

Net general reinsurance/retakaful contract liabilities for 2020:

Underwriting year	Before 2012 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	Subtotal RM'000
At the end of underwriting year		646,500	745,438	705,370	703,964	863,017	783,471	851,093	926,223	
One year later		679,991	763,552	712,346	877,687	823,576	707,596	939,331	-	
Two years later		674,963	794,351	763,018	817,079	785,839	689,271	-	-	
Three years later		709,217	844,810	734,168	806,237	791,205	-	-	-	
Four years later		753,532	883,611	723,955	823,471	-	-	-	-	
Five years later		773,005	868,517	801,563	-	-	-	-	-	
Six years later		768,254	905,640	-	-	-	-	-	-	
Seven years later		777,147	-	-	-	-	-	-	-	
Current estimate of booked ultimate claims incurred (a)	**4,995,181**	**776,503**	**903,749**	**798,074**	**817,804**	**781,802**	**676,249**	**895,636**	**579,025**	

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31 MARCH 2021

35. UNDERWRITING RISK (CONT'D.)

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

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

Net general reinsurance/retakaful contract liabilities for 2020: (cont'd.)

Underwriting year	Before 2012 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	Subtotal RM'000
At the end of underwriting year		47,742	66,414	50,464	48,141	50,779	47,943	105,412	72,432	
One year later		333,140	446,728	394,520	467,060	369,591	395,792	539,287	-	
Two years later		478,500	607,074	521,806	593,458	550,347	516,091	-	-	
Three years later		574,004	689,440	577,362	667,555	640,952	-	-	-	
Four years later		618,991	761,309	618,482	724,812	-	-	-	-	
Five years later		671,610	792,241	684,641	-	-	-	-	-	
Six years later		711,549	851,276	-	-	-	-	-	-	
Seven years later		741,206	-	-	-	-	-	-	-	
Cumulative payments to-date (b)	**4,923,383**	**741,206**	**851,276**	**684,641**	**724,812**	**640,952**	**516,091**	**539,287**	**72,432**	
Expected claim liabilities (a) - (b)	71,798	35,297	52,473	113,433	92,992	140,850	160,158	356,349	506,593	1,529,943

	Subtotal RM'000
Other portfolios	52,342
Best estimate of claim liabilities	1,582,285
Claim handling expenses	10,195
Fund PRAD at 75% confidence interval	104,890
Less: Retrocession recoveries	(115,638)
Net general reinsurance/retakaful claim liabilities	1,581,732

35. 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, which is designed to balance the overall experience. The solvency of the GTRF is managed by adopting prudent underwriting and claims management practices.

The general takaful subsidiary also manages its risk exposure by the use of retakaful arrangements. The retakaful treaty arrangements are reviewed annually by the GMRCC and subsequently, as delegated by the Board, are recommended to the RMCB for approval.

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, claims experience 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 statements.

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35. UNDERWRITING RISK (CONT'D.)

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

(iii) Concentration of risk by type of certificates

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

	Gross RM'000	Retakaful RM'000	Net RM'000
2021			
Fire	**92,382**	**(5,648)**	**86,734**
Motor	**349,620**	**(138,889)**	**210,731**
Personal Accident	**23,689**	**843**	**24,532**
Miscellaneous	**83,544**	**(51,244)**	**32,300**
	549,235	**(194,938)**	**354,297**
2020			
Fire	85,517	(11,299)	74,218
Motor	292,032	(130,021)	162,011
Personal Accident	26,910	(693)	26,217
Miscellaneous	76,917	(51,402)	25,515
	481,376	(193,415)	287,961

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

(iv) Impact on liabilities, profit and equity

Key assumptions

The principal assumption underlying the estimation of liabilities is that the 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 changes in portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors, such as judicial decisions and government legislation affect the estimates.

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

35. UNDERWRITING RISK (CONT'D.)

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

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

Sensitivity analysis

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

The analysis below is performed on possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, surplus before tax and the GTRF. The correlation of assumptions will have significant effects 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 surplus before tax RM'000	Impact on general takaful fund* RM'000
		Increase/(decrease)			
2021					
Motor Act Average Severity	**+10%**	**50,153**	**30,176**	**(30,176)**	**(22,934)**
	-10%	**(49,712)**	**(30,005)**	**30,005**	**22,804**
Motor Others Expected Loss Ratio	**+10%**	**30,464**	**18,369**	**(18,369)**	**(13,960)**
	-10%	**(30,245)**	**(18,239)**	**18,239**	**13,861**
Fire Expected Loss Ratio	**+10%**	**4,998**	**2,192**	**(2,192)**	**(1,666)**
	-10%	**(4,983)**	**(2,187)**	**2,187**	**1,662**
2020					
Motor Act Average Severity	+10%	54,732	36,571	(36,571)	(27,794)
	-10%	(54,087)	(36,291)	36,291	27,581
Motor Others Expected Loss Ratio	+10%	31,165	18,806	(18,806)	(14,293)
	-10%	(30,918)	(18,663)	18,663	14,184
Fire Expected Loss Ratio	+10%	4,863	1,717	(1,717)	(1,305)
	-10%	(4,848)	(1,714)	1,714	1,303

* 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.

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

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

(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 2021

35. UNDERWRITING RISK (CONT'D.)

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

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

Gross general takaful claim liabilities for 2021:

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	2020 RM'000	2021 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	194,051	204,481	
One year later	629,010	106,221	125,098	176,737	163,828	192,331	196,877	192,772	185,943		
Two years later	601,375	97,322	122,664	172,414	157,286	185,552	198,738	186,612			
Three years later	578,436	96,354	116,932	168,315	153,908	187,120	197,158				
Four years later	570,297	94,383	114,368	167,527	155,963	184,175					
Five years later	565,229	91,299	113,948	171,455	154,356						
Six years later	554,618	89,597	111,546	163,584							
Seven years later	556,767	90,226	110,254								
Eight year later	560,352	89,747									
Ninth year later	560,628										
Current estimate of cumulative claims incurred	**560,628**	**89,747**	**110,254**	**163,584**	**154,356**	**184,175**	**197,158**	**186,612**	**185,943**	**204,481**	
At the end of accident year	329,854	41,992	52,965	72,433	70,093	80,611	82,191	73,362	78,163	81,540	
One year later	450,625	70,413	89,811	121,645	112,184	132,501	131,743	127,672	120,590		
Two years later	506,154	81,651	102,861	141,980	130,725	153,910	158,922	147,522			
Three years later	528,178	85,797	106,947	154,662	138,037	162,779	168,814				
Four years later	536,958	86,573	108,544	157,119	140,658	165,165					
Five years later	540,166	87,856	109,092	160,689	141,922						
Six years later	544,151	88,484	109,863	161,168							
Seven years later	545,776	88,920	110,005								
Eight year later	558,833	88,968									
Ninth year later	559,570										
Cumulative payments to-date	**559,570**	**88,968**	**110,005**	**161,168**	**141,922**	**165,165**	**168,814**	**147,522**	**120,590**	**81,540**	

35. UNDERWRITING RISK (CONT'D.)

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

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

Gross general takaful claim liabilities for 2021: (cont'd.)

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	2020 RM'000	2021 RM'000	Total RM'000
Gross general takaful contract liabilities:											
Best Estimate of Claims Liabilities (incl. Allocated Loss Adjustment Expenses "ALAE")	**1,058**	**779**	**249**	**2,416**	**12,434**	**19,010**	**28,344**	**39,090**	**65,353**	**122,941**	**291,674**
Fund PRAD at 75%											**34,015**
Total											**325,689**

Net general takaful claim liabilities for 2021:

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	2020 RM'000	2021 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	118,288	125,074	
One year later	655,449	74,561	80,459	102,643	100,341	113,434	113,959	106,516	108,953		
Two year later	630,992	66,794	77,240	97,354	96,034	108,941	110,916	102,714			
Three year later	597,750	65,723	73,895	94,702	94,500	107,880	110,335				
Four year later	585,993	64,087	73,044	94,152	94,192	106,783					
Five year later	588,412	61,523	72,721	94,341	93,674						
Six year later	508,269	60,096	70,687	90,169							
Seven year later	503,533	59,851	70,247								
Eight year later	492,631	59,649									
Ninth year later	493,309										
Current estimate of cumulative claims incurred	**493,309**	**59,649**	**70,247**	**90,169**	**93,674**	**106,783**	**110,335**	**102,714**	**108,953**	**125,074**	

35. UNDERWRITING RISK (CONT'D.)

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

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

Net general takaful claim liabilities for 2021: (cont'd.)

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	2020 RM'000	2021 RM'000	Total RM'000
At the end of accident year	309,674	30,126	33,647	45,169	43,970	50,502	49,290	46,005	47,549	51,097	
One year later	419,362	50,073	56,856	71,475	69,156	79,164	79,694	75,861	74,034		
Two year later	467,270	57,352	64,848	82,078	80,147	90,931	92,440	85,132			
Three year later	480,275	59,537	68,204	86,274	84,404	95,729	97,263				
Four year later	490,361	58,440	69,343	87,824	85,974	97,147					
Five year later	492,638	59,117	69,749	89,306	86,721						
Six year later	491,981	59,519	70,116	89,454							
Seven year later	492,605	59,635	70,200								
Eight year later	492,614	59,647									
Ninth year later	493,303										
Cumulative payments to-date	**493,303**	**59,647**	**70,200**	**89,454**	**86,721**	**97,147**	**97,263**	**85,132**	**74,034**	**51,097**	
Net general takaful contract liabilities:											
Best Estimate of Claims Liabilities (incl. ALAE)	**6**	**2**	**47**	**715**	**6,953**	**9,636**	**13,072**	**17,582**	**34,919**	**73,977**	**156,909**
Fund PRAD at 75%											**18,860**
Net general takaful contract liabilities before elimination:											**175,769**
Elimination upon consolidation											**5,374**
Net general takaful contract liabilities after elimination:											**181,143**

35. UNDERWRITING RISK (CONT'D.)

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

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

Gross general takaful claim liabilities for 2020:

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	2020 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	194,051	
One year later	629,010	106,221	125,098	176,737	163,828	192,331	196,877	192,772	-	
Two years later	601,375	97,322	122,664	172,414	157,286	185,552	198,738	-	-	
Three years later	578,436	96,354	116,932	168,315	153,908	187,120	-	-	-	
Four years later	570,297	94,383	114,368	167,527	155,963	-	-	-	-	
Five years later	565,229	91,299	113,948	171,455	-	-	-	-	-	
Six years later	554,618	89,597	111,546	-	-	-	-	-	-	
Seven years later	556,767	90,226	-	-	-	-	-	-	-	
Eight year later	560,352	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	**560,352**	**90,226**	**111,546**	**171,455**	**155,963**	**187,120**	**198,738**	**192,772**	**194,051**	
At the end of accident year	329,854	41,992	52,965	72,433	70,093	80,611	82,191	73,362	78,163	
One year later	450,625	70,413	89,811	121,645	112,184	132,501	131,743	127,672	-	
Two years later	506,154	81,651	102,861	141,980	130,725	153,910	158,922	-	-	
Three years later	528,178	85,797	106,947	154,662	138,037	162,779	-	-	-	
Four years later	536,958	86,573	108,544	157,119	140,658	-	-	-	-	
Five years later	540,166	87,856	109,092	160,689	-	-	-	-	-	
Six years later	544,151	88,484	109,863	-	-	-	-	-	-	
Seven years later	545,776	88,920	-	-	-	-	-	-	-	
	558,833	-	-	-	-	-	-	-	-	
Cumulative payments to-date	**558,833**	**88,920**	**109,863**	**160,689**	**140,658**	**162,779**	**158,922**	**127,672**	**78,163**	

35. UNDERWRITING RISK (CONT'D.)

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

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

Gross general takaful claim liabilities for 2020: (cont'd.)

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	2020 RM'000	Total RM'000
Gross general takaful contract liabilities:										
Best Estimate of Claims Liabilities (incl. Allocated Loss Adjustment Expenses "ALAE")	**1,519**	**1,306**	**1,683**	**10,766**	**15,305**	**24,341**	**39,816**	**65,100**	**115,888**	**275,724**
Fund PRAD at 75%										**31,401**
Total										**307,125**

Net general takaful claim liabilities for 2020:

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	2020 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	118,288	
One year later	655,449	74,561	80,459	102,643	100,341	113,434	113,959	106,516	-	
Two year later	630,992	66,794	77,240	97,354	96,034	108,941	110,916	-	-	
Three year later	597,750	65,723	73,895	94,702	94,500	107,880	-	-	-	
Four year later	585,993	64,087	73,044	94,152	94,192	-	-	-	-	
Five year later	588,412	61,523	72,721	94,341	-	-	-	-	-	
Six year later	508,269	60,096	70,687	-	-	-	-	-	-	
Seven year later	503,533	59,851	-	-	-	-	-	-	-	
Eight year later	492,631	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	**492,631**	**59,851**	**70,687**	**94,341**	**94,192**	**107,880**	**110,916**	**106,516**	**118,288**	

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35. UNDERWRITING RISK (CONT'D.)

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

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

Net general takaful claim liabilities for 2020: (cont'd.)

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	2020 RM'000	Total RM'000
At the end of accident year	309,674	30,126	33,647	45,169	43,970	50,502	49,290	46,005	47,549	
One year later	419,362	50,073	56,856	71,475	69,156	79,164	79,694	75,861	-	
Two year later	467,270	57,352	64,848	82,078	80,147	90,931	92,440	-	-	
Three year later	480,275	59,537	68,204	86,274	84,404	95,729	-	-	-	
Four year later	490,361	58,440	69,343	87,824	85,974	-	-	-	-	
Five year later	492,638	59,117	69,749	89,306	-	-	-	-	-	
Six year later	491,981	59,519	70,116	-	-	-	-	-	-	
Seven year later	492,605	59,635	-	-	-	-	-	-	-	
Eight year later	492,614	-	-	-	-	-	-	-	-	
Cumulative payments to-date	**492,614**	**59,635**	**70,116**	**89,306**	**85,974**	**95,729**	**92,440**	**75,861**	**47,549**	
Net general takaful contract liabilities:										
Best Estimate of Claims Liabilities (incl. ALAE)	**17**	**216**	**571**	**5,035**	**8,218**	**12,151**	**18,476**	**30,655**	**70,739**	**146,078**
Fund PRAD at 75%										**17,514**
Total										**163,592**

35. 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 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.

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.

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35. UNDERWRITING RISK (CONT'D.)

(c) Family takaful fund

(ii) Concentration of risk by type of certificates

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

	Gross RM'000	Retakaful RM'000	Net RM'000
2021			
Family takaful plans	**1,325,625**	**(6,475)**	**1,319,150**
Investment-linked takaful plans	**67,203**	**(15,059)**	**52,144**
Mortgage takaful plans	**1,384,478**	**(47)**	**1,384,431**
Group credit takaful plans	**242,879**	**(24,029)**	**218,850**
Others	**115,200**	**(25,231)**	**89,969**
	3,135,385	**(70,841)**	**3,064,544**
2020			
Family takaful plans	1,232,250	(3,209)	1,229,041
Investment-linked takaful plans	43,784	(5,862)	37,922
Mortgage takaful plans	1,360,774	(36)	1,360,738
Group credit takaful plans	214,901	(8,630)	206,271
Others	103,314	(21,485)	81,829
	2,955,023	(39,222)	2,915,801

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

(iii) Impact on liabilities, profit and equity

Key assumptions

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

35. UNDERWRITING RISK (CONT'D.)

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

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

Key assumptions (cont'd.)

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

Mortality and morbidity rates

Assumptions are based on mortality rates as set out in the 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 higher claims cost (as claims could be larger, or occur sooner than anticipated). 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.

Discount rates

Family takaful liabilities of credit-related products, for example, 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 ("GII") zero coupon spot yields which are obtained from the Bond Pricing Agency Malaysia as prescribed in the valuation guidelines.

A decrease in the discount rate will increase the value of family takaful liabilities and consequently, reduces the surplus distribution to participants and shareholder.

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	2021 Discount rates	2020 Discount rates
Credit related products and individual regular contribution plans	Base mortality[1], adjusted for retakaful rates[2]	GII discount rate	GII discount rate
Others	Base mortality[1]	N/A	N/A

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

[2] Retakaful rates are derived from the fund's retakaful arrangements with respect to the credit related products and individual regular contribution plans.

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35. UNDERWRITING RISK (CONT'D.)

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

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

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, surplus before tax and the resulting family takaful fund. The 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.

	Change in assumptions %	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on surplus before tax RM'000	Impact on family takaful fund* RM'000
		Increase/(decrease)			
2021					
Mortality/morbidity	**+10%**	**152,791**	**83,813**	**(83,813)**	**(83,813)**
Discount rates	**+1%**	**(24,727)**	**(23,731)**	**23,731**	**23,731**
Mortality/morbidity	**-10%**	**(114,693)**	**(58,528)**	**58,528**	**58,528**
Discount rates	**-1%**	**30,026**	**28,876**	**(28,876)**	**(28,876)**
2020					
Mortality/morbidity	+10%	96,936	45,144	(45,144)	(45,144)
Discount rates	+1%	(20,813)	(22,093)	22,093	22,093
Mortality/morbidity	-10%	(73,790)	(32,225)	32,225	32,225
Discount rates	-1%	25,517	27,194	(27,194)	(27,194)

* 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 illnesses 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.

35. 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 Malaysia and Brunei. These liabilities are run-off business transferred from Sinar Seroja Berhad.

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

	Gross RM'000	Retakaful RM'000	Net RM'000
2021			
Family Individual	**9,346**	**(7,558)**	**1,788**
Family Group	**384**	**-**	**384**
	9,730	**(7,558)**	**2,172**
Local	**9,309**	**(7,473)**	**1,836**
Overseas	**421**	**(85)**	**336**
	9,730	**(7,558)**	**2,172**
2020			
Family Individual	10,473	(7,390)	3,083
Family Group	3,019	-	3,019
	13,492	(7,390)	6,102
Local	11,319	(6,752)	4,567
Overseas	2,173	(638)	1,535
	13,492	(7,390)	6,102

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

Sensitivity analysis

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

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

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

* The impact on the family retakaful fund reflects the after-tax impact.

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

36. 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:

		2021		2020	
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)	**3,101,637**	**3,101,637**	2,968,600	2,968,600
Financial assets at FVOCI	18(b)	**2,082,950**	**2,082,950**	2,254,163	2,254,163
Financial assets at amortised cost *	18(c)	**3,147,333**	**3,147,333**	2,523,597	2,523,597
Reinsurance/retakaful assets	20	**457,235**	**457,235**	497,328	497,328
Insurance/takaful receivables *	21	**498,866**	**498,866**	381,703	381,703
Cash and bank balances		**115,789**	**115,789**	118,417	118,417
		9,403,810	**9,403,810**	8,743,808	8,743,808
Financial and insurance/takaful liabilities					
Insurance/takaful contract liabilities	20	**6,340,990**	**6,340,990**	5,843,073	5,843,073
Other liabilities:					
Borrowing	25	**320,000**	**320,000**	320,000	320,000
Lease liabilities	15	**2,754**	**2,754**	4,219	4,219
Insurance/takaful payables *	26	**202,171**	**202,171**	169,851	169,851
Other payables (excluding provisions) *	27	**185,863**	**185,863**	204,671	204,671
		7,051,778	**7,051,778**	6,541,814	6,541,814

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36. FINANCIAL RISK (CONT'D.)

		2021		2020	
Company	**Note**	**Carrying value RM'000**	**Fair value RM'000**	**Carrying value RM'000**	**Fair value RM'000**
Financial assets					
Financial assets at FVTPL	18(a)	**31,800**	**31,800**	-	-
Financial assets at FVOCI	18(b)	**50**	**50**	50	50
Financial assets at amortised cost *	18(c)	**95,614**	**95,614**	74,520	74,520
Cash and bank balances		**290**	**290**	294	294
		127,754	**127,754**	74,864	74,864
Financial liabilities					
Borrowing	25	**320,000**	**320,000**	320,000	320,000
Lease liabilities	15	**2,115**	**2,115**	3,159	3,159
Other payables (excluding provisions) *	27	**10,804**	**10,804**	6,099	6,099
		332,919	**332,919**	329,258	329,258

* 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.

36. 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 Board. 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/sukuk/fixed income securities in order to reduce the potential impact that may arise from individual companies defaulting;

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

(iii) The 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 2021, 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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36. FINANCIAL RISK (CONT'D.)

(a) Credit Risk (cont'd.)

Credit exposure by credit rating for 2021

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/P1 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	-	1,162	-	-	-	1,162
Unquoted Islamic private debt securities	774,767	587,335	-	-	-	1,362,102
Government investment issues	1,141,718	-	-	-	-	1,141,718
Mandatorily measured:						
Quoted shares in Malaysia:						
Shariah approved equities	-	-	-	215,664	-	215,664
Others	-	-	-	97,304	-	97,304
Unquoted perpetual bond in Malaysia	-	4,950	-	-	-	4,950
Unquoted corporate debt securities	-	19,469	-	-	-	19,469
Unquoted Islamic private debt securities	-	-	608	-	-	608
Shariah approved unit trust funds	-	-	-	241,218	-	241,218
Real estate investment trusts	-	-	-	17,442	-	17,442

36. FINANCIAL RISK (CONT'D.)

(a) Credit Risk (cont'd.)

Credit exposure by credit rating for 2021 (cont'd.)

Group (cont'd.)	Government guaranteed RM'000	AAA/P1 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	438,523	-	-	-	-	438,523
Unquoted corporate debt securities	289,203	738,881	-	-	-	1,028,084
Malaysian government securities	155,329	-	-	-	-	155,329
Unquoted shares in Malaysia	-	-	-	84,605	-	84,605
Unquoted Islamic private debt securities	132,797	243,379	-	-	-	376,176
Golf club membership	-	-	-	233	-	233
Financial assets at amortised cost						
Fixed and call deposits with licensed:						
Commercial banks	-	77,313	-	-	-	77,313
Foreign banks	-	263,729	-	-	-	263,729
Islamic investment accounts with licensed:						
Islamic banks	-	1,892,300	-	-	-	1,892,300
Investment banks	-	5,903	-	-	-	5,903
Development banks	-	359,647	-	-	200,328	559,975
Islamic commercial paper	-	149,475	-	-	-	149,475
Commercial paper	-	54,820	-	-	-	54,820
Secured staff loans	-	-	-	-	5,315	5,315
Income due and accrued	28,082	32,031	15	-	4,439	64,567
Amount due from Insurance Pool accounts	-	-	-	-	9,864	9,864
Due from Lloyds' syndicate	-	44,985	-	-	-	44,985
Sundry receivables	-	-	-	-	19,087	19,087
Reinsurance/retakaful assets *	-	367,766	-	-	31,239	399,005
Insurance/takaful receivables *	-	157,828	-	-	341,038	498,866
Cash and bank balances	-	111,603	-	16	4,170	115,789
	2,960,419	5,112,576	623	656,482	615,480	9,345,580

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

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36. FINANCIAL RISK (CONT'D.)

(a) Credit Risk (cont'd.)

Credit exposure by credit rating for 2021 (cont'd.)

Company	Government guaranteed RM'000	AAA/P1 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 unit trust fund	-	-	-	31,800	-	31,800
Financial assets at FVOCI						
Golf club membership	-	-	-	50	-	50
Financial assets at amortised cost						
Unquoted corporate debt securities	-	1,000	-	-	-	1,000
Islamic investment accounts with licensed:						
Islamic banks	-	77,487	-	-	-	77,487
Development bank	-	14,814	-	-	-	14,814
Secured staff loans	-	-	-	-	1,755	1,755
Income due and accrued	-	-	-	-	276	276
Sundry receivables	-	-	-	-	282	282
Cash and bank balances	-	290	-	-	-	290
	-	93,591	-	31,850	2,313	127,754

36. FINANCIAL RISK (CONT'D.)

(a) Credit Risk (cont'd.)

Credit exposure by credit rating for 2020

Group	Government guaranteed RM'000	AAA/P1 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	-	2,190	-	-	-	2,190
Unquoted Islamic private debt securities	659,865	593,212	-	-	-	1,253,077
Government investment issues	1,262,018	-	-	-	-	1,262,018
Mandatorily measured:						
Quoted shares in Malaysia:						
Shariah approved equities	-	-	-	209,176	-	209,176
Warrants	-	-	-	11	-	11
Others	-	-	-	86,450	-	86,450
Unquoted corporate debt securities	-	17,928	-	-	-	17,928
Unquoted Islamic private debt securities	-	-	626	-	-	626
Shariah approved unit trust funds	-	-	-	113,826	-	113,826
Real estate investment trusts	-	-	-	23,298	-	23,298
Financial assets at FVOCI						
Government investment issues	601,240	-	-	-	-	601,240
Unquoted corporate debt securities	306,892	792,043	-	-	-	1,098,935
Malaysian government securities	145,670	-	-	-	-	145,670
Unquoted shares in Malaysia	-	-	-	84,382	-	84,382
Unquoted Islamic private debt securities	87,064	236,579	-	-	-	323,643
Golf club membership	-	-	-	293	-	293

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36. FINANCIAL RISK (CONT'D.)

(a) Credit Risk (cont'd.)

Credit exposure by credit rating for 2020 (cont'd.)

Group	Government guaranteed RM'000	AAA/P1 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						
Fixed and call deposits with licensed:						
Commercial banks	-	121,384	-	-	-	121,384
Foreign banks	-	231,795	-	-	-	231,795
Islamic investment accounts with licensed:						
Islamic banks	-	1,550,743	-	-	-	1,550,743
Investment banks	-	3,982	-	-	-	3,982
Development banks	-	255,686	-	-	188,563	444,249
Secured staff loans	-	-	-	-	7,941	7,941
Income due and accrued	15,073	45,186	-	577	17,597	78,433
Amount due from Insurance Pool accounts	-	-	-	-	29,716	29,716
Due from Lloyds' syndicate	-	36,971	-	-	-	36,971
Sundry receivables	-	15	-	-	18,368	18,383
Reinsurance/retakaful assets *	-	379,688	-	-	55,354	435,042
Insurance/takaful receivables *	-	131,381	-	-	250,322	381,703
Cash and bank balances	-	109,372	-	14	9,031	118,417
	3,077,822	4,508,155	626	518,027	576,892	8,681,522

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

36. FINANCIAL RISK (CONT'D.)

(a) Credit Risk (cont'd.)

Credit exposure by credit rating for 2020 (cont'd.)

Company	Government guaranteed RM'000	AAA/P1 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						
Golf club membership	-	-	-	50	-	50
Financial assets at amortised cost						
Unquoted corporate debt securities	-	1,000	-	-	-	1,000
Islamic investment accounts with licensed:						
Islamic banks	-	43,979	-	-	-	43,979
Development bank	-	25,690	-	-	-	25,690
Secured staff loans	-	-	-	-	2,635	2,635
Amounts due from subsidiaries	-	-	-	-	311	311
Income due and accrued	-	-	-	-	616	616
Sundry receivables	-	-	-	-	289	289
Cash and bank balances	-	294	-	-	-	294
	-	70,963	-	50	3,851	74,864

36. 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 Group and the Company measure impairment losses and apply the effective interest rate (“EIR”) method with the forward looking element to compute the ECL

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

Expected credit loss ("ECL")

The Group and the Company assess 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 Group and the Company are 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.

As at the reporting date, all financial assets at amortised cost held by the Group and the Company are classified as Stage 1. The credit rating of these financial assets at amortised cost are as disclosed above in Note 36(a).

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

There were no ECL arising for the Company as at 31 March 2021 and 31 March 2020.

Group	2021 RM'000	2020 RM'000
Total carrying amount of financial investment at AC	**3,147,333**	2,523,597
Total ECL on financial investment at AC as at 31 March	**131**	-

36. Financial risk (cont'd.)

(a) Credit Risk (cont'd.)

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

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

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

There were no ECL arising for the Company as at 31 March 2021 and 31 March 2020.

	2021 RM'000	2020 RM'000
Financial investments at FVOCI		
Government guaranteed	**1,015,852**	1,140,866
AAA to BBB	**982,260**	1,028,622
Not subject to credit risk	**84,838**	84,675
Total carrying amount of financial investment at OCI	**2,082,950**	2,254,163
Total ECL on financial investment at OCI as at 31 March	**803**	614

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

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

	2021 RM'000	2020 RM'000
Balance as at 1 April	**614**	38
Net adjustment of loss allowances	**320**	576
Balance as at 31 March	**934**	614

36. 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.

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. For reinsurance deposits placed, balances aged more than 18 months are deemed to be credit impaired.

(ii) Qualitative criteria

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

The criteria above have been applied to all financial instruments held by the 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's and the Company's expected loss calculations.

36. Financial risk (cont'd.)

(a) Credit Risk (cont'd.)

Incorporation of forward-looking information

The Group and the Company incorporate forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL. The Group and the Company have 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.

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:

	Months past due						
	Not due RM'000	1 to 6 months RM'000	7 to 12 months RM'000	13 to 18 months RM'000	19 to 24 months RM'000	More than 24 months RM'000	Total RM'000
31 March 2021							
ECL rate	**0.09%**	**0.43%**	**2.57%**	**21.80%**	**7.24%**	**27.72%**	**1.09%**
Gross carrying amount	**253,775**	**99,479**	**16,492**	**1,743**	**1,299**	**6,906**	**379,694**
Allowance for ECL	**226**	**432**	**424**	**380**	**94**	**2,568**	**4,124**
31 March 2020							
ECL rate	0.07%	0.14%	1.19%	8.72%	15.58%	26.15%	1.20%
Gross carrying amount	173,282	102,468	20,147	5,540	950	10,039	312,426
Allowance for ECL	124	142	240	483	148	2,625	3,762

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36. Financial risk (cont'd.)

(a) Credit Risk (cont'd.)

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

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

		Months past due					
	Not due RM'000	0-3 Months RM'000	4-6 Months RM'000	7-9 Months RM'000	10-12 Months RM'000	> 1 year RM'000	Total RM'000
31 March 2021							
ECL rate	**0.00%**	**5.49%**	**14.33%**	**43.10%**	**70.24%**	**66.96%**	**14.39%**
Gross carrying amount	**945**	**108,928**	**12,806**	**6,154**	**2,736**	**12,450**	**144,019**
Allowance for ECL	**-**	**5,978**	**1,835**	**2,652**	**1,922**	**8,336**	**20,723**
31 March 2020							
ECL rate	0.00%	4.01%	6.13%	21.25%	70.57%	74.13%	14.30%
Gross carrying amount	4,532	58,153	7,973	2,574	2,025	9,968	85,225
Allowance for ECL	-	2,332	489	547	1,429	7,389	12,186

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

Group	**Not credit impaired RM'000**	**Credit impaired RM'000**	**Total RM'000**
Gross carrying amounts			
As at 1 April 2020	368,031	29,620	397,651
Increase/(decrease)	130,692	(4,630)	126,062
As at 31 March 2021	498,723	24,990	523,713
Allowance for ECL			
As at 1 April 2020	5,933	10,015	15,948
Increase/(decrease)	14,044	(5,145)	8,899
As at 31 March 2021	19,977	4,870	24,847

36. Financial risk (cont'd.)

(a) Credit Risk (cont'd.)

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

Group	Not credit impaired RM'000	Credit impaired RM'000	Total RM'000
Gross carrying amounts			
As at 1 April 2019	310,266	42,622	352,888
Transferred from HLMTB on 1 June 2019	-	2,088	2,088
Increase/(decrease)	57,765	(15,090)	42,675
As at 31 March 2020	368,031	29,620	397,651
Allowance for ECL			
As at 1 April 2019	4,600	10,937	15,537
Transferred from HLMTB on 1 June 2019	-	2,088	2,088
Increase/(decrease)	1,333	(3,010)	(1,677)
As at 31 March 2020	5,933	10,015	15,948

Movement of allowance for impairment losses on insurance/takaful receivables

Group	Individually impaired RM'000	Collectively impaired RM'000	Total RM'000
2021			
At 1 April 2020	**8,839**	**7,109**	**15,948**
(Reversal of)/provision for impairment losses for the year	**(1,736)**	**10,635**	**8,899**
At 31 March 2021	**7,103**	**17,744**	**24,847**
2020			
At 1 April 2019	9,577	5,960	15,537
(Reversal of)/provision for impairment losses for the year	(2,826)	1,149	(1,677)
Transferred from HLMTB on 1 June 2019	2,088	-	2,088
At 31 March 2020	8,839	7,109	15,948

36. Financial risk (cont'd.)

(b) Liquidity Risk

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

The Group and the Company assess liquidity risk by ensuring the following:

(i) The Group and the Company are able to meet 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 funds 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 recognised insurance/takaful liabilities. The reinsurers'/retakaful operators' share of expenses liabilities, 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.

36. Financial risk (cont'd.)

(b) Liquidity Risk (cont'd.)

Maturity profiles for 2021

Group	Carrying value RM'000	Up to 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
Financial assets at FVTPL						
Designated upon initial recognition						
Unquoted corporate debt securities	1,162	66	1,159	-	-	1,225
Government investment issues	1,141,718	58,536	359,430	1,380,306	-	1,798,272
Unquoted Islamic private debt securities	1,362,102	101,729	448,502	1,496,359	-	2,046,590
Mandatorily measured						
Quoted shares in Malaysia:						
Shariah approved equities	215,664	-	-	-	215,664	215,664
Others	97,304	-	-	-	97,304	97,304
Unquoted perpetual bond in Malaysia	4,950	-	-	-	5,000	5,000
Unquoted corporate debt securities	19,469	266	1,928	46,844	-	49,038
Unquoted Islamic private debt securities	608	60	676	-	-	736
Shariah approved unit trust funds	241,218	-	-	-	241,218	241,218
Real estate investment trusts	17,442	-	-	-	17,442	17,442
Financial assets at FVOCI						
Malaysian government securities	155,329	5,871	51,294	136,591	-	193,756
Government investment issues	438,523	26,577	216,552	283,864	-	526,993
Unquoted corporate debt securities	1,028,084	324,557	532,466	297,481	-	1,154,504
Unquoted shares in Malaysia	84,605	-	-	-	84,605	84,605
Unquoted Islamic private debt securities	376,176	128,530	161,850	155,277	-	445,657
Golf club membership	233	-	-	-	233	233

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36. Financial risk (cont'd.)

(b) Liquidity Risk (cont'd.)

Maturity profiles for 2021 (cont'd.)

Group (cont'd.)	Carrying value RM'000	Up to 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
Financial assets at amortised cost						
Fixed and call deposits with licensed:						
Commercial banks	77,313	76,347	-	-	-	76,347
Foreign banks	263,729	263,142	-	-	-	263,142
Islamic investment accounts with licensed:						
Islamic banks	1,892,300	1,882,041	24,099	-	-	1,906,140
Investment banks	5,903	5,904	-	-	-	5,904
Development banks	559,975	565,364	-	-	-	565,364
Islamic commercial paper	149,475	150,000	-	-	-	150,000
Commercial paper	54,820	55,000	-	-	-	55,000
Secured staff loans	5,315	1,570	3,923	63	-	5,556
Income due and accrued	64,567	64,567	-	-	-	64,567
Amount due from Insurance Pool accounts	9,864	9,864	-	-	-	9,864
Due from Lloyds' syndicate	44,985	-	44,985	-	-	44,985
Sundry receivables	19,087	19,087	-	-	-	19,087
Reinsurance/retakaful assets	399,005	127,084	178,908	93,013	-	399,005
Insurance/takaful receivables	498,866	498,866	-	-	-	498,866
Cash and bank balances	115,789	106,151	-	-	9,638	115,789
Total financial and insurance assets	9,345,580	4,471,179	2,025,772	3,889,798	671,104	11,057,853
Borrowings	(320,000)	(16,640)	(66,606)	(369,555)	-	(452,801)
Insurance/takaful contract liabilities	(5,717,406)	(815,930)	(1,707,914)	(3,193,562)	-	(5,717,406)
Lease liabilities	(2,754)	(1,821)	(1,059)	(87)	-	(2,967)
Insurance/takaful payables	(202,171)	(200,256)	(293)	(1,622)	-	(202,171)
Other payables (excluding provisions)	(185,863)	(185,863)	-	-	-	(185,863)
Total financial and insurance liabilities	(6,428,194)	(1,220,510)	(1,775,872)	(3,564,826)	-	(6,561,208)
Surplus	2,917,386	3,250,669	249,900	324,972	671,104	4,496,645

36. Financial risk (cont'd.)

(b) Liquidity Risk (cont'd.)

Maturity profiles for 2021 (cont'd.)

Company	Carrying value RM'000	Up to 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
Financial assets at FVTPL						
Shariah approved unit trust fund	31,800	-	-	-	31,800	31,800
Financial assets at FVOCI						
Golf club membership	50	-	-	-	50	50
Financial assets at amortised cost						
Unquoted corporate debt securities	1,000	50	1,169	-	-	1,219
Islamic investment accounts with licensed:						
Islamic banks	77,487	56,005	24,099	-	-	80,104
Development bank	14,814	14,891	-	-	-	14,891
Secured staff loans	1,755	394	1,366	-	-	1,760
Income due and accrued	276	276	-	-	-	276
Sundry receivables	282	282	-	-	-	282
Cash and bank balances	290	290	-	-	-	290
Total financial assets	127,754	72,188	26,634	-	31,850	130,672
Borrowing	(320,000)	(16,640)	(66,606)	(369,555)	-	(452,801)
Lease liabilities	(2,115)	(1,121)	(1,102)	-	-	(2,223)
Other payables (excluding provisions)	(10,804)	(10,804)	-	-	-	(10,804)
Total financial liabilities	(332,919)	(28,565)	(67,708)	(369,555)	-	(465,828)
(Deficit)/surplus	(205,165)	43,623	(41,074)	(369,555)	31,850	(335,156)

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36. Financial risk (cont'd.)

(b) Liquidity Risk (cont'd.)

Maturity profiles for 2020

Group	Carrying value RM'000	Up to 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
Financial assets at FVTPL						
Designated upon initial recognition						
Unquoted corporate debt securities	2,190	109	2,245	-	-	2,354
Government investment issues	1,262,018	159,596	334,706	1,392,654	-	1,886,956
Unquoted Islamic private debt securities	1,253,077	71,953	452,489	1,290,707	-	1,815,149
Mandatorily measured						
Quoted shares in Malaysia:						
Shariah approved equities	209,176	-	-	-	209,176	209,176
Warrants	11	-	-	-	11	11
Others	86,450	-	-	-	86,450	86,450
Unquoted corporate debt securities	17,928	201	1,658	47,380	-	49,239
Unquoted Islamic private debt securities	626	670	-	-	-	670
Shariah approved unit trust funds	113,826	-	-	-	113,826	113,826
Real estate investment trusts	23,298	-	-	-	23,298	23,298
Financial assets at FVOCI						
Malaysian government securities	145,670	5,600	41,183	140,514	-	187,297
Government investment issues	601,240	158,911	208,359	339,206	-	706,476
Unquoted corporate debt securities	1,098,935	303,128	610,961	338,508	-	1,252,597
Unquoted shares in Malaysia	84,382	-	-	-	84,382	84,382
Unquoted Islamic private debt securities	323,643	44,984	197,239	133,532	-	375,755
Golf club membership	293	-	-	-	293	293

36. Financial risk (cont'd.)

(b) Liquidity Risk (cont'd.)

Maturity profiles for 2020 (cont'd.)

Group (cont'd.)	Carrying value RM'000	Up to 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
Financial assets at amortised cost						
Fixed and call deposits with licensed:						
Commercial banks	121,384	117,925	-	-	-	117,925
Foreign banks	231,795	196,143	40,803	-	-	236,946
Islamic investment accounts with licensed:						
Islamic banks	1,550,743	1,543,317	25,900	-	-	1,569,217
Investment banks	3,982	3,982	-	-	-	3,982
Development banks	444,249	452,208	-	-	-	452,208
Secured staff loans	7,941	1,256	6,726	165	-	8,147
Income due and accrued	78,433	78,433	-	-	-	78,433
Amount due from Insurance Pool accounts	29,716	29,716	-	-	-	29,716
Due from Lloyds' syndicate	36,971	-	36,971	-	-	36,971
Sundry receivables	18,383	18,383	-	-	-	18,383
Reinsurance/retakaful assets	435,042	154,219	209,470	71,353	-	435,042
Insurance/takaful receivables	381,703	379,124	2,579	-	-	381,703
Cash and bank balances	118,417	118,417	-	-	-	118,417
Total financial and insurance assets	8,681,522	3,838,275	2,171,289	3,754,019	517,436	10,281,019
Borrowings	(320,000)	(16,640)	(66,604)	(386,240)	-	(469,484)
Insurance/takaful contract liabilities	(5,299,001)	(817,248)	(1,457,326)	(3,024,427)	-	(5,299,001)
Lease liabilities	(4,219)	(2,762)	(1,659)	-	-	(4,421)
Insurance/takaful payables	(169,851)	(166,960)	(2,891)	-	-	(169,851)
Other payables (excluding provisions)	(204,671)	(204,671)	-	-	-	(204,671)
Total financial and insurance liabilities	(5,997,742)	(1,208,281)	(1,528,480)	(3,410,667)	-	(6,147,428)
Surplus	2,683,780	2,629,994	642,809	343,352	517,436	4,133,591

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36. Financial risk (cont'd.)

(b) Liquidity Risk (cont'd.)

Maturity profiles for 2020 (cont'd.)

Company	Carrying value RM'000	Up to 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
Financial assets at FVOCI						
Golf club membership	50	-	-	-	50	50
Financial assets at amortised cost						
Unquoted corporate debt securities	1,000	50	198	1,021	-	1,269
Islamic investment accounts with licensed:						
Islamic banks	43,979	21,585	25,900	-	-	47,485
Development bank	25,690	25,856	-	-	-	25,856
Secured staff loans	2,635	79	2,566	-	-	2,645
Amount due from subsidiaries	311	311	-	-	-	311
Income due and accrued	616	616	-	-	-	616
Sundry receivables	289	289	-	-	-	289
Cash and bank balances	294	294	-	-	-	294
Total financial assets	74,864	49,080	28,664	1,021	50	78,815
Borrowing	(320,000)	(16,640)	(66,604)	(386,240)	-	(469,484)
Lease liabilities	(3,159)	(1,177)	(2,222)	-	-	(3,399)
Other payables (excluding provisions)	(6,099)	(6,099)	-	-	-	(6,099)
Total financial liabilities	(329,258)	(23,916)	(68,826)	(386,240)	-	(478,982)
(Deficit)/surplus	(254,394)	25,164	(40,162)	(385,219)	50	(400,167)

36. Financial risk (cont'd.)

(c) Market Risk

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

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

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

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

Equity price risk

Equity price risk is the risk that the fair value or future cash 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. Additionally, changes in variables are considered individually. It should be noted that movements in these variables are non-linear.

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36. 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

Group	Changes in market indices	Impact on profit before tax RM'000	Impact on equity/ participants' fund* RM'000
	Increase/(decrease)		
2021			
Price/NAV	**+5%**	**19,234**	**21,286**
Price/NAV	**-5%**	**(19,234)**	**(21,286)**
2020			
Price/NAV	+5%	15,947	18,489
Price/NAV	-5%	(15,947)	(18,489)

Company	Changes in market indices	Impact on profit before tax RM'000	Impact on equity/ participants' fund* RM'000
	Increase/(decrease)		
2021			
Price/NAV	**+5%**	**1,590**	**1,208**
Price/NAV	**-5%**	**(1,590)**	**(1,208)**
2020			
Price/NAV	Nil	-	-

* The impact on equity reflects the after tax impact.

36. Financial risk (cont'd.)

(c) Market Risk (cont'd.)

Foreign exchange risk/currency risk

Currency risk is the risk that the fair value or future cash flows of a financial asset and/or liability will fluctuate because of movements in foreign currency 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 framework in place and is continuously enhancing its risk mitigation measures.

Sensitivity analysis

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

Group	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)			
2021					
Foreign currency	**+5%**	**42,358**	**41,512**	**(5,475)**	**(5,037)**
Foreign currency	**-5%**	**(42,358)**	**(41,512)**	**5,475**	**5,037**
2020					
Foreign currency	+5%	39,035	36,432	(4,772)	(4,390)
Foreign currency	-5%	(39,035)	(36,432)	4,772	4,390

* The impact on equity reflects the after tax impact.

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

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36. Financial risk (cont'd.)

(c) Market Risk (cont'd.)

Interest/profit rate risk

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

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

(ii) Future cash flows of variable interest/profit-bearing assets would move in direct proportion to changes in rates.

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

The Group manages its interest/profit rate risk by matching, where possible, the duration and profile of assets and liabilities to minimise the impact of mismatches between the value of assets and liabilities from interest/profit rate movements.

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

Sensitivity analysis

A change of 25 basis points ("bp") in interest/profit rates at the reporting date would have increased/(decreased) the value of the portfolio of fixed-income investment by the amounts shown below.

Group	Changes in variable	Impact on profit before tax RM'000	Impact on equity/ participants' fund* RM'000
	← (Decrease)/increase →		
2021			
Interest/profit rates	**+25 bp**	**(54,746)**	**(67,330)**
Interest/profit rates	**-25 bp**	**54,746**	**67,330**
2020			
Interest/profit rates	+25 bp	(55,056)	(69,101)
Interest/profit rates	-25 bp	55,056	69,101

* The impact on equity reflects the after tax impact.

37. 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 including outsourcing. It includes a wide spectrum of heterogeneous risks such as fraud, bribery & corruption, physical damage, business disruption, transaction failures, legal and regulatory breaches, pandemic outbreak, as well as employee health and safety hazards. Operational risk may result in direct financial losses and indirect financial losses due to reputational damage.

The 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, access controls, system validation, enhanced authorisation and reconciliation procedures, continuous staff education and appropriate assessment processes, and engagement of internal audit for assurance.

(b) Shariah Non-Compliance Risk

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

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

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

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

(iv) Decisions or advices of the Group Shariah Committee ("GSC").

The Group mitigates such risk by initiating, monitoring and adhering to a robust Group Shariah Risk Management ("Group SRM") Framework which 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, screening of new tenants' credit worthiness and financial standing as well as ensuring that the properties and facilities are continuously maintained and upgraded.

38. **Shareholders', reinsurance, takaful and retakaful funds**

(a) **Consolidated income statement by fund**

For the year ended 31 March 2021	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	1,358,646	419,487	688,196	43,861	8,302	(16,710)	2,501,782
Premiums/contributions ceded to reinsurers/retakaful operators	(96,267)	(174,333)	(77,025)	(2,746)	(5,691)	14,632	(341,430)
Net earned premiums/ contributions	1,262,379	245,154	611,171	41,115	2,611	(2,078)	2,160,352
Investment income	208,880	17,257	126,823	1,796	583	(90,450)	264,889
Net realised gains/(losses)	11,751	2,644	8,711	-	13	-	23,119
Net fair value gains/(losses)	31,344	2,832	(39,523)	-	(50)	915	(4,482)
Fee and commission income	477,782	38,682	2	223	-	(472,508)	44,181
Other operating revenue	12,266	-	524	215	6	(2,015)	10,996
Other revenue	742,023	61,415	96,537	2,234	552	(564,058)	338,703
Gross claims and benefit paid	(670,094)	(158,765)	(287,931)	(4,908)	(8,383)	4,402	(1,125,679)
Claims ceded to reinsurers/ retakaful operators	38,521	63,989	59,747	(2,581)	5,043	(4,402)	160,317
Gross change in contract liabilities	(157,007)	(18,564)	(236,841)	(15,129)	3,762	5,374	(418,405)
Change in contract liabilities ceded to reinsurers/retakaful operators	(68,842)	6,386	31,863	(238)	168	(5,374)	(36,037)
Net claims and benefits	(857,422)	(106,954)	(433,162)	(22,856)	590	-	(1,419,804)

38. Shareholders', reinsurance, takaful and retakaful funds (cont'd.)

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

For the year ended 31 March 2021 (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	(479,359)	(175,581)	(237,492)	(15,923)	(319)	430,184	(478,490)
Management expenses	(336,145)	-	(1,107)	-	-	48,279	(288,973)
Finance costs	(17,222)	-	-	-	-	424	(16,798)
Other operating expenses	(11,227)	(6,301)	-	120	-	4,749	(12,659)
Changes in expense liabilities	(15,956)	-	-	-	-	-	(15,956)
Tax borne by participants	-	(1,861)	(7,043)	(405)	(275)	-	(9,584)
Other expenses	(859,909)	(183,743)	(245,642)	(16,208)	(594)	483,636	(822,460)
Share of results of associates	-	-	-	-	-	15,472	15,472
Operating profit before surplus attributable to takaful participants, zakat and taxation	287,071	15,872	28,904	4,285	3,159	(67,028)	272,263
Surplus attributable to takaful participants	-	(15,872)	(28,904)	(4,285)	(3,159)	3,193	(49,027)
Operating profit/(loss) before zakat and taxation	287,071	-	-	-	-	(63,835)	223,236
Zakat	(1,293)	-	-	-	-	-	(1,293)
Taxation	(32,448)	-	-	-	-	-	(32,448)
Net profit/(loss) for the year to equity holders of the Parent	253,330	-	-	-	-	(63,835)	189,495

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38. Shareholders', reinsurance, takaful and retakaful funds (cont'd.)

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

For the year ended 31 March 2020	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	1,200,829	320,199	618,594	22,287	8,818	(8,309)	2,162,418
Premiums/contributions ceded to reinsurers/retakaful operators	(94,147)	(104,603)	(76,889)	(1,778)	(6,390)	5,983	(277,824)
Net earned premiums/ contributions	1,106,682	215,596	541,705	20,509	2,428	(2,326)	1,884,594
Investment income	179,015	17,664	130,552	2,537	862	(46,509)	284,121
Net realised gains	36,808	3,926	53,667	-	-	-	94,401
Net fair value (losses)/gains	(45,687)	(4,823)	31,124	-	73	533	(18,780)
Fee and commission income	442,511	26,899	10	302	-	(420,960)	48,762
Other operating revenue	33,909	1,391	4,048	16	15	(15,638)	23,741
Other revenue	646,556	45,057	219,401	2,855	950	(482,574)	432,245
Gross claims and benefit paid	(772,253)	(188,976)	(333,972)	(9,680)	(9,686)	1,033	(1,313,534)
Claims ceded to reinsurers/ retakaful operators	87,611	90,484	60,321	209	6,180	(1,033)	243,772
Gross change in contract liabilities	(9,395)	29,390	(227,906)	9,705	3,052	-	(195,154)
Change in contract liabilities	(62,162)	(31,261)	(5,148)	(1,972)	965	-	(99,578)
Net claims and benefits	(756,199)	(100,363)	(506,705)	(1,738)	511	-	(1,364,494)

38. Shareholders', reinsurance, takaful and retakaful funds (cont'd.)

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

For the year ended 31 March 2020 (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	(453,538)	(137,312)	(232,720)	(8,931)	(336)	379,998	(452,839)
Management expenses	(308,212)	-	(1,350)	-	-	46,782	(262,780)
Finance costs	(17,463)	-	-	-	-	482	(16,981)
Other operating expenses	(2,432)	(61)	(7)	(28)	-	-	(2,528)
Changes in expense liabilities	(7,731)	-	-	-	-	-	(7,731)
Tax borne by participants	-	368	(16,913)	(1,258)	(184)	(11)	(17,998)
Other expenses	(789,376)	(137,005)	(250,990)	(10,217)	(520)	427,251	(760,857)
Share of results of associates	-	-	-	-	-	(9,838)	(9,838)
Operating profit before (surplus)/deficit attributable to takaful participants, zakat and taxation	207,663	23,285	3,411	11,409	3,369	(67,487)	181,650
Surplus attributable to takaful participants	-	(23,285)	(3,411)	(11,409)	(3,369)	10,746	(30,728)
Operating profit before zakat and taxation	207,663	-	-	-	-	(56,741)	150,922
Zakat	(1,286)	-	-	-	-	-	(1,286)
Taxation	(16,729)	-	-	-	-	-	(16,729)
Net profit for the year attributable to equity holders of the Parent	189,648	-	-	-	-	(56,741)	132,907

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38. Shareholders', reinsurance, takaful and retakaful funds (cont'd.)

(b) Consolidated statement of financial position by fund

As at 31 March 2021	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	121,707	-	-	-	-	81,670	203,377
Investment properties	-	-	81,620	-	-	(81,620)	-
Intangible assets	71,805	-	-	-	-	-	71,805
Right-of-use assets	7,136	-	-	-	-	(4,230)	2,906
Investments in subsidiaries	1,304,477	-	-	-	-	(1,304,477)	-
Investments in associates	118,225	-	-	-	-	16,580	134,805
Deferred tax assets	14,324	7,244	-	-	-	(65)	21,503
Financial assets	4,411,138	541,113	3,515,361	87,247	14,926	(234,528)	8,335,257
Reinsurance/retakaful assets	166,968	200,312	84,471	3,300	7,558	(5,374)	457,235
Insurance/takaful receivables	355,386	75,211	48,085	19,983	2,558	(2,357)	498,866
Tax recoverable	71,794	-	-	(2,695)	(429)	-	68,670
Cash and bank balances	69,971	8,173	37,412	126	107	-	115,789
Total assets	6,712,931	832,053	3,766,949	107,961	24,720	(1,534,401)	9,910,213

38. Shareholders', reinsurance, takaful and retakaful funds (cont'd.)

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

As at 31 March 2021 (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	-	159,985	199,649	6,231	125	11,734	377,724
Borrowings	321,000	-	-	-	-	(1,000)	320,000
Insurance/takaful contract liabilities	2,311,512	549,235	3,411,982	73,904	9,730	(15,373)	6,340,990
Lease liabilities	7,206	-	-	-	-	(4,452)	2,754
Insurance/takaful payables	111,841	49,349	32,504	9,965	869	(2,357)	202,171
Other payables	232,199	73,423	115,860	17,809	13,965	(222,574)	230,682
Deferred tax liabilities	2,878	-	6,444	52	31	422	9,827
Tax payable	5,708	61	510	-	-	-	6,279
Provision for zakat	1,466	-	-	-	-	-	1,466
Total liabilities and participants' funds	2,993,810	832,053	3,766,949	107,961	24,720	(233,600)	7,491,893
Equity							
Share capital	2,043,108	-	-	-	-	(1,304,606)	738,502
Reserves	1,676,013					3,805	1,679,818
Total equity attributable to equity holders of the Parent	3,719,121	-	-	-	-	(1,300,801)	2,418,320
Total liabilities, participants' funds and equity	6,712,931	832,053	3,766,949	107,961	24,720	(1,534,401)	9,910,213

38. Shareholders', reinsurance, takaful and retakaful funds (cont'd.)

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

As at 31 March 2020	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	122,408	-	-	-	-	81,781	204,189
Investment properties	-	-	81,620	-	-	(81,620)	-
Intangible assets	36,578	-	-	-	-	-	36,578
Right-of-use assets	13,924	-	-	-	-	(9,376)	4,548
Investments in subsidiaries	1,304,476	-	-	-	-	(1,304,476)	-
Investments in associates	123,889	-	-	-	-	9,393	133,282
Deferred tax assets	11,232	4,172	-	-	-	-	15,404
Financial assets	4,108,505	493,806	3,315,613	54,679	5,368	(223,217)	7,754,754
Reinsurance/retakaful assets	240,203	193,415	52,608	3,712	7,390	-	497,328
Insurance/takaful receivables	297,174	45,179	27,860	8,036	3,454	-	381,703
Tax recoverable	71,040	-	-	(2,267)	(169)	-	68,604
Cash and bank balances	38,444	20,979	58,705	239	50	-	118,417
	6,367,873	757,551	3,536,406	64,399	16,093	(1,527,515)	9,214,807

38. Shareholders', reinsurance, takaful and retakaful funds (cont'd.)

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

As at 31 March 2020 (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	-	151,245	170,745	1,814	11	8,923	332,738
Borrowings	321,000	-	-	-	-	(1,000)	320,000
Insurance/takaful contract liabilities	2,126,723	481,376	3,175,141	56,341	13,492	(10,000)	5,843,073
Lease liabilities	13,786	-	-	-	-	(9,567)	4,219
Insurance/takaful payables	109,832	33,000	18,586	5,858	2,575	-	169,851
Other payables	208,533	91,801	159,162	316	-	(209,506)	250,306
Deferred tax liabilities	1,467	-	9,778	70	15	616	11,946
Tax payable	6,300	129	2,994	-	-	-	9,423
Provision for zakat	1,464	-	-	-	-	-	1,464
Total liabilities and participants' funds	2,789,105	757,551	3,536,406	64,399	16,093	(220,534)	6,943,020
Equity							
Share capital	2,043,108	-	-	-	-	(1,304,606)	738,502
Reserves	1,535,660	-	-	-	-	(2,375)	1,533,285
Total equity attributable to equity holders of the Parent	3,578,768	-	-	-	-	(1,306,981)	2,271,787
Total liabilities, participants' funds and equity	6,367,873	757,551	3,536,406	64,399	16,093	(1,527,515)	9,214,807

39. 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's 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's 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 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

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

39. Fair values of assets (cont'd.)

Description of significant unobservable inputs:

	Valuation technique	Significant unobservable inputs	Range
2021			
Property, plant and equipment			
Office building of Malaysian Re	**Income approach**	**Yield**	**6.25%**
		Rental per square foot	**RM4.50**
Office buildings of Takaful IKHLAS Family	**Comparison approach**	**Sales price per square feet for similar properties**	**RM641 to RM1,511**
Unquoted shares in Malaysia	**Net assets**	**Net assets**	**Not applicable**
2020			
Property, plant and equipment			
Office building of Malaysian Re	Income approach	Yield	6.25%
		Rental per square foot	RM4.50
Office buildings of Takaful IKHLAS Family	Comparison approach	Sales price per square feet for similar properties	RM509 to RM1,511
Unquoted shares in Malaysia	Net assets	Net assets	Not applicable

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

The movement from opening balances to closing balances during the respective financial years are provided in Notes 13 and 18(b).

There have been no transfers between Level 1, 2 and 3 of the fair value hierarchy during the financial year.

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39. 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 on a recurring basis 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				
2021				
Assets measured at fair value:				
(a) Property, plant and equipment				
Freehold land	-	-	36,800	36,800
Buildings	-	-	161,587	161,587
	-	-	198,387	198,387
(b) Financial assets at FVTPL				
Designated upon initial recognition				
Unquoted corporate debt securities	-	1,162	-	1,162
Government investment issues	-	1,141,718	-	1,141,718
Unquoted Islamic private debt securities	-	1,362,102	-	1,362,102
Mandatorily measured				
Quoted shares in Malaysia:				
Shariah approved equities	215,664	-	-	215,664
Others	97,304	-	-	97,304
Unquoted perpetual bond in Malaysia	-	4,950	-	4,950
Unquoted corporate debt securities	-	19,469	-	19,469
Unquoted Islamic private debt securities	-	608	-	608
Shariah approved unit trust funds	241,218	-	-	241,218
Real estate investment trusts	17,442	-	-	17,442
	571,628	2,530,009	-	3,101,637

39. Fair values of assets (cont'd.)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group (cont'd.)				
2021 (cont'd.)				
Assets measured at fair value (cont'd.):				
(c) Financial assets at FVOCI				
Malaysian government securities	**-**	**155,329**	**-**	**155,329**
Government investment issues	**-**	**438,523**	**-**	**438,523**
Unquoted corporate debt securities	**-**	**1,028,084**	**-**	**1,028,084**
Unquoted shares	**-**	**-**	**84,605**	**84,605**
Unquoted Islamic private debt securities	**-**	**376,176**	**-**	**376,176**
Golf club memberships	**-**	**-**	**233**	**233**
	-	**1,998,112**	**84,838**	**2,082,950**
2020				
Assets measured at fair value:				
(a) Property, plant and equipment				
Freehold land	-	-	36,800	36,800
Buildings	-	-	162,903	162,903
	-	-	199,703	199,703
(b) Financial assets at FVTPL				
Designated upon initial recognition				
Unquoted corporate debt securities	-	2,190	-	2,190
Government investment issues	-	1,262,018	-	1,262,018
Unquoted Islamic private debt securities	-	1,253,077	-	1,253,077
Mandatorily measured				
Quoted shares in Malaysia:				
Shariah approved equities	209,176	-	-	209,176
Warrants	11	-	-	11
Others	86,450	-	-	86,450

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39. Fair values of assets (cont'd.)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group (cont'd.)				
2020 (cont'd.)				
Assets measured at fair value (cont'd):				
(b) Financial assets at FVTPL (cont'd.)				
Unquoted corporate debt securities	-	17,928	-	17,928
Unquoted Islamic private debt securities	-	626	-	626
Shariah approved unit trust funds	113,826	-	-	113,826
Real estate investment trusts	23,298	-	-	23,298
	432,761	2,535,839	-	2,968,600
(c) Financial assets at FVOCI				
Malaysian government securities	-	145,670	-	145,670
Government investment issues	-	601,240	-	601,240
Unquoted corporate debt securities	-	1,098,935	-	1,098,935
Unquoted shares	-	-	84,382	84,382
Unquoted Islamic private debt securities	-	323,643	-	323,643
Golf club memberships	-	-	293	293
	-	2,169,488	84,675	2,254,163
Company				
2021				
Assets measured at fair value:				
(a) Financial assets at FVTPL				
Shariah approved unit trust fund	**31,800**	**-**	**-**	**31,800**
(b) Financial assets at FVOCI				
Golf club membership	**-**	**-**	**50**	**50**

39. Fair values of assets (cont'd.)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Company (cont'd.)				
2020				
Assets measured at fair value:				
(a) Financial assets at FVOCI				
Golf club membership	-	-	50	50

40. Significant and subsequent event

COVID-19 pandemic

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

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

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

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

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

40. Significant events (cont'd.)

COVID-19 pandemic (cont'd.)

In respect to the financial results of the Group and the Company, COVID-19 has impacted the claims experience of the reinsurance and retakaful businesses, as well as the business volume of the general and family takaful businesses, which have seen a reduction in contributions in the first quarter of the financial year ended 31 March 2021.

In addition, BNM had on 27 March 2020 announced several measures to assist policyholder/participants to manage the impact of the COVID-19 pandemic and subsequently on 29 January 2021, had set out additional measures to assist affected consumers to preserve their protection coverage. The relief measures that were extended by the takaful subsidiaries of the Group to their participants include:

- Deferment of payment of family takaful contribution;
- Flexibilities to reinstate or preserve family takaful protection;
- Expediting claims processing;
- Flexibility in the payment of takaful contributions; and
- 6 months interest free instalment repayment option.

Overall, notwithstanding the above, management is of the view that the results for the financial year ended 31 March 2021 have largely remained resilient and were not materially impacted by COVID-19. However, the Group and the Company remains cautious in its expectations of the level of profitability for the next financial year amid ongoing uncertainties as the economy attempts to recover back to the pre pandemic level. The Group and the Company will continue to closely monitor and respond to the impact of the pandemic.

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

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