

**AMGENERAL INSURANCE BERHAD**  
**(44191-P)**  
**(Incorporated in Malaysia)**

**Directors' Report and Audited Financial Statements**  
**31 March 2019**

**Company No: 44191-P**

**AmGENERAL INSURANCE BERHAD  
(Incorporated in Malaysia)**

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**DIRECTORS' REPORT**

The directors have pleasure in presenting their report together with the audited financial statements of the Company for the financial year ended 31 March 2019.

**PRINCIPAL ACTIVITY**

The Company is engaged principally in the underwriting of all classes of general insurance business.

**RESULTS**

	<b>RM'000</b>
Net profit for the year	<u>220,087</u>

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

**DIVIDENDS**

The amount of dividends paid by the Company since 31 March 2018 were as follows:

	<b>RM'000</b>
In respect of financial year ended 31 March 2018:	
<b>Irredeemable non-cumulative convertible preference shares ("INCPS"):</b>	
Dividend of 5.5% per INCPS on 6,100,000 INCPS based on issue price of RM10.00 each declared on 30 April 2018 and paid on 26 July 2018	3,355
<b>Redeemable non-cumulative convertible preference shares ("RNCPS"):</b>	
Dividend of 5.5% per RNCPS on 40,000,000 RNCPS based on issue price of RM10.00 each declared on 30 April 2018 and paid on 26 July 2018	<u>22,000</u>
	<u>25,355</u>
<b>Ordinary Shares</b>	
Final single tier dividend of 30.67 sen per ordinary share on 600,000,000 ordinary shares declared on 30 April 2018 and paid on 26 July 2018	<u>184,000</u>
	<u>209,355</u>

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## **SHARE OPTIONS**

There were no options granted during the financial year by the Company to any parties to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As at the end of the financial year, there were no unissued shares of the Company under options.

## **DIRECTORS**

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

Phoon Soon Keong (Chairman)  
(Independent, non-executive director)  
Duncan Victor Brain  
(Non-independent, executive director)  
Wong Teck Kat  
(Independent, non-executive director)  
Sathasivan Kunchambo  
(Independent, non-executive director)  
Dato' Sulaiman Bin Mohd Tahir  
(Non-independent, non-executive director)  
Ramesh Pillai  
(Independent, non-executive director)

## **CORPORATE GOVERNANCE**

The Company has complied with the prescriptive requirements of, and adopted management practices that are consistent with the principles prescribed under BNM Policy Document on Corporate Governance.

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## **CORPORATE GOVERNANCE (CONT'D.)**

### **Directors' Profile**

The following are the profile of Directors of the Company:

#### **PHOON SOON KEONG (CHAIRMAN) Independent Non-Executive Director**

Mr Phoon Soon Keong ("Mr Phoon"), a Malaysian, aged 63, was appointed as a Director on 15 August 2017 and was subsequently appointed as Chairman of the Company on 1 January 2018.

Mr Phoon is a qualified Certified Public Accountant, Malaysia and is a member of the Malaysian Institute of Accountants ("MIA"). He started his career with Price Waterhouse [currently known as PricewaterhouseCoopers ("PwC")] as an articled student in 1975 and was promoted to Qualified Assistant in 1979 after qualifying as a Certified Public Accountant, Malaysia. He left PwC to start his own practice in 1980 and was a partner in P.C Chan & Partners from 1981 to 1986. He re-joined PwC as a Senior Manager of the Audit Practice in December 1986 and was Executive Director in the Firm from 1994 to 2010. During his tenure as Executive Director, he was the Director-in-charge of the Valuation & Strategy Practice of PricewaterhouseCoopers Consulting Sdn Bhd.

He has extensive experience in audit, business recovery, turnaround management, corporate and debt restructuring, corporate finance, mergers and acquisitions and share valuations. The industries which he has consulted include insurance, newspaper publishing, manufacturing, plantations, oil & gas, construction and property development and utilities.

He was the Acting Chief Executive Officer of PanGlobal Insurance Berhad ("PanGlobal") from January 2007 to April 2009. He was appointed as the Appointed Person of Tahan Insurance (Malaysia) Berhad ("Tahan") by Bank Negara Malaysia under Section 59(4)(a) of the Insurance Act 1996 to assume control of the whole of Tahan's property, business and affairs and to carry on the whole of Tahan's business and affairs on behalf of the Bank from May 2009 to December 2010.

He was a Director of Assunta Hospital from 2005 to 2012 and was the Chairman of the Assunta Board from June 2011 to December 2012 and he is the Chairman of the Board of Governors of Pusat Kebajikan Good Shepherd from March 2008 to March 2019. Currently, he is a Director of Good Shepherd Services and Assisi Palliative Care Berhad, two charitable organisations.

He is also an Independent Non-Executive Director of AmMetLife Insurance Berhad.

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**CORPORATE GOVERNANCE (CONT'D.)**

**Directors' Profile (Cont'd.)**

**DUNCAN VICTOR BRAIN  
Non-Independent Executive Director**

Mr Duncan Victor Brain ("Mr Duncan"), an Australian, aged 54, was appointed as a Director on 26 September 2012. He is a Member of the Investment Committee of Directors of the Company.

Mr Duncan holds a Bachelor's Degree of Applied Science (Mathematics) from Victoria University, Melbourne, as well as a Master of Business Administration from the Macquarie Graduate School of Management, Macquarie University, Sydney.

He is also a Director of AmGeneral Holdings Berhad, IAG (Asia) General Pte Ltd, Singapore and SBI General Insurance Company Limited, India.

**WONG TECK KAT  
Independent Non-Executive Director**

Mr Wong Teck Kat ("Mr Wong"), a Malaysian, aged 69, was appointed as a Director on 1 March 2016. He is the Chairman of the Nomination and Remuneration Committee of Directors and a Member of the Audit and Examination Committee of Directors, and Risk Management Committee of Directors of the Company.

Mr Wong holds a Master in Business Administration from Henley, Brunel University, United Kingdom, and a Master in Christian Study from Seminari Theoloji Malaysia. He obtained the qualification of an Associate of Chartered Insurance Institute and was later conferred as a Chartered Insurer.

He has about 39 years of general insurance experiences. He began his career with the Commercial Union Assurance Co. Ltd. in 1970 and was the first trained Fire Surveyor in Malaysia in 1974. He served as the Chief Executive Officer ("CEO") of Malaysia & Nippon Insurans Berhad and later the CEO of Zurich Insurance Malaysia Berhad. Mr Wong retired in 2009 from the merged entity of MCIS Zurich Insurance Berhad.

He has also served as a Member of the Management Committee of the Persatuan Insurans Am Malaysia and Chairman of its Fire Sub-Committee, Chairman and a Council Member of the Insurance Mediation Bureau of Malaysia, a Board Member of the ISM Insurance Malaysia Sdn Bhd, Chairman of the Council of the Motor Insurance Bureau of West Malaysia and a Board Member of the Financial Mediation Bureau.

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**CORPORATE GOVERNANCE (CONT'D.)**

**Directors' Profile (Cont'd.)**

**SATHASIVAN KUNCHAMBOO  
Independent Non-Executive Director**

Mr Sathasivan Kunchambo (‘‘Mr Sathasivan’’), a Malaysian, aged 61, was appointed as a Director on 1 March 2016. He is the Chairman of the Risk Management Committee of Directors and a Member of the Nomination and Remuneration Committee of Directors, and Audit and Examination Committee of Directors of the Company.

Mr Sathasivan holds a Master in Business Administration from University of Birmingham, United Kingdom and Bachelor of Business Administration from National University of Malaysia. He also holds Bachelor of Law from University of London and Certificate of Legal Practice from Legal Profession Qualifying Board, Malaysia.

He has over 17 years of experience in regulation and supervision of the Insurance industry of Malaysia, in particular general insurance, offshore insurance, reinsurance and Takaful.

He joined Bank Negara Malaysia (‘‘BNM’’) from year 1982 to 2013. From December 2005 to November 2013, Mr Sathasivan held a position as Senior General Manager of Credit Guarantee Corporation Malaysia Berhad, a subsidiary of BNM. Prior to that, Mr Sathasivan held various positions in Insurance Regulation Department namely, Deputy Director of Strategic Planning Division, Deputy Director of General Insurance Division, Senior Manager of Motor Insurance Unit, Senior Manager of Reinsurance Unit and Manager of Labuan Offshore Insurance Unit. He also held positions as Manager of Legal Department, Senior Executive of Personnel Department as well as Training Officer of Staff Training Centre.

Mr Sathasivan is also an Independent Non-Executive Director of AmMetLife Insurance Berhad.

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**CORPORATE GOVERNANCE (CONT'D.)**

**Directors' Profile (Cont'd.)**

**DATO' SULAIMAN BIN MOHD TAHIR  
Non-Independent Non-Executive Director**

Dato' Sulaiman Bin Mohd Tahir ("Dato' Sulaiman"), a Malaysian, aged 56, was appointed as a Director on 1 November 2016. He is a Member of the Nomination and Remuneration of Committee of Directors and Investment Committee of Directors of the Company.

Dato' Sulaiman is the Group Chief Executive Officer of AMMB Holdings Berhad ("AMMB") and Chief Executive Officer of AmBank (M) Berhad ("AmBank"), the commercial banking arm of AmBank Group, positions he has held since November 2015.

He holds a Bachelor of Business in Accountancy from Royal Melbourne Institute of Technology (RMIT University) in Australia. He has a wealth of experience backed by 30 years of managing and spearheading growth in consumer banking, as well as in commercial and corporate banking in Malaysia.

Prior to joining AmBank Group, he has held many prominent positions at one of the largest bank in Malaysia before his appointment as Chief Executive Officer/Executive Director of AmBank.

He also sits on the Board of several other subsidiaries of AMMB, namely AmGeneral Holdings Berhad, AmMetLife Insurance Berhad and AmMetLife Takaful Berhad and AMAB Holdings Sdn Bhd.



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## **CORPORATE GOVERNANCE (CONT'D.)**

### **Directors' Profile (Cont'd.)**

#### **RAMESH PILLAI Independent Non-Executive Director**

Mr Ramesh Pillai ("Mr Ramesh"), a Malaysian, aged 54, was appointed as a Director on 15 August 2017. He is the Chairman of the Audit and Examination Committee of Directors and Investment Committee of Directors, and a Member of the Risk Management Committee of Directors of the Company.

Mr Ramesh started his career with Price Waterhouse's Financial Institutions specialism in London gaining experience in Audit, Consultancy and Corporate Finance assignments. He has over 33 years of risk management experience, both in the public and private sector and has held various positions, including that of Chief Executive Officer, Finance Director and Group Chief Risk Officer (in Conventional and Islamic Banks). He was also with Pengurusan Danaharta Nasional as its Chief Risk Officer as well as Bank Negara Malaysia as the Head of its Deposit Insurance Taskforce.

He is currently the Chairman of the Board of Governors of the Institute of Enterprise Risk Practitioners (providing professional certification in Enterprise Risk Management) as well as the Group Managing Director of Friday Concepts (International), an International Boutique Risk Management consultancy. He is also an Independent Non-Executive Director of Gibraltar BSN Life Berhad.

He holds a Bachelor of Science (Honours) in Economics with Accountancy from Loughborough University, United Kingdom, where he specialised in Economics and Banking in general, and Islamic Banking in particular. He is a fellow of the Institute of Chartered Accountants in England and Wales (1991) and is a member of the Malaysian Institute of Accountants, a Certified Enterprise Risk Manager, a Certified Risk Professional, a Qualified Risk Director, a certified Islamic Enterprise Risk Manager and a Qualified Risk Auditor.

Mr Ramesh is also an Independent Non-Executive Director of AmInvestment Bank Berhad as well as Insurans Islam Taib Holdings Sdn Bhd Group of Companies.

### **Directors' Training**

The Board recognised the importance of ensuring that Directors are continuously being developed to acquire or enhance the requisite knowledge and skills to discharge their duties effectively.

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## **CORPORATE GOVERNANCE (CONT'D.)**

### **Directors' Training (Cont'd.)**

All new Directors appointed to the Board would attend a formal induction programme to familiarise themselves with the Company's strategy and operating structure, financial highlights, product and marketing strategies, risk management strategy, legal and regulatory compliance requirements, people initiatives presented by the Chief Executive Officer with various Head of Departments, and organised by the Group Learning and Development unit. The Company Secretary would also provide the new Directors with an information kit regarding disclosure obligations of a director, Code of Ethics, Constitution of the Company and Board Committees' Terms of Reference, amongst others.

Apart from the Financial Institutions Directors' Education (FIDE) Programme accredited by ICLIF, all Directors appointed to the Board, have also attended other relevant training programmes and seminars organised by the regulatory authorities and professional bodies to further enhance their business acumen and professionalism in discharging their duties to the Company. The Directors also attend Strategy Meeting to have an in-depth understanding and continuous engagement with Management pertaining to the Company's strategic direction. In addition, the Directors are constantly updated on information relating to the Group's development and industry development through discussion at Board meetings with the Senior Management team.

### **Board responsibilities**

The Board of Directors (the "Board") remains fully committed in ensuring that the principles and best practices in corporate governance are observed by the Company. The Board supervises the management of the Company in business policies and affairs with the goal of enhancing shareholder's value.

Board meetings are scheduled at least six (6) times per year where the Board addresses key matters concerning strategy, finance, organisation structure, business development, human resource, and establishes guidelines for overall business, risk and control policies, capital allocation as well as approves all key business developments.

### **Board activities**

As at reporting date, the Board comprises six (6) members with wide-ranging skills and experience. The Board is represented by one (1) non-independent, non-executive director, one (1) non-independent, executive director and four (4) independent, non-executive directors of calibre, and with necessary skills and diverse corporate experience to ensure that strategies proposed by the management are fully discussed and examined, as well as to take into account the long term interests of various stakeholders. During the financial year, the Board has met eight (8) times.

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**CORPORATE GOVERNANCE (CONT'D.)**

**Board activities (Cont'd.)**

All directors review the Board reports prior to the Board meetings. The reports are issued with sufficient time to enable the directors to obtain further explanations, where necessary, before the meetings.

In addition, the Board decides on matters reserved specifically for its decision, including the approval of corporate and business plans and budgets, acquisitions and disposals of assets that are material to the Company, major investments, changes to the management and control structure of the Company, including key policies, procedures and authority limits.

The Board has also adopted a policy for induction and education of directors. The program is to provide essential and comprehensive information to a new director in order for him to be familiar with relevant insurance industry regulatory requirements and the Company's nature of business. The directors may also request independent professional advice, at the Company's expense. The Company Secretary, to whom the directors have independent access, assists the Board and keeps it apprised of relevant laws and regulations.

**Membership and board meetings for the financial year ended 31 March 2019**

<u>Members</u>	<u>Number of Meetings (Attended/Held)</u>
Phoon Soon Keong (Chairman)	8/8
Duncan Victor Brain	8/8
Wong Teck Kat	8/8
Sathasivan Kunchambo	8/8
Dato' Sulaiman Bin Mohd Tahir	6/8
Ramesh Pillai	8/8

**Board Committees**

The Board delegates certain responsibilities to the Board Committees. The Committees which were set up to assist the Board in certain areas of deliberation are as follows:

- (1) Nomination and Remuneration Committee of Directors
- (2) Risk Management Committee of Directors
- (3) Audit and Examination Committee of Directors
- (4) Investment Committee of Directors

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**CORPORATE GOVERNANCE (CONT'D.)**

**Nomination and Remuneration Committee**

As at reporting date, the Committee comprises two (2) independent, non-executive directors and one (1) non-independent, non-executive director. The Chairman of the Committee is an independent, non-executive director.

The functions of the Committee are:

- (a) regularly reviewing the board structure, size and composition, as well as making recommendation to the Board of the Company with regard to any changes that are deemed necessary;
- (b) recommending the appointment of Directors to the Board and Committees of the Board as well as annually review the mix of skills, experience and competencies that Non-Executive and Executive Directors should bring to the Board;
- (c) on an annual basis, assessing the effectiveness of the Board as a whole and the Committees as well as the contributions of the Chairman and each Director to the effectiveness of the Board;
- (d) recommending the appointments of Chief Executive Officer and key senior management positions as deemed necessary by the Committee to the Board;
- (e) recommending the removal of Director/Chief Executive Officer and his direct reports/Company Secretary if the Director/Chief Executive Officer and his direct reports/Company Secretary is ineffective, errant and negligent in discharging his responsibilities; and
- (f) recommending to the Board the framework/methodology for the remuneration of the Directors, Chief Executive Officer and other Senior Management staff, benchmarked against the industry. Remuneration is determined at levels, which enable the Company to attract and retain the Directors, Chief Executive Officer and Senior Management staff with the relevant experience and expertise needed to assist in managing the Company effectively. The services of consultants are utilised to review the methodology for rewarding Executive Directors and Management staff according to the Key Performance Indicators required to be achieved.

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**CORPORATE GOVERNANCE (CONT'D.)**

**Membership and meetings of the Nomination and Remuneration Committee  
for the financial year ended 31 March 2019**

<u>Members</u>	<u>Number of Meetings (Attended/Held)</u>
Wong Teck Kat (Chairman)	6/6
Sathasivan Kunchambo	6/6
Dato' Sulaiman Bin Mohd Tahir	6/6

**Risk Management Committee**

As at reporting date, the Committee comprises three (3) independent, non-executive directors. The Chairman of the Committee is an independent, non-executive director. The primary objective of the Risk Management Committee is to oversee senior management's activities in managing the key risk areas of the Company and to determine that the risk management process is in place and functioning effectively.

The functions of the Committee are:

- (a) exercise oversight over all risk and compliance matters;
- (b) review and recommend risk management strategies, policies and risk tolerance levels for the Board's approval;
- (c) continually assess the adequacy of overall risk and compliance activities;
- (d) ensure adequate infrastructure and resources are in place to support effective risk management activities; and
- (e) provide assurance to the Board that the Company is operating within the risk appetite and thresholds set by the Board.

**Membership and meetings of the Risk Management Committee  
for the financial year ended 31 March 2019**

<u>Members</u>	<u>Number of Meetings (Attended/Held)</u>
Sathasivan Kunchambo (Chairman)	6/6
Wong Teck Kat	6/6
Ramesh Pillai	6/6

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## **CORPORATE GOVERNANCE (CONT'D.)**

### **Risk Management Functions**

Risk Management Department is independent of the various business units within the Company and functions as an enabler for adoption of appropriate risk management strategies, frameworks, policies and procedures in support of the Company's business objectives. The Risk Management Department employs an Enterprise Risk Management approach that holistically identifies, assesses, treats, monitors and reports the various risks, in line with the Board approved Risk Appetite Statement. The Risk Appetite Statement is reviewed annually and defines the risk acceptance thresholds that guide appropriate levels of risk taking throughout the Company. The Risk Management Department provides continued assurance of appropriate levels of risk to Management and to the Board through periodic reporting of risks through Key Risk Indicators, departmental and enterprise wide risk profiles, risk incident reporting, risk control testing and risk self-assessment regimes. Risk Management Department works closely with the other independent functions such as the internal audit function, the actuarial function and the compliance function to achieve an effective enterprise-wide risk management outcome for the Company.

### **Actuarial Functions**

The Actuarial department ensures the financial soundness of the Company in line with regulatory guidelines and requirements.

The department performs calculation of technical reserves, stress test of the Company's capital position, independent reviews on product pricing, and conducts analysis and investigations to monitor the performance of the business and its capital position. The department communicates its findings to Management and to the Board through periodic reporting of the insurance liabilities and capital position. The department works closely with other functions in the Company in order to ensure the financial stability of the Company. The department is led by the Chief Actuary who reports independently to the Board of Directors and operationally to the CEO in his capacity as the Appointed Actuary ("AA").

### **Compliance Functions**

The Compliance function of AmGeneral works within a defined Compliance Framework. This Framework ensures that the management of Compliance Risk is done in a structured manner and inculcates a strong compliance culture in the company. The Framework promotes the safety and soundness of AmGeneral by minimising financial, reputational and operational risks arising from legal and regulatory non-compliance. The Framework defines the roles and responsibilities of various stakeholders in managing Compliance Risk. The Chief Compliance Officer is the central point of authority for AmGeneral's compliance matters and is responsible for providing an institution-wide view on the management of compliance risk. The Compliance Department is a dedicated department established to provide necessary focus on the management of compliance risk ranging from dissemination of new regulatory guidelines, compliance advisory and support on business initiatives, assessment, monitoring and reporting of Compliance Risk company-wide.

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**CORPORATE GOVERNANCE (CONT'D.)**

**Internal Control Framework**

The Board approved Internal Control Framework serves as a foundation to ensure that the internal control system is appropriately designed and is performing effectively to ensure the Company complies with its statutory and regulatory obligations.

The Internal Control Framework comprises Activity and Company Level controls which correspond to the activities of the business units as well as company-wide assurance and oversight functions based on the Three Lines of Defence approach.

The internal controls at the Company are assessed and reviewed periodically based on a predetermined methodology to ensure their effectiveness and to facilitate further improvements. The Company Internal Control Framework itself is reviewed and updated on an annual basis to ensure its continued relevance.

**Audit and Examination Committee**

The Board has appointed the Audit and Examination Committee ("AEC") to assist in discharging its duties of maintaining a sound system of internal control to safeguard the Company's assets and shareholder's investments. As at reporting date, the Committee comprises three (3) independent, non-executive directors. The Chairman of the Committee is an independent, non-executive director.

The primary objective of the AEC is to provide assistance to and review and report to the Board in relation to:

- (i) fulfilling the statutory and fiduciary responsibilities of the Board; and
- (ii) monitoring of the accounting and financial reporting practices of the Company.

The AEC also determines that the Company has adequate policies, procedures and guidelines as well as operating and internal controls, and that they are being complied with and are operating effectively in promoting efficiency and proper conduct, including protection of the assets of the Company.

**Membership and meetings of the Audit and Examination Committee  
for the financial year ended 31 March 2019**

<u>Members</u>	<u>Number of Meetings (Attended/Held)</u>
Ramesh Pillai (Chairman)	6/6
Wong Teck Kat	6/6
Sathasivan Kunchambo	6/6

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## **CORPORATE GOVERNANCE (CONT'D.)**

### **Internal Audit Function**

The Internal Audit function is established at AMMB Group level, headed by the Group Chief Internal Auditor.

The Group Chief Internal Auditor reports to the AEC. Group Internal Audit assists the AEC in assessing and reporting on business risks and internal controls, operating within the framework defined in the Audit Charter.

The AEC approves Group Internal Audit's annual audit plan, which covers the audit of all major business units and operations within the Bank. The results of each audit are submitted to the AEC and significant findings are discussed during the AEC meeting. The minutes of the AEC meetings are formally tabled to the Board for notation and action, where necessary. The Group Chief Internal Auditor attends the AEC meeting by invitation. The AEC also holds separate meetings with the Group Chief Internal Auditor and the external auditor whenever necessary.

The scope of internal audit includes the review of risk management processes, operational controls, financial controls, compliance with laws and regulations, and information technology systems and security.

Group Internal Audit prioritises its efforts on performing audits in accordance with the audit plan, based on a comprehensive risk assessment of all areas of insurance activities. The risk-based audit plan is reviewed at least semi-annually taking into account of the changing business and risk environment.

Group Internal Audit also performs investigations and special reviews, and participates actively in major system development activities and projects to advise on risk management and internal control measures.

### **Investment Committee**

As at reporting date, the Committee comprises one (1) non-independent, non-executive director, one (1) non-independent, executive director and one (1) independent, non-executive director. The Chairman of the Committee is an independent, non-executive director. The primary objective of the Investment Committee is to oversee Investment Management's activities in managing the investment funds of the Company and that the risk management and compliance process are effective.



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**CORPORATE GOVERNANCE (CONT'D.)**

**Investment Committee (Cont'd.)**

The functions of the Committee are:

- (a) reviewing the performances of the investment portfolio by the internal investment department and external fund managers;
- (b) reviewing and recommending investment strategies within approved risk levels for the Committee's approval;
- (c) reviewing the investment outlook and strategies with regards to the various asset classes of all funds under management; and
- (d) reviewing the risk management activities and the portfolio risk exposures.

**Membership and meetings of the Investment Committee  
for the financial year ended 31 March 2019**

<u>Members</u>	<u>Number of Meetings (Attended/Held)</u>
Ramesh Pilai (Chairman)	6/6
Dato' Sulaiman Bin Mohd Tahir	4/6
Duncan Victor Brain	6/6

**DIRECTORS' BENEFITS**

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the scheme shares and options granted pursuant to the Executives' Share Scheme of AMMB Holdings Berhad, the ultimate holding company.

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit (other than the benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 25) by reason of a contract made by the Company or a related corporation with any director or with a firm in which he is a member, or with a company in which he has a substantial financial interest, except for the related party transactions as shown in Note 31 to the financial statements.

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**INDEMNIFICATION OF DIRECTORS**

The Company through its ultimate holding company, AMMB Holdings Berhad ("AMMB") has maintained a Directors' and Officers' Liability Insurance on a group basis up to an aggregate limit of RM200 million against any legal liability incurred by the Directors and Officers in the discharge of their duties while holding office in the Company. The Directors and Officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

**DIRECTORS' INTERESTS**

According to the Register of Directors' Shareholdings, the interests in shares and options in the holding company of Directors in office at the end of the financial year were as follows:

**Direct interest:**

**In the ultimate holding company, AMMB:**

Shares	Number of ordinary shares			Balance at 31.03.2019
	Balance at 01.04.2018	Bought	Sold	
Dato' Sulaiman Bin Mohd Tahir	11,050	57,450	-	68,500

Scheme shares	Number of ordinary shares pursuant to AMMB Executives' Share Scheme				Balance at 31.03.2019
	Balance at 01.04.2018	Granted *	Vested ~	Forfeited ^	
Dato' Sulaiman Bin Mohd Tahir	189,350	432,300	(57,450)	(131,900)	432,300

**Notes:**

\* Granted pursuant to the new Executives' Share Scheme of AMMB Holdings Berhad ("AMMB"), the Company's ultimate holding company. The vesting of the Scheme Shares and/or the entitlement to exercise the Options are conditional upon the satisfaction of the service condition and the performance targets of AMMB Group, and all other conditions as set out in the By-Laws of AMMB Executives' Share Scheme.

~ Vesting of Scheme Shares

^ Forfeited due to non-vesting of Short Term/Long Term Incentive Award pursuant to the By-Laws of AMMB Executives' Share Scheme

Other than as disclosed, the Directors in office at the end of the financial year had no interest in the shares of the Company or its related corporations during the financial year.

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**MANAGEMENT INFORMATION**

The Directors review Board papers and reports prior to the Board meetings. Information and materials relating to the operations of the Company that are important to the Directors' understanding of the items in the agenda and related topics, are distributed in advance of the meeting. The Board reports include among others, minutes of meetings of all Committees of the Board, monthly performance of the Company, review of business strategy, credit risk management, asset liability and market risk management and industry benchmarking as well as prevailing regulatory developments and the economic and business environment.

These reports are issued timely to enable the Directors to obtain further explanations, where necessary, in order to be briefed properly before the meeting. The Board provides input on Company policies.

**OTHER STATUTORY INFORMATION**

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

**Company No: 44191-P**

**AmGENERAL INSURANCE BERHAD  
(Incorporated in Malaysia)**

**OTHER STATUTORY INFORMATION (CONT'D.)**

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

- (i) any charge on the assets 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 Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

- (i) no contingent 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 Company to meet its 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 Company for the financial year in which this report is made.

For the purpose of paragraphs (e) and (f) above, contingent or other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Company.

(g) Before the statement of financial position, income statement and statement of comprehensive income of the Company were made out, the directors took reasonable steps to ascertain that there was adequate provision for its insurance liabilities in accordance with the valuation methods specified in Part D of the Risk-Based Capital ("RBC") Framework for Insurers issued by BNM.

**SIGNIFICANT AND SUBSEQUENT EVENTS**

The significant and subsequent events during the financial year is disclosed in Note 12, Note 13(c) and Note 39 to the financial statements.

**IMMEDIATE, PENULTIMATE AND ULTIMATE HOLDING COMPANIES**

The immediate holding, penultimate holding and ultimate holding companies are AmGeneral Holdings Berhad, AMAB Holdings Sdn Bhd and AMMB Holdings Berhad, respectively. All the aforesaid companies are incorporated and domiciled in Malaysia. The ultimate holding company, AMMB Holdings Berhad is listed on the Main Market of Bursa Malaysia Securities Berhad.

Company No: 44191-P

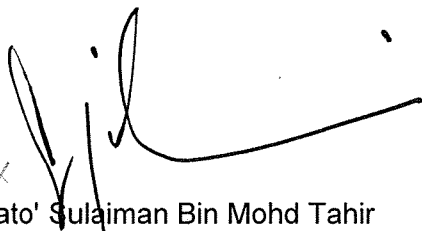
**AmGENERAL INSURANCE BERHAD**  
(Incorporated in Malaysia)

**AUDITORS**

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

The auditors' remuneration is disclosed in Note 25 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 23 May 2019.



x  
Dato' Sulaiman Bin Mohd Tahir

Kuala Lumpur, Malaysia



Duncan Victor Brain

Company No: 44191-P


**AmGENERAL INSURANCE BERHAD**  
(Incorporated in Malaysia)

**STATEMENT BY DIRECTORS**  
**PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016**

We, Dato' Sulaiman Bin Mohd Tahir and Duncan Victor Brain, being two of the directors of AmGeneral Insurance Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 25 to 144 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 March 2019 and of its financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 23 May 2019

  
x  
Dato' Sulaiman Bin Mohd Tahir  
Kuala Lumpur, Malaysia

  
Duncan Victor Brain

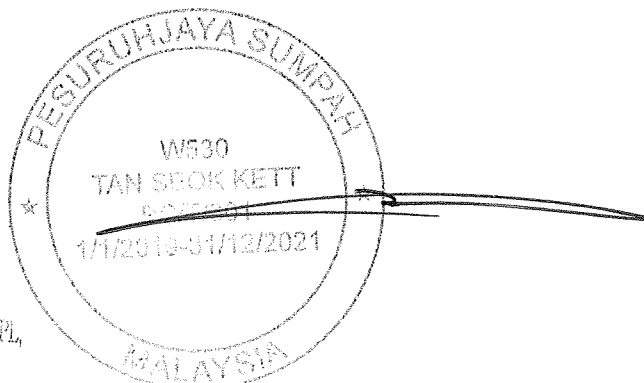
**STATUTORY DECLARATION**  
**PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT, 2016**

I, Derek Llewellyn Roberts, being the officer primarily responsible for the financial management of AmGeneral Insurance Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 25 to 144 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  
above named Derek Llewellyn Roberts at  
Kuala Lumpur in Wilayah Persekutuan  
on 23 May 2019

  
Derek Llewellyn Roberts

Before me,



Lot 333, 3rd Floor, Wisma MPI,  
Jalan Raja Chulan,  
50200 Kuala Lumpur.

**Company No : 44191-P**

**Independent auditors' report to the member of  
AmGeneral Insurance Berhad  
(Incorporated in Malaysia)**

**Report on the audit of the financial statements**

*Opinion*

We have audited the financial statements of AmGeneral Insurance Berhad, which comprise the statement of financial position as at 31 March 2019, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 25 to 144.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2019, and of its financial performance and 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 Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

*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 Directors' Report (including the Corporate Governance disclosures), but does not include the financial statements of the Company and our auditors' report thereon.

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

**Company No : 44191-P**

**Independent auditors' report to the member of  
AmGeneral Insurance Berhad (Cont'd.)  
(Incorporated in Malaysia)**

*Information other than the financial statements and auditors' report thereon (Cont'd.)*

In connection with our audit of the financial statements 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 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 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 Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the directors are responsible for assessing 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 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 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.



**Company No : 44191-P**

**Independent auditors' report to the member of  
AmGeneral Insurance Berhad (Cont'd.)  
(Incorporated in Malaysia)**

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

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 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 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 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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

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.



Building a better  
working world

Company No : 44191-P

Independent auditors' report to the member of  
AmGeneral Insurance Berhad (Cont'd.)  
(Incorporated in Malaysia)

#### Other matters

This report is made solely to the member of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young  
AF: 0039  
Chartered Accountants

Kuala Lumpur, Malaysia  
23 May 2019

Dato' Megat Iskandar Shah Bin Mohamad Nor  
No. 03083/07/2019 J  
Chartered Accountant

Company No: 44191-P

**AmGENERAL INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2019**

	Note	2019 RM'000	2018 RM'000
<b>Assets</b>			
Property and equipment	3	25,538	34,475
Investment properties	4	-	5,192
Intangible assets	5	55,179	61,555
Investments	6	3,700,816	3,918,151
Reinsurance assets	7	464,859	470,120
Insurance receivables	8	60,693	66,738
Other receivables	9	106,016	166,083
Deferred tax assets	10	25,177	23,187
Tax recoverable		-	8,454
Cash and short-term deposits	11	247,595	183,294
Non-current assets held for sale	12	5,029	1,599
<b>Total assets</b>		<b>4,690,902</b>	<b>4,938,848</b>
<b>Equity</b>			
Share capital	13	1,061,000	1,061,000
Available-for-sale ("AFS") fair value reserves		-	(2,338)
Retained earnings		653,792	845,504
<b>Total equity</b>		<b>1,714,792</b>	<b>1,904,166</b>
<b>Liabilities</b>			
Insurance contract liabilities	14	2,527,051	2,582,473
Other liabilities	15	17,417	16,954
Insurance payables	16	166,260	181,037
Provision for taxation		3,488	-
Other payables	17	242,063	234,604
Provision for retirement benefits	18	19,831	19,614
<b>Total liabilities</b>		<b>2,976,110</b>	<b>3,034,682</b>
<b>Total equity and liabilities</b>		<b>4,690,902</b>	<b>4,938,848</b>

The accompanying notes form an integral part of the financial statements.

**AmGENERAL INSURANCE BERHAD**  
(Incorporated in Malaysia)

**INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 MARCH 2019**

	Note	2019 RM'000	2018 RM'000
Gross earned premiums	19.1	1,504,299	1,521,312
Earned premiums ceded to reinsurers	19.2	(129,518)	(130,895)
<b>Net earned premiums</b>	19.3	<u>1,374,781</u>	<u>1,390,417</u>
Investment income	20	159,653	163,822
Realised gains and losses	21	(11,885)	22,269
Fair value gains and losses	22	9,333	(116)
Fees and commission income		42,792	31,444
Other operating income	23	6,231	3,959
<b>Other revenue</b>		<u>206,124</u>	<u>221,378</u>
Gross benefits and claims paid	24	(934,564)	(887,862)
Claims ceded to reinsurers	24	76,715	1,245
Gross change in contract liabilities	24	77,667	(47,469)
Change in contract liabilities ceded to reinsurers	24	(11,400)	138,851
<b>Net claims</b>	24	<u>(791,582)</u>	<u>(795,235)</u>
Fees and commission expenses		(186,331)	(179,778)
Management expenses	25	(336,950)	(334,898)
Other operating expenses	23	-	(1,483)
<b>Other expenses</b>		<u>(523,281)</u>	<u>(516,159)</u>
<b>Profit before taxation</b>		266,042	300,401
Taxation	26	(45,955)	(44,921)
<b>Net profit for the year</b>		<u>220,087</u>	<u>255,480</u>

The accompanying notes form an integral part of the financial statements.

**AmGENERAL INSURANCE BERHAD**  
(Incorporated in Malaysia)

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 MARCH 2019**

	Note	2019 RM'000	2018 RM'000
Net profit for the year		<u>220,087</u>	<u>255,480</u>
<b>Other comprehensive income/(loss):</b>			
<b><u>Other comprehensive income/(loss) to be reclassified to the income statement in subsequent periods:</u></b>			
AFS fair value reserve:			
Gains on fair value changes of AFS financial assets		-	16,051
Cumulative impairment losses transferred to the income statement	23	-	1,483
Realised gains transferred to the income statement	21	-	(20,302)
		-	(2,768)
Tax effects thereon	10	-	664
<b>Net other comprehensive loss to be reclassified to the income statement in subsequent periods</b>		-	(2,104)
<b><u>Other comprehensive gain/(loss) not to be reclassified to the income statement in subsequent periods:</u></b>			
Re-measurement gains/(losses) on defined benefit plans	18.3	23	(403)
Tax effects thereon	18.3	(14)	97
<b>Net other comprehensive gain/(loss) not to be reclassified to the income statement in subsequent periods</b>		9	(306)
<b>Total other comprehensive gain/(loss) for the year, net of taxation</b>		9	(2,410)
<b>Total comprehensive income for the year</b>		<u>220,096</u>	<u>253,070</u>
<b>Earnings per share (sen)</b>			
Basic	27.1	<u>37</u>	<u>43</u>
Diluted	27.2	<u>35</u>	<u>40</u>

The accompanying notes form an integral part of the financial statements.

**AmGENERAL INSURANCE BERHAD**  
**(Incorporated in Malaysia)**
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 MARCH 2019**

		<b>&lt;- Non-distributable -&gt;</b>	<b>Distributable</b>		
	<b>Note</b>	<b>Share capital RM'000 (Note 13)</b>	<b>AFS fair value reserves RM'000</b>	<b>Retained earnings RM'000</b>	<b>Total equity RM'000</b>
<b>At 1 April 2017</b>		1,061,000	(234)	615,795	1,676,561
Net profit for the year		-	-	255,480	255,480
Other comprehensive loss		-	(2,104)	(306)	(2,410)
Total comprehensive (loss)/ income for the year		-	(2,104)	255,174	253,070
Dividends on INCPS and RNCPS	28	-	-	(25,355)	(25,355)
Transfer of Executive Share Scheme ("ESS") shares recharged - difference on purchase price for shares vested		-	-	(110)	(110)
<b>At 31 March 2018</b>		<b>1,061,000</b>	<b>(2,338)</b>	<b>845,504</b>	<b>1,904,166</b>
<b>At 1 April 2018</b>		1,061,000	(2,338)	845,504	1,904,166
Effects of adoption of MFRS 9	2.3	-	2,338	(2,239)	99
<b>At 1 April 2018 (Restated)</b>		1,061,000	-	843,265	1,904,265
Net profit for the year		-	-	220,087	220,087
Other comprehensive income		-	-	9	9
Total comprehensive income for the year		-	-	220,096	220,096
Dividends on INCPS and RNCPS	28	-	-	(25,355)	(25,355)
Dividends on ordinary shares	28	-	-	(184,000)	(184,000)
Redemptions of RNCPS	13	-	-	(200,000)	(200,000)
Transfer of ESS shares recharged - difference on purchase price for shares vested		-	-	(214)	(214)
<b>At 31 March 2019</b>		<b>1,061,000</b>	<b>-</b>	<b>653,792</b>	<b>1,714,792</b>

The accompanying notes form an integral part of the financial statements.

**AmGENERAL INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

	Note	2019 RM'000	2018 RM'000
<b>Operating activities</b>			
Profit before taxation		266,042	300,401
<b>Adjustments for:</b>			
Investment income	20	(159,653)	(163,822)
Realised gains and losses	21	11,885	(22,269)
Fair value gains and losses	22	(9,333)	116
Depreciation of property and equipment	3/25	10,949	12,713
Property and equipment written-off	25	73	3
Depreciation of investment properties	4/25	163	196
Amortisation of intangible assets	5/25	18,877	14,659
Allowance for impairment losses on AFS investments	6.5/23	-	1,483
Reversal of allowance for impairment losses on reinsurance assets	7/25	(4,875)	-
Provision/(reversal) of impairment losses on insurance receivables	8/25	3,770	(965)
Recovery of bad debts written-off	25	(153)	(156)
Retirement benefits expense	18.2/25.1	1,888	1,942
Non-capitalised property and equipment charged to income statement	3	583	356
Non-capitalised intangible assets charged to income statement	5	346	545
Total adjustments		<u>(125,480)</u>	<u>(155,199)</u>
<b>Changes in working capital:</b>			
Purchase of AFS financial investments	6.5	-	(846,485)
Purchase of FVTPL financial investments	6.5	(444,263)	(609,041)
Proceeds from sale of AFS financial assets	6.5	-	850,275
Proceeds from sale of FVTPL financial assets	6.5	659,166	446,691
LAR financial assets		-	(1,696)
AC financial assets		1,044	-
Reinsurance assets		10,136	(136,588)
Insurance receivables		2,428	3,963
Other receivables		65,716	(58,821)
Insurance contract liabilities		(55,422)	48
Other liabilities		463	1,474
Insurance payables		(14,777)	96,619
Other payables		7,245	(6,513)
Net increase/(decrease) in working capital		<u>231,736</u>	<u>(260,074)</u>

Company No: 44191-P

**AmGENERAL INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2019 (CONT'D.)**

	Note	2019 RM'000	2018 RM'000
<b>Operating activities (Cont'd.)</b>			
Dividend income received		147,738	161,371
Interest income received		5,086	3,164
Retirement benefits paid		(1,648)	(2,079)
Income tax paid		(36,048)	(6,898)
<b>Net cash generated from operating activities</b>		<u>487,426</u>	<u>40,686</u>
<b>Investing activities</b>			
Proceeds from disposal of non-current assets held for sale		1,649	22,018
Proceeds from disposal of property and equipment		96	-
Purchase of property and equipment	3	(2,814)	(3,090)
Purchase of intangible assets	5	(12,701)	(15,715)
<b>Net cash (used in)/generated from investing activities</b>		<u>(13,770)</u>	<u>3,213</u>
<b>Financing activities</b>			
Dividend paid on INCPS and RNCPS	28	(25,355)	(25,355)
Dividend paid on ordinary shares	28	(184,000)	-
Redemption of RNCPS	13	(200,000)	-
<b>Net cash used in financing activities</b>		<u>(409,355)</u>	<u>(25,355)</u>
Net increase in cash and cash equivalents		64,301	18,544
Cash and cash equivalents at beginning of year		183,294	164,750
<b>Cash and cash equivalents at end of year</b>		<u>247,595</u>	<u>183,294</u>
<b>Cash and cash equivalents comprise:</b>			
Cash at banks and on hand	11	77,641	59,429
Short-term deposits (with original maturity of less than three months) with:			
Licensed banks	11	169,954	123,865
<b>Cash and cash equivalents</b>		<u>247,595</u>	<u>183,294</u>

The accompanying notes form an integral part of the financial statements.



**Company No: 44191-P**

**AmGENERAL INSURANCE BERHAD  
(Incorporated in Malaysia)**

**NOTES TO THE FINANCIAL STATEMENTS - 31 March 2019**

**1. CORPORATE INFORMATION**

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at 22nd Floor, Bangunan AmBank Group, No. 55 Jalan Raja Chulan, 50200 Kuala Lumpur.

The principal place of business of the Company is located at Menara Shell, No 211 Jalan Tun Sambanthan, 50470 Kuala Lumpur.

The immediate holding, penultimate holding and ultimate holding companies are AmGeneral Holdings Berhad, AMAB Holdings Sdn. Bhd. and AMMB Holdings Berhad ("AMMB"), respectively. All the aforesaid companies are incorporated and domiciled in Malaysia. The ultimate holding company, AMMB is listed on the Main Market of Bursa Malaysia Securities Berhad.

The Company is engaged principally in the underwriting of all classes of general insurance business. There has been no significant changes in the nature of the principal activity of the Company during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 23 May 2019.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Basis of preparation**

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") as issued by the Malaysian Accounting Standards Board ("MASB") and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and the requirements of the Companies Act, 2016 in Malaysia.

At the beginning of the current financial year, the Company had fully adopted the amended and new MFRSs and Interpretation as described fully in Note 2.3.

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

As at the reporting date, the Company has met the minimum capital requirements as prescribed by the Risk-based Capital ("RBC") Framework issued by Bank Negara Malaysia ("BNM").

**AmGENERAL INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

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

**2.1 Basis of preparation (Cont'd.)**

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

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

**2.2 Summary of significant accounting policies**

**(a) Investments in subsidiaries and basis of non-consolidation**

Subsidiaries are those entities over which the Company has all the following:

- (i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries, which relate to investments in collective investment schemes, are carried at fair value.

On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is recognised as gain or loss on disposal in the income statement.

The Company is exempted from presenting consolidated financial statements based on the criteria set out in paragraph 4 of MFRS 10 Consolidated Financial Statements ("MFRS 10").

The immediate holding company, AmGeneral Holdings Berhad, prepares consolidated financial statements in accordance with MFRS in Malaysia, which are available for inspection at the registered office of the immediate holding company.

**AmGENERAL INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

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

**2.2 Summary of significant accounting policies (Cont'd.)**

**(b) Property and equipment**

All items of property and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

The policy for recognition and measurement of impairment losses is in accordance with Note 2.2(e).

Freehold land is not depreciated. Leased assets are depreciated over the shorter of the lease terms and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Depreciation of property and equipment is provided 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:

Leasehold land	78 years
Buildings	50 years
Office improvements	3 to 5 years
Furniture and fittings	3 to 10 years
Office equipment and computers	2 to 10 years
Motor vehicles	5 years

The residual values, useful lives and depreciation methods are reviewed at each financial year-end 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 and equipment.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the income statement.

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

**2.2 Summary of significant accounting policies (Cont'd.)**

**(c) Investment properties**

Investment properties are properties which are owned or held under a freehold/leasehold interest to earn rental income or for capital appreciation or for both.

Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation of investment properties is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life of fifty years.

The investment properties related to freehold land is not depreciated.

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

**(d) Intangible assets**

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

**2.2 Summary of significant accounting policies (Cont'd.)**

**(d) Intangible assets (Cont'd.)**

Computer application software work-in-progress is not amortised until the asset is fully completed and brought in use.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Intangible assets which comprise computer application software are amortised over their estimated finite useful lives of 5 to 10 years.

The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(e).

**(e) Impairment of non-financial assets**

The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's CGUs that is expected to benefit from the synergies of the combination.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. An impairment loss recognised in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

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

**2.2 Summary of significant accounting policies (Cont'd.)**

**(e) Impairment of non-financial assets (Cont'd.)**

An impairment loss is recognised in the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods. A reversal of impairment loss for an asset other than goodwill is recognised in the income statement, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

**(f) Investments and other financial assets (prior to 1 April 2018)**

The Company classifies its investments and other financial assets into financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity ("HTM"), loans and other receivables ("LAR") and available-for-sale ("AFS").

The classification depends on the purpose for which the investments and other financial assets were acquired or originated.

The AFS and HTM categories are used when the related liability is passively managed and/or carried at amortised cost.

All regular way purchases and sales of financial assets are recognised on the trade date which is the date that the Company commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the period generally established by regulation or convention in the market place.

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

**2.2 Summary of significant accounting policies (Cont'd.)**

**(f) Investments and other financial assets (prior to 1 April 2018) (Cont'd.)**

***FVTPL***

Financial assets at FVTPL include financial assets held-for-trading and those designated as FVTPL at inception. Investments typically bought with the intention to sell in the near future are classified as held-for-trading. For investments designated as FVTPL, the following must be met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis, or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value. Subsequent to initial recognition these investments are measured at the fair value. Fair value adjustments and realised gains and losses are recognised in the income statement.

***HTM***

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM when the Company has the positive intention and ability to hold until maturity. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. After initial measurement, HTM financial assets are measured at amortised cost, using the effective yield method, less allowance for impairment. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

Any sale or reclassification of more than an insignificant amount of HTM investments before maturity (other than in certain specific circumstances), would result in the entire category being tainted and having to be reclassified as AFS. Furthermore, the Company would be prohibited from classifying any investments as HTM during the following two years. On such reclassification, the difference between their carrying amount and fair value shall be accounted for in accordance with AFS investment recognition.

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

**2.2 Summary of significant accounting policies (Cont'd.)**

**(f) Investments and other financial assets (prior to 1 April 2018) (Cont'd.)**

***LAR***

LAR are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the financial assets. All transaction costs directly attributable to the acquisition are also included in the cost of the financial assets. After initial measurement, LAR are measured at amortised cost, using the effective yield method, less allowance for impairment. Gains and losses are recognised in the income statement when the financial assets are derecognised or impaired, as well as through the amortisation process.

***AFS***

AFS are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. These investments are initially recorded at fair value. After initial measurement, AFS are measured at fair value. Any gains or losses from changes in fair value of the investments are recognised in AFS reserve in the statement of comprehensive income.

Fair value gains and losses of monetary and non-monetary securities are reported as a separate component of equity until the investment is derecognised or is determined to be impaired. Fair value gains and losses of monetary and non-monetary securities denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on non-monetary securities are reported as a separate component of equity until the investment is derecognised.

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

On derecognition or impairment, the cumulative fair value gains and losses previously reported in equity is transferred to the income statement.



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

**2.2 Summary of significant accounting policies (Cont'd.)**

**(g) Investments and other financial assets (after 1 April 2018)**

**Financial instruments – initial recognition and subsequent measurement**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**Financial assets**

**(i) Initial recognition and measurement**

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

For debt instruments, the classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. For equity instruments, equity security that is not held for trading may be designated and measured at FVOCI. This election is irrevocable and made on an investment-by-investment basis at inception of the trade. With the exception of insurance receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Insurance receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under MFRS 15.

For debt instruments, in order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

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

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

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

**2.2 Summary of significant accounting policies (Cont'd.)**

**(g) Investments and other financial assets (after 1 April 2018) (Cont'd.)**

**Financial instruments – initial recognition and subsequent measurement (Cont'd.)**

**Financial assets (Cont'd.)**

**(ii) Subsequent measurement**

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

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through profit or loss

***Financial assets at amortised cost (debt instruments)***

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective 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 (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes insurance receivables and other receivables.

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

**2.2 Summary of significant accounting policies (Cont'd.)**

**(g) Investments and other financial assets (after 1 April 2018) (Cont'd.)**

**Financial instruments – initial recognition and subsequent measurement (Cont'd.)**

**Financial assets (Cont'd.)**

**(ii) Subsequent measurement (Cont'd.)**

***Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. For debt instruments, financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement.

This category includes listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the income statement when the right of payment has been established.

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

**2.2 Summary of significant accounting policies (Cont'd.)**

**(h) Derecognition of financial assets**

A financial asset is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
  - (a) the Company has transferred substantially all the risks and rewards of the asset; or
  - (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

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

**2.2 Summary of significant accounting policies (Cont'd.)**

**(i) Fair value measurement**

The Company measures certain financial instruments at fair value at each reporting date.

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:

- In the principal market for the asset or liability; or
- 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 to by 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 Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which all input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

**2.2 Summary of significant accounting policies (Cont'd.)**

**(i) Fair value measurement (Cont'd.)**

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

For investments in unit and property trust funds and collective investment schemes, fair value is determined by reference to published net asset values.

The investment properties of the Company are stated at cost less accumulated depreciation and any accumulated impairment losses. The fair value is disclosed in the financial statements.

External valuers are involved for valuation of the investment properties. Involvement of external valuers is decided upon annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Revaluations are performed on an annual basis.

At each reporting date, management analyses the movements in the values of properties which are required to be re-assessed. Management and the Company's external valuers also compare the changes in the fair value of each property with relevant external sources to determine whether the change is reasonable.

**(j) Impairment of financial assets (prior to 1 April 2018)**

The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Objective evidence that a financial asset is impaired includes observable data about loss events such as significant financial difficulty of the issuer or obligor, significant adverse changes in the business environment in which the issuer or obligor operates and the disappearance of an active market for that investment because of financial difficulties which indicate that there is a measurable decrease in the estimate future cash flows. However, it may not be possible to identify a single discrete event that caused the impairment. Rather, the combined effect of several events is considered in determining whether an investment is impaired.

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

**2.2 Summary of significant accounting policies (Cont'd.)**

**(j) Impairment of financial assets (prior to 1 April 2018) (Cont'd.)**

***Assets carried at amortised cost***

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

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

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

***AFS financial assets***

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in other comprehensive income, is transferred from other comprehensive income to income statement. Reversals of impairment losses in respect of equity instruments classified as AFS are not recognised in the income statement. Reversals of impairment losses on debt instruments classified as AFS are reversed through the income statement if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in the income statement.

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

**2.2 Summary of significant accounting policies (Cont'd.)**

**(j) Impairment of financial assets (prior to 1 April 2018) (Cont'd.)**

***AFS financial assets (Cont'd.)***

When assessing the impairment of an equity instrument, the Company considers, in addition to observable data about loss events, whether there is significant or prolonged decline in the fair value of the equity instrument, and whether the cost of the investment in the equity instrument may be recovered. Where there is evidence that the cost of the investment in the equity instrument may not be recovered, impairment loss is provided.

**(k) Impairment of financial assets (after 1 April 2018)**

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. 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 (a 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).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment including forward-looking information.

For insurance receivables and other receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.



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

**2.2 Summary of significant accounting policies (Cont'd.)**

**(l) Equity instruments**

***Share capital and share issuance expenses***

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity.

***Dividend on ordinary share capital***

Dividends on ordinary shares are recognised in equity in the period in which they are declared.

***INCPS and RNCPS***

INCPS and RNCPS are classified as equity as they are non-redeemable and are redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity. The terms of the INCPS and RNCPS are disclosed in Note 13.

**(m) Product classification**

The Company may issue contracts that transfer insurance risk or financial risk or both.

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

Insurance contracts are those contracts when the Company has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing claims paid with claims payable if the insured event did not occur.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can however be reclassified as insurance contracts after inception if insurance risk becomes significant.

The Company currently only issues contracts that transfer insurance risk.

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

**2.2 Summary of significant accounting policies (Cont'd.)**

**(n) Reinsurance**

The Company cedes insurance risk in the normal course of business for all its business. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provisions or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contracts.

Ceded reinsurance arrangements do not relieve the Company from the obligations to policyholders. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairments occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliable measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in the income statement.

The Company also assumes reinsurance risk in the normal course of business when applicable.

Premiums and claims on assumed reinsurance are recognised as revenue or expense in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

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

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective yield method when accrued.

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

**2.2 Summary of significant accounting policies (Cont'd.)**

**(o) General insurance underwriting results**

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

***Gross premiums***

Gross premiums are recognised as income in the financial period in respect of risks assumed during that particular financial period.

***Reinsurance premiums***

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

Inward treaty reinsurance premiums comprise both proportional and non-proportional treaties. In respect of reinsurance premiums relating to proportional treaties, it is recognised on the basis of periodic advices received from the cedants given that the periodic advices reflect the individual underlying risks being incepted and reinsured at various inception dates of these risks and contractually accounted for, as such to reinsurers under the terms of the proportional treaties. In respect of reinsurance premiums relating to non-proportional treaties which cover losses occurring during a specified treaty period, the inwards treaty reinsurance premiums are recognised based on the contractual premiums already established at the start of the treaty period under the non-proportional treaty contract.

***Premium liabilities***

Premium liabilities represent the Company's future obligations on insurance contracts as represented by premiums received for risks that have not yet expired. In determining premium liabilities at reporting date, the method that most accurately reflects the actual unearned premium is used, as described in Note 2.2(q).

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

**2.2 Summary of significant accounting policies (Cont'd.)**

**(o) General insurance underwriting results (Cont'd.)**

***Claim liabilities***

A liability for outstanding claims is recognised in respect of both direct insurance and inward reinsurance.

The amount of claim liabilities is the best estimate of the expenditure required together with related expenses less recoveries to settle the present obligation at the reporting date.

Provision is also made for the cost of claims, together with related expenses, incurred but not reported at reporting date, using a mathematical method of estimation.

***Acquisition costs***

The gross costs of acquiring and renewing insurance policies and income derived from ceding reinsurance premiums are recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

**(p) Insurance receivables**

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

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2.2(k).

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.2(h), have been met.

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

**2.2 Summary of significant accounting policies (Cont'd.)**

**(q) General insurance contract liabilities**

General insurance contract liabilities are recognised when contracts are entered into and premiums are charged. The valuation of general insurance contract liabilities is in accordance with the RBC Framework issued by BNM.

These liabilities comprise claim liabilities and premium liabilities.

***Claim liabilities***

Claim liabilities are recognised in respect of both direct insurance and inward reinsurance. Claim liabilities refer to the obligation by the Company, whether contractual or otherwise to make future payments in relation to all claims that have been incurred as at valuation date. These include provision for claims reported, claims incurred but not reported ("IBNR"), claims incurred but not enough reserved ("IBNER") and together with related claims handling costs. Claim liabilities consist of the best estimate value of the claim liabilities and the Provision of Risk Margin for Adverse Deviation ("PRAD") calculated at the overall level. The liability is discounted at a risk free rate. No provision for equalisation or catastrophe reserve is recognised. The liabilities are derecognised when the claim is paid and settled, discharged or cancelled.

***Premium liabilities***

Premium liabilities are the higher of the following:

- (a) aggregate of the unearned premium reserves ("UPR"); and
- (b) the best estimate value of the Company's unexpired risk reserves ("URR") as at the valuation date and the PRAD calculated at the overall level.

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

**2.2 Summary of significant accounting policies (Cont'd.)**

**(q) General insurance contract liabilities (Cont'd.)**

***UPR***

The UPR represent the portion of the premiums of insurance policies written less deductible acquisition costs that relate to the unexpired period of the policies at the end of the financial period.

In determining UPR at the end of the reporting period, the method that most accurately reflects the actual unearned premium used is as follows:

- (a) 25% method for Malaysian marine cargo, aviation cargo and transit business
- (b) Daily time apportionment method for all other classes
- (c) 1/24th method for inward treaty business

***URR***

The URR is the prospective estimate of the expected future payments arising from future events insured under policies in force as at the valuation date and also includes allowance for the Company's expenses, including overheads and cost of reinsurance, expected to be incurred during administration of these policies and settling the relevant claims, and expected future premium refunds. The URR is discounted at a risk free rate.

***Liability adequacy test***

At each reporting date, the Company reviews its unexpired risks and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows (taking into consideration current loss ratios) after taking account of the investment return expected to arise on assets relating to the relevant general insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums less related deferred acquisition costs is inadequate, the deficiency is recognised in the income statement by setting up a provision for liability adequacy.

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

**2.2 Summary of significant accounting policies (Cont'd.)**

**(r) Other revenue recognition**

***Rental income***

Rental income is recognised on an accrual basis except where default in payment of rent has already occurred and rent due remains outstanding for more than six months, in which case recognition of rental income is suspended. Subsequent to suspension, rental income is recognised on the receipt basis until all arrears have been paid.

***Interest income***

Interest income is recognised in the financial statements on an accrual basis using the effective interest method except for interest on loans which are considered non-performing, i.e., where repayments are in arrears for more than six months, in which case recognition of such interest is suspended. Subsequent to suspension, interest income is recognised on the receipt basis until all arrears have been paid.

***Dividend income***

Dividend income represents gross dividends from quoted and unquoted investments and is recognised when the right to receive payment is established.

***Realised gains and losses on investments***

Realised gains and losses recorded in the income statement on investments include gains and losses on financial assets. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the carrying value and are recorded on occurrence of the sale transaction.

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

**2.2 Summary of significant accounting policies (Cont'd.)**

**(r) Other revenue recognition (Cont'd.)**

***Fees and commission income***

Reinsurance commission income is recognised in the income statement for policy administration services, in the period in which they are incurred.

**(s) Taxation**

Income tax on the income statement for the year/period comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the period and is measured using the tax rates that have been enacted at the reporting date.

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

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 reporting date.

Deferred tax is recognised as income or an expense and included in the income statement for the year/period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity.



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

**2.2 Summary of significant accounting policies (Cont'd.)**

**(t) Provisions**

Provisions are recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

**(u) Employee benefits**

***Short-term benefits***

Wages, salaries, bonuses and social security contributions are recognised as an expense in the period in which the associated services are rendered by employees. 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 absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

***Defined contribution plans***

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years/periods. Such contributions are recognised as an expense in the income statement as incurred. As required by law, the Company makes such contributions to the Employees Provident Fund ("EPF").

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

**2.2 Summary of significant accounting policies (Cont'd.)**

**(u) Employee benefits (Cont'd.)**

***Defined benefit plans***

The calculation of defined benefit obligations is performed annually by qualified actuaries using the projected unit credit method.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in the statement of comprehensive income in the period in which they occur and recorded in defined benefit reserve. Remeasurements are not reclassified to the income statement in subsequent periods.

Past service costs are recognised in the income statement on the earlier of:

- The date of the plan amendment or curtailment; or
- The date that the Company recognises restructuring-related costs.

Net interest and other expenses relating to defined benefit plans are calculated by applying the discount rate to the net defined benefit liability or asset and recognised in the income statement.

***Share-based compensation***

The ultimate holding company, AMMB, operates an equity-settled share-based compensation scheme wherein shares or options to subscribe for shares of AMMB are granted to eligible directors or employees of the AMMB Group of Companies ("AMMB Group") based on the financial and performance criteria and such conditions as it may deem fit.

The cost of this equity-settled share-based compensation for the Company (being the fair value at grant date) is recognised in the income statement as "Employee benefits expenses", together with a corresponding increase in prepayment to the ultimate holding company, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date").

The estimated number of grants to be ultimately vested and its financial impact are reviewed quarterly and adjustments made accordingly to the income statement to reflect changes in the non-market vesting conditions.

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

**2.2 Summary of significant accounting policies (Cont'd.)**

**(u) Employee benefits (Cont'd.)**

***Share-based compensation (Cont'd.)***

Upon vesting, any losses arising from the differences between the fair value of vested shares or options at vesting date and the fair value of vested shares or options at grant date is payable to AMMB with the corresponding amount recognised directly in retained earnings.

**(v) Foreign currencies**

**(i) Functional and presentation currency**

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

**(ii) Foreign currency transactions**

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currencies are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

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

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

**2.2 Summary of significant accounting policies (Cont'd.)**

**(w) 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 statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

All financial liabilities of the Company, comprising insurance payables and other payables, except for those covered under MFRS 4 and MFRS 119, are classified as other financial liabilities.

Insurance 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 method.

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

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

**(x) Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand and at banks, and deposits held at call with financial institutions with original maturities of three months or less. It excludes deposits which are held for investment purposes.

The statement of cash flows is prepared using the indirect method.

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

**2.2 Summary of significant accounting policies (Cont'd.)**

**(y) Leased assets**

**(i) Finance leases**

Leases, where the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition the asset is accounted for in accordance with the accounting policy applicable to the asset.

Minimum lease payments made under finance lease are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property and equipment.

**(ii) Operating leases**

Leases, where the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the Company's statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in income statement as an integral part of the total lease expense, over the term of the lease.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

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

**2.2 Summary of significant accounting policies (Cont'd.)**

**(z) Non-current assets held for sale**

Non-current assets are classified as asset held for sale and stated at the lower of carrying amount and fair value less cost to sell if their carrying amounts are recovered principally through a sale transaction rather than through continuing use.

**(aa) Goods and Service Tax ("GST") / Sales and Service Tax**

GST, is a multistage consumption tax on domestic consumption.

For the Company, revenues, expenses and assets are recognised net of the amount of GST except where GST incurred on a purchase of assets or services is not recoverable from the tax authority, in which case GST is recognised as part of the expense item as applicable. Receivable and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to the tax authority is included as part of the receivables and payables in the statement of financial position.

Based on the Federal Government Gazette on Goods and Services Tax (Rate of Tax) (Amendment) Order 2018 ("the order") issued on 16 May 2018, the GST standard rate was amended from 6% to 0% with effect from 1 June 2018. Effective from 1 September 2018, the Sales Tax Act 2018 and the Service Tax Act 2018 together with its respective subsidiary legislation are introduced to replace the GST Act 2017 which was repealed on the same date.

**2.3 Changes in accounting policies**

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following standards, amendments to standards and interpretation of standards:

On 1 April 2018, the Company adopted the following new and amended MFRSs and interpretation mandatory for annual financial periods beginning on or after 1 January 2018:

- Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2 *Share-based payment - Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4 *Insurance contracts - Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*

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

**2.3 Changes in accounting policies (Cont'd.)**

On 1 April 2018, the Company adopted the following new and amended MFRSs and interpretation mandatory for annual financial periods beginning on or after 1 January 2018 (Cont'd.):

- MFRS 9 *Financial Instruments*
- Amendments to MFRS 128 *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140 *Transfers of Investment property*
- IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*
- MFRS 15 *Revenue from Contracts with Customers*

The adoption of the above pronouncements other than MFRS 9 *Financial Instruments* did not have any significant impact on the financial statements of the Company.

**MFRS 9 *Financial Instruments***

MFRS 9 *Financial Instruments* replaces MFRS 139 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting.

The Company applied MFRS 9 prospectively, with an initial application date of 1 April 2018. The Company has not restated the comparative information, which continues to be reported under MFRS 139. Differences arising from the adoption of MFRS 9 have been recognised directly in retained earnings and other components of equity.

The effect of adopting MFRS 9 as at 1 April 2018:

		<b>Before MFRS 9 adjustments RM'000</b>	<b>Classification and measurement RM'000</b>	<b>Expected Credit Loss ("ECL") impairment RM'000</b>	<b>After MFRS 9 adjustments RM'000</b>
<b>Assets</b>					
Investments		3,918,151	1,310	-	3,919,461
LAR	6.1	17,189	(17,189)	-	-
AFS	6.2	1,326,301	(1,326,301)	-	-
FVTPL	6.3	2,574,661	1,327,611	-	3,902,272
AC	6.4	-	17,189	-	17,189

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

**2.3 Changes in accounting policies (Cont'd.)**

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

The effect of adopting MFRS 9 as at 1 April 2018 (Cont'd.):

		<b>Before MFRS 9 adjustments RM'000</b>	<b>Classification and measurement RM'000</b>	<b>Expected Credit Loss ("ECL") impairment RM'000</b>	<b>After MFRS 9 adjustments RM'000</b>
<b>Insurance</b>					
receivables	8	66,738	-	(870)	65,868
Other receivables	9	166,083	-	(310)	165,773
Deferred tax assets	10	23,187	(314)	283	23,156
<b>Equity</b>					
Retained earnings		845,504	(1,342)	(897)	843,265
AFS fair value reserves		(2,338)	2,338	-	-

The nature of these adjustments are described below:

**(a) Classification and measurement**

Under MFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Company's business model for managing the assets and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Company's business model was made as of the date of initial application, 1 April 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.



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

**2.3 Changes in accounting policies (Cont'd.)**

**(a) Classification and measurement (Cont'd.)**

The classification and measurement requirements of MFRS 9 did not have a significant impact to the Company. The Company continued measuring at fair value all financial assets previously held at fair value under MFRS 139. The following are the changes in the classification of the Company's financial assets:

- Fixed and call deposits with licensed banks and loans classified as loans and receivables ("LAR") as at 31 March 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured at amortised cost beginning 1 April 2018.
- Unquoted equity securities measured at cost less impairment and classified as AFS financial assets as at 31 March 2018 are classified and measured as financial assets at fair value through profit or loss beginning 1 April 2018.
- Quoted equity securities, quoted unit and property trust funds and collective investment schemes classified as AFS financial assets as at 31 March 2018 are classified and measured as financial assets at fair value through profit or loss beginning 1 April 2018.

As a result of the change in classification of the Company's listed equity investments, the AFS reserve of RM2,338,000 related to those investments that were previously presented under accumulated OCI, was reclassified to retained earnings as at 1 April 2018.

The Company has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Company's financial liabilities.

**(b) Impairment**

The adoption of MFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing MFRS 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. MFRS 9 requires the Company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss.

Upon adoption of MFRS 9, the Company recognised additional impairment on the Company's insurance receivables and other receivables of RM870,000 and RM310,000, respectively, which resulted in a decrease in retained earnings of RM896,800 (net of tax) as at 1 April 2018.

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

**2.4 Standards issued but not yet effective**

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

**Effective for financial periods beginning on or after 1 January 2019**

- MFRS 16 *Leases*
- IC Interpretation 23 *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 128 *Investments in Associates and Joint Ventures - Long-term Interest in Associates and Joint Ventures*
- Amendments to MFRS 3 *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 cycle)*
- Amendments to MFRS 9 *Financial Instruments - Prepayment Features with Negative Compensation*
- Amendments to MFRS 11 *Joint Arrangement (Annual Improvements to MFRS Standards 2015-2017 cycle)*
- Amendments to MFRS 112 *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 cycle)*
- Amendments to MFRS 119 *Employee Benefits - Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123 *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 cycle)*

**Effective for financial periods beginning on or after 1 January 2020**

- Amendments to MFRS 3 *Business Combination*
- Amendments to MFRS 101 *Presentation of Financial Statements*
- Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*
- Amendments to References to the Concepted Framework in MFRS Standard

**Effective for financial periods beginning on or after 1 January 2021**

- MFRS 17 *Insurance Contracts*

**Deferred**

- Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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

**2.4 Standards issued but not yet effective (Cont'd.)**

Management expects that the adoption of the above new and amended standards and interpretations issued by MASB, but not yet effective, will have no material impact on the financial statements in the period of initial application except as discussed below:

**MFRS 16 Leases**

MFRS 16 was issued in January 2016 and it replaces MFRS 117 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

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

MFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under MFRS 117.

**Transition to MFRS 16**

The Company plans to adopt MFRS 16 using simplified approach and will not restate comparative amounts for the year prior to first adoption. The Company will elect to apply the standard to contracts that were previously identified as leases applying MFRS 117 and IFRIC 4. The Company will therefore not apply the standard to contracts that were not previously identified as containing a lease applying MFRS 117 and IFRIC 4.

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

**2.4 Standards issued but not yet effective (Cont'd.)**

**MFRS 16 Leases (Cont'd.)**

**Transition to MFRS 16 (Cont'd.)**

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

During financial year ended 2019, the Company has performed a detailed impact assessment of MFRS 16. In summary the impact of MFRS 16 adoption is expected to be, as follows:

***Impact on the statement of financial position (increase/(decrease)) as at 31 March 2019:***

	RM'000
<b>Assets</b>	
Property and equipment (right-of-use assets)	25,144
<b>Liabilities</b>	
Lease liabilities	(25,144)
<b>Net impact on equity</b>	<u><u>-</u></u>

***Impact on the income statement increase/(decrease) for 2019:***

Depreciation expense	(14,168)
Reversal of rental expense	14,767
<b>Operating profit</b>	<u>599</u>
Finance costs	(996)
Income tax expense	95
<b>Loss for the year</b>	<u><u>(302)</u></u>

Due to the adoption of MFRS 16, the Company's operating profit will have no material impact.

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

**2.4 Standards issued but not yet effective (Cont'd.)**

***MFRS 17 Insurance Contracts***

In August 2017, the MASB issued MFRS 17 *Insurance Contracts* (MFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, MFRS 17 will replace MFRS 4 *Insurance Contracts* (MFRS 4) that was issued in 2005. MFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of MFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in MFRS 4, which are largely based on grandfathering previous local accounting policies, MFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of MFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

MFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies MFRS 9 and MFRS 15 on or before the date it first applies MFRS 17.

The Company plans to adopt MFRS 17 on the required effective date and a Project Steering Committee has been formed to oversee the implementation of MFRS 17. The Company expects that MFRS 17 will result in an important change to the accounting policies for insurance contract liabilities of the Company and is likely to have a significant impact on profit and total equity together with the Company's financial statements' presentation and disclosures.

**2.5 Significant accounting judgements, estimates and assumptions**

**(a) Critical judgements made in applying accounting policies**

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. These are areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

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

**2.5 Significant accounting judgements, estimates and assumptions (Cont'd.)**

**(a) Critical judgements made in applying accounting policies (Cont'd.)**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates, by definition, may cause material adjustments to the carrying amounts of assets and liabilities within the next financial year such as those discussed below:

**(i) *Deferred tax assets (Note 10)***

Deferred tax assets are recognised for various allowances and provisions to the extent that it is probable that taxable profit will be available against which these allowances and provisions can be utilised. Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing of future taxable profits together with future tax planning strategies.

**(ii) *Income taxes (Note 26)***

The Company is subject to income taxes in Malaysia. Significant judgement is required in determining the allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

**(iii) *Property and equipment (Note 3)***

Property and equipment (PPE) requires the review of the residual value and remaining useful life of an item of property and equipment at least at each financial year end.

Management estimates that the residual values and remaining useful lives of the Company's assets continue to be applicable for the current financial year.

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

**2.5 Significant accounting judgements, estimates and assumptions (Cont'd.)**

**(a) Critical judgements made in applying accounting policies (Cont'd.)**

***(iv) Impairment of AFS financial assets (prior to 1 April 2018) (Note 2.2(j) and Note 6.2)***

The Company reviews its AFS financial assets at each reporting date to assess whether there are any objective evidence that these financial assets are impaired. If there are indicators or objective evidence, these assets are subjected to impairment review.

In carrying out the impairment review, the following judgments are required:

- (i) Determination whether the investment is impaired based on certain indicators such as, amongst others, prolonged decline in fair value, significant financial difficulties of the issuer or obligors, the disappearance of an active trading market and deterioration of the credit quality of the issuers or obligors; and
- (ii) Determination of "significant" or "prolonged" requires judgment and management evaluation on various factors, such as historical fair value movement, the duration and extent of reduction in fair value.

***(v) Impairment of insurance receivables and other receivables (prior to 1 April 2018) (Note 8 and Note 9)***

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. In line with the requirements of BNM Guidelines, where receivables that are individually assessed for impairment is past due for more than 90 days or 3 months, objective evidence of impairment is deemed to exist. Accordingly, management will assess such receivables to determine if an impairment event has occurred. Other factors considered by the Company are probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where evidence exists that a receivable is impaired, the Company will recognise the impairment loss in the income statement.

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

**2.5 Significant accounting judgements, estimates and assumptions (Cont'd.)**

**(a) Critical judgements made in applying accounting policies (Cont'd.)**

**(vi) Impairment of financial assets (after 1 April 2018) (Note 2.2(k), Note 6.4, Note 8 and Note 9)**

The Company uses a provision matrix to calculate ECLs for trade receivables and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year, which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

**(b) Key sources of estimation uncertainty and assumptions**

**(i) Valuation of general insurance contract liabilities (Note 14)**

For general insurance contracts, estimates have to be made for both the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported at the reporting date ("IBNR").

It can take a significant period of time before the ultimate claims costs can be established with certainty and for some type of policies, IBNR claims form the majority of the liability at the reporting date. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Link Ratios, Chain Ladder and Bornheutter-Ferguson methods.



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

**2.5 Significant accounting judgements, estimates and assumptions (Cont'd.)**

**(b) Key sources of estimation uncertainty and assumptions (Cont'd.)**

**(i) Valuation of general insurance contract liabilities (Note 14) (Cont'd.)**

The main assumption underlying these techniques is that the Company's past claims development experience can be used to project future claims development and hence, ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier periods and expected loss ratios. Historical claims development is mainly analysed by accident periods, but can also be further analysed by geographical areas, as well as by significant business lines and claims type. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. We use discounting and in most cases, explicit assumptions are made regarding future rates of claims inflation or loss ratios. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (for example, to reflect once-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, level of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

The sensitivity of key assumptions applied in deriving the general insurance contract liabilities and the consequential impact to profit or loss and equity is disclosed in Note 34.

**(ii) Uncertainty in accounting estimates for general insurance business (Note 14)**

The principal uncertainty in the Company's general insurance business arises from the technical provisions which include the premium liabilities and claim liabilities. The premium liabilities comprise unearned premium reserves, unexpired risk reserves and provision for risk margin for adverse deviation while claim liabilities comprise provision for outstanding claims.

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

**2.5 Significant accounting judgements, estimates and assumptions (Cont'd.)**

**(b) Key sources of estimation uncertainty and assumptions (Cont'd.)**

***(ii) Uncertainty in accounting estimates for general insurance business (Note 14) (Cont'd.)***

Generally, premium and 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 premiums and claims liabilities will not exactly develop as projected and may vary from the insurance/reinsurance subsidiaries' projections.

The estimates of premium and claim liabilities are therefore sensitive to various factors and uncertainties. The establishment of technical provisions is an inherently uncertain process and, as a consequence of this uncertainty, the eventual settlement of premiums and claims liabilities may vary from the initial estimates.

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

There are many factors that will determine the level of uncertainty such as inflation, inconsistent judicial interpretations, legislative changes and claims handling procedures.

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

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

**2.5 Significant accounting judgements, estimates and assumptions (Cont'd.)**

**(b) Key sources of estimation uncertainty and assumptions (Cont'd.)**

**(iii) Fair value of assets determined using valuation techniques (Note 2.2(i) and Note 36)**

Fair value, in the absence of an active market, is estimated by using valuation techniques, such as recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis, valuation by third party experts and/or option pricing models. For reference to similar instruments, instruments must have similar credit ratings.

For discounted cash flow analysis, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions (including country specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity and financial conditions of counter-parties. Discount rates are influenced by risk-free interest rates and credit risk.

The valuation techniques described above are calibrated annually.

**(iv) Pipeline premium**

The Company has recognised gross pipeline premium for the current financial year. Estimation made by management is based on the actual pipeline trend during the past 2 years. As estimations are inherently uncertain, actual premiums may differ from the estimated premiums.

**(v) Amortisation of intangible assets (Note 5)**

The Company recognises the costs of significant development of knowledge based software and computer applications as intangible assets with finite useful lives. Such software and applications are unique to the requirements of the insurance business and the Company establishes that these development costs will generate economic benefits beyond one period.

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

**2.5 Significant accounting judgements, estimates and assumptions (Cont'd.)**

**(b) Key sources of estimation uncertainty and assumptions (Cont'd.)**

**(v) *Amortisation of intangible assets (Note 5)***

The Company estimates the useful lives of these software costs to be between 5 to 10 years.

The Company expects that amortisation on software under development will only commence after the software and computer applications are available to be used and generate future economic benefits.

**(vi) *Defined benefits plans (Note 18)***

The cost of the defined benefit plan and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, expected rate of returns on investments, future salary increases, mortality rates, resignation rates and future increases. Due to the complexity of the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of high quality government bonds in their respective currencies and extrapolated maturity corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rates.

Further details about the assumptions used, including a sensitivity analysis, are given in Note 18.

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**3. PROPERTY AND EQUIPMENT**

	Freehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Office im- pro- vements RM'000	Furniture and fittings RM'000	Office equipment and computers RM'000	Motor vehicles RM'000	Total RM'000
<b>Cost</b>								
At 1 April 2017	240	290	3,418	17,863	15,280	76,917	1,428	115,436
Additions	-	-	-	84	866	1,901	239	3,090
Disposals	-	-	-	-	-	(10)	-	(10)
Written-off	-	-	-	-	-	(7)	-	(7)
Reclassification	-	-	-	(174)	101	73	-	-
Reclassified from intangible assets (Note 5)	-	-	-	-	-	378	-	378
Charge to income statement	-	-	-	(69)	(3)	(284)	-	(356)
At 31 March 2018	240	290	3,418	17,704	16,244	78,968	1,667	118,531
Additions	-	-	-	953	585	1,276	-	2,814
Disposals	-	-	-	-	-	-	(400)	(400)
Written-off	-	-	-	(3,673)	(1,153)	(3,131)	-	(7,957)
Reclassification	-	-	-	(49)	49	-	-	-
Reclassified to intangible assets (Note 5)	-	-	-	-	-	(146)	-	(146)
Charge to income statement	-	-	-	(528)	-	(55)	-	(583)
At 31 March 2019	240	290	3,418	14,407	15,725	76,912	1,267	112,259

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**3. PROPERTY AND EQUIPMENT (CONT'D.)**

	Freehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Office improvements RM'000	Furniture and fittings RM'000	Office equipment and computers RM'000	Motor vehicles RM'000	Total RM'000
<b>Accumulated depreciation</b>								
At 1 April 2017	-	34	500	9,267	5,406	54,668	1,355	71,230
Charge for the year	-	3	78	2,254	1,378	8,938	62	12,713
Disposals	-	-	-	-	-	(10)	-	(10)
Written-off	-	-	-	-	-	(4)	-	(4)
At 31 March 2018	-	37	578	11,521	6,784	63,592	1,417	83,929
Charge for the year	-	3	78	2,627	1,381	6,804	56	10,949
Disposals	-	-	-	-	-	-	(400)	(400)
Written-off	-	-	-	(3,671)	(1,104)	(3,109)	-	(7,884)
At 31 March 2019	-	40	656	10,477	7,061	67,287	1,073	86,594

**Accumulated impairment**

At 1 April 2017 / 31 March 2018/2019

-	-	-	127	-	-	-	-	127
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**Net carrying amounts**

At 31 March 2018

240	253	2,713	6,183	9,460	15,376	250	34,475
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At 31 March 2019

240	250	2,635	3,930	8,664	9,625	194	25,538
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**4. INVESTMENT PROPERTIES**

	2019 RM'000	2018 RM'000
<b>Cost</b>		
At 1 April 2018/2017	9,795	9,795
Transferred to non-current assets held for sale (Note 12)	(9,795)	-
At 31 March 2019/2018	<u>-</u>	<u>9,795</u>
<b>Accumulated depreciation</b>		
At 1 April 2018/2017	4,603	4,407
Charge for the year	163	196
Transferred to non-current assets held for sale (Note 12)	(4,766)	-
At 31 March 2019/2018	<u>-</u>	<u>4,603</u>
<b>Carrying amount</b>	<u>-</u>	<u>5,192</u>
<b>Fair value</b>	<u>-</u>	<u>11,400</u>

The Company's investment properties consist of office floors.

The fair value of the properties disclosed above are based on valuations performed by Rahim & Co International Sdn. Bhd., an accredited independent valuer. Rahim & Co International Sdn Bhd are specialists in valuing these types of properties. The valuation model applied is in accordance with that recommended by the International Valuation Standards Committee and meets the requirements of MFRS 13.

Description of valuation techniques used and key inputs to valuation of the investment properties are as follows:

Description	Fair value as at 31 March 2018 RM'000	Valuation techniques	Unobservable inputs	Range
Office floors	11,400	Comparison/ income approach	Estimated sales value per sq. ft. Estimated rental value per sq. ft.	RM520 to RM610 RM3.00 to RM4.00

An increase or decrease in the unobservable inputs used in the valuation might result in a correspondingly higher or lower fair value.

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**4. INVESTMENT PROPERTIES (CONT'D.)**

Fair value hierarchy disclosures for investment properties have been provided in Note 36.

The Company has determined that the highest and best use of the properties are its current use.

The amount of expenses related to investment properties recorded in the income statement are as follows:

	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Rental income derived from investment properties	-	-
Direct operating expenses (including repairs and maintenance) generating rental income	(457)	(446)
Loss arising from investment properties	<u>(457)</u>	<u>(446)</u>

The Company has no restrictions on the realisability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties.

**5. INTANGIBLE ASSETS**

	<b>Computer application software - in use</b>	<b>Computer application software - work in progress</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Cost</b>			
At 1 April 2017	42,046	43,462	85,508
Additions	8,721	6,994	15,715
Reclassified to property and equipment (Note 3)	-	(378)	(378)
Reclassification	49,697	(49,697)	-
Charge to income statement	(311)	(234)	(545)
At 31 March 2018	<u>100,153</u>	<u>147</u>	<u>100,300</u>
Additions	2,822	9,879	12,701
Reclassified from property and equipment (Note 3)	-	146	146
Reclassification	8,557	(8,557)	-
Charge to income statement	(346)	-	(346)
At 31 March 2019	<u>111,186</u>	<u>1,615</u>	<u>112,801</u>



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**5. INTANGIBLE ASSETS (CONT'D.)**

	<b>Computer application software - in use RM'000</b>	<b>Computer application software - work in progress RM'000</b>	<b>Total RM'000</b>
<b>Accumulated amortisation</b>			
At 1 April 2017	24,086	-	24,086
Amortisation for the year	14,659	-	14,659
At 31 March 2018	38,745	-	38,745
Amortisation for the year	18,877	-	18,877
At 31 March 2019	57,622	-	57,622
<b>Net carrying amount</b>			
At 31 March 2018	61,408	147	61,555
At 31 March 2019	53,564	1,615	55,179

Intangible assets comprise computer application software which were developed or acquired to meet the specific requirements of the Company and computer application software under development which are not yet available for use.

**6. INVESTMENTS**

	<b>Note</b>	<b>2019 RM'000</b>	<b>2018 RM'000</b>
Equity securities		172,904	224,945
Unit and property trust funds		10,519	13,009
Loans		904	1,587
Fixed and call deposits		15,241	15,602
Collective investment schemes:			
Investments in subsidiaries	6.6	3,342,522	3,460,578
Investments in others		158,726	202,430
		3,501,248	3,663,008
		3,700,816	3,918,151

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**6. INVESTMENTS (CONT'D.)**

The Company's investments are summarised by categories as follows:

	Note	2019 RM'000	2018 RM'000
Loans and receivables ("LAR")	6.1	-	17,189
Available-for-sale ("AFS")	6.2	-	1,326,301
Fair value through profit or loss ("FVTPL")	6.3	3,684,671	2,574,661
Amortised cost ("AC")	6.4	16,145	-
		<u>3,700,816</u>	<u>3,918,151</u>

**6.1 LAR**

	2019 RM'000	2018 RM'000
<b>At amortised cost:</b>		
Fixed and call deposits with licensed banks	-	15,602
Loans:		
Mortgage loans	-	1,478
Other loans	-	179
	-	1,657
Less: Impairment loss	-	(70)
	-	1,587
	-	<u>17,189</u>

Movement in the provision for impairment losses of LAR:

At 1 April 2018/2017	70	70
Reclassified to AC	(70)	-
At 31 March 2019/2018	<u>-</u>	<u>70</u>

The carrying value of the fixed and call deposits with licensed banks approximates fair value due to the relatively short term maturities.

The carrying values of the mortgage loans and other loans are reasonable approximates of fair values due to the insignificant impact of discounting.

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**6. INVESTMENTS (CONT'D.)**

**6.2 AFS**

	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value:</b>		
Equity securities:		
Quoted in Malaysia	-	223,515
Unit and property trust funds:		
Quoted in Malaysia	-	13,009
Collective investment schemes - Quoted in Malaysia		
Investment in subsidiaries (Note 6.6)	-	1,044,448
Investment in others	-	43,899
	<u>-</u>	<u>1,324,871</u>
<b>At cost less impairment loss:</b>		
Equity securities:		
Unquoted in Malaysia	-	1,430
	<u>-</u>	<u>1,326,301</u>
Movement in the provision for impairment losses of AFS:		
Equity securities:		
Quoted in Malaysia		
At 1 April 2018/2017	1,483	-
Charge for the year	-	1,483
Reversal due to adoption of MFRS 9	(1,483)	-
At 31 March 2019/2018	<u>-</u>	<u>1,483</u>

**6.3 FVTPL**

	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value:</b>		
<b>Mandatory measured:</b>		
Collective investment schemes - Quoted in Malaysia		
Investment in subsidiaries (Note 6.6)	3,342,522	2,416,130
Investment in others	158,726	158,531
Equity securities:		
Quoted in Malaysia	170,136	-
Unquoted in Malaysia	2,768	-
Unit and property trust funds:		
Quoted in Malaysia	10,519	-
	<u>3,684,671</u>	<u>2,574,661</u>

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**6. INVESTMENTS (CONT'D.)**

**6.4 AC**

	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At amortised cost:</b>		
Fixed and call deposits with licensed banks	15,241	-
Loans:		
Mortgage loans	795	-
Other loans	179	-
	974	-
Less: Provision for expected credit loss ("ECL")	(70)	-
	904	-
	16,145	-
Movement in the provision for expected credit loss ("ECL")		
At 1 April 2018/2017	-	-
Reclassified from LAR	70	-
At 31 March 2019/2018	70	-

The carrying value of the fixed and call deposits with licensed banks approximates fair value due to the relatively short term maturities.

The carrying values of the commercial loans, mortgage loans and other loans are reasonable approximates of fair values due to the insignificant impact of discounting.

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**6. INVESTMENTS (CONT'D.)**
**6.5 Carrying values of investments**

	AC RM'000	LAR RM'000	AFS RM'000	FVTPL RM'000	Total RM'000
<b>At 1 April 2018</b>	-	17,189	1,326,301	2,574,661	3,918,151
Effects of adoption of MFRS 9	17,189	(17,189)	(1,326,301)	1,327,611	1,310
<b>At 1 April 2018 (Restated)</b>	<u>17,189</u>	<u>-</u>	<u>-</u>	<u>3,902,272</u>	<u>3,919,461</u>
Purchases	-	-	-	444,263	444,263
Maturities	(1,044)	-	-	-	(1,044)
Disposals	-	-	-	(659,166)	(659,166)
Realised losses recorded in:					
Income statement	-	-	-	(12,031)	(12,031)
Fair value losses recorded in:					
Income statement	-	-	-	9,333	9,333
<b>At 31 March 2019</b>	<u>16,145</u>	<u>-</u>	<u>-</u>	<u>3,684,671</u>	<u>3,700,816</u>
<b>At 1 April 2017</b>	-	15,493	1,314,040	2,412,260	3,741,793
Purchases	-	2,167	846,485	609,041	1,457,693
Maturities	-	(471)	-	-	(471)
Disposals	-	-	(850,275)	(446,691)	(1,296,966)
Realised gains recorded in:					
Income statement	-	-	20,302	167	20,469
Fair value losses recorded in:					
Income statement	-	-	-	(116)	(116)
Other comprehensive income	-	-	(2,768)	-	(2,768)
Movement in impairment allowance	-	-	(1,483)	-	(1,483)
<b>At 31 March 2018</b>	<u>-</u>	<u>17,189</u>	<u>1,326,301</u>	<u>2,574,661</u>	<u>3,918,151</u>

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**6. INVESTMENTS (CONT'D.)**

**6.6 Collective investment schemes - investments in subsidiaries**

	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value:</b>		
AFS (Note 6.2)	-	1,044,448
FVTPL (Note 6.3)	<u>3,342,522</u>	<u>2,416,130</u>
	<u><b>3,342,522</b></u>	<u><b>3,460,578</b></u>

Details of the Company's investments in subsidiaries - collective investment schemes in Malaysia are as follows:

<b>Name of wholesale unit trust fund</b>	<b>Principal activities</b>	<b>% of ownership interest held by the Company</b>	
		<b>2019</b>	<b>2018</b>
AmIncome Institutional 1	Investment in debt securities and money market	99.87%	99.87%
AmIncome Institutional 3	Investment in debt securities and money market	99.94%	99.95%
AmCash Plus	Investment in government related securities and money market	96.86%	92.33%

**7. REINSURANCE ASSETS**

	<b>Note</b>	<b>2019</b>	<b>2018</b>
		<b>RM'000</b>	<b>RM'000</b>
Reinsurance assets on:			
Claims liabilities	14.1	414,176	425,576
Premium liabilities	14.2	<u>53,322</u>	<u>52,058</u>
		467,498	477,634
Allowance for impairment losses		<u>(2,639)</u>	<u>(7,514)</u>
		<u><b>464,859</b></u>	<u><b>470,120</b></u>

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**7. REINSURANCE ASSETS (CONT'D.)**

Movement in the provision for impairment losses of reinsurance assets:

	<b>Individually impaired</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 April 2018/2017	7,514	7,514
Reversal for the year	(4,875)	-
At 31 March 2019/2018	<u>2,639</u>	<u>7,514</u>

**8. INSURANCE RECEIVABLES**

	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Due premiums including agents, brokers and co-insurers balances	82,329	82,018
Due from reinsurers and cedants	11,342	16,914
	<u>93,671</u>	<u>98,932</u>
Allowance for impairment losses	(32,978)	(32,194)
	<u>60,693</u>	<u>66,738</u>

Movement in the provision for impairment losses of insurance receivables:

	<b>Individually impaired</b>	<b>Collectively impaired</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 April 2017	26,678	6,518	33,196
(Reversal)/charge for the year	(1,461)	496	(965)
Amounts written-off	(37)	-	(37)
At 31 March 2018	<u>25,180</u>	<u>7,014</u>	<u>32,194</u>
At 1 April 2018	25,180	7,014	32,194
Effects of adoption of MFRS 9	(19,978)	20,848	870
At 1 April 2018 (Restated)	5,202	27,862	33,064
Charge for the year	(513)	4,283	3,770
Amounts written-off	(3,856)	-	(3,856)
At 31 March 2019	<u>833</u>	<u>32,145</u>	<u>32,978</u>

The carrying amounts disclosed above approximate fair value at the reporting date.

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**8. INSURANCE RECEIVABLES (CONT'D.)**

The Company's insurance receivables that have been offset against insurance payable are as follows:

	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Gross amount of recognised insurance receivables	104,959	107,262
Less:		
Gross amount of recognised insurance payables set-off against the insurance receivables that met the criteria of legally enforceable right to set-off	<u>(11,288)</u>	<u>(8,330)</u>
Net amount of recognised in insurance receivables	<u>93,671</u>	<u>98,932</u>

**9. OTHER RECEIVABLES**

	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Income due and accrued	12,109	12,917
Malaysian Insurance Institute ("MII") bonds	400	400
Share of net assets held under Malaysian Motor Insurance Pool ("MMIP")**	51,821	56,588
Amounts owing by ultimate holding, holding and other related companies *	1,338	1,228
Reinsurance deposits	1,224	17,901
Sundry receivables	17,806	11,429
Amounts receivable on disposal of properties	528	6,594
Current account with Custodian	<u>21,169</u>	<u>59,197</u>
	106,395	166,254
Allowance for impairment losses	<u>(379)</u>	<u>(171)</u>
	<u>106,016</u>	<u>166,083</u>

Movement in the provision for impairment losses (individually impaired) of other receivables:

	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 April 2018/2017	171	171
Effects of adoption of MFRS 9	310	-
At 1 April 2018 (Restated)/2017	<u>481</u>	<u>171</u>
Charge for the year	<u>(102)</u>	<u>-</u>
At 31 March 2019/2018	<u>379</u>	<u>171</u>



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**9. OTHER RECEIVABLES (CONT'D.)**

The carrying amounts (other than share of net assets held under MMIP) disclosed above approximate fair value at the reporting date due to the relatively short-term maturity of these balances.

- \* The amounts owing by ultimate holding, holding and other related companies are unsecured, interest free and repayable on demand.
- \*\* As a participating member of MMIP, the Company shares a proportion of the Pool's net assets/liabilities. At each reporting date, the Company accounts for its share of the assets, liabilities and performance of the Pool. The net assets held under MMIP represents the Company's share of the Pool's net assets, before insurance contract liabilities. The Company's share of the Pool's insurance contract liabilities is disclosed in Note 14.

**10. DEFERRED TAXATION**

	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 April 2018/2017	23,187	15,939
Effects of adoption of MFRS 9	(31)	-
At 1 April 2018 (Restated)/2017	<u>23,156</u>	<u>15,939</u>
Recognised in:		
Income statement (Note 26)	2,035	6,487
Other comprehensive income	(14)	761
At 31 March 2019/2018	<u>25,177</u>	<u>23,187</u>

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. Net deferred tax assets shown on the statement of financial position have been determined after considering appropriate offsetting as follows:

	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Deferred tax assets	35,365	35,571
Deferred tax liabilities	(10,188)	(12,384)
	<u>25,177</u>	<u>23,187</u>

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**10. DEFERRED TAXATION (CONT'D.)**

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

**Deferred tax assets:**

	<b>AFS fair value reserves RM'000</b>	<b>Provisions RM'000</b>	<b>Total RM'000</b>
At 1 April 2017	73	27,890	27,963
Recognised in:			
Income statement	-	6,944	6,944
Other comprehensive income	664	-	664
At 31 March 2018	<u>737</u>	<u>34,834</u>	<u>35,571</u>
Effects of adoption of MFRS 9	<u>(737)</u>	<u>-</u>	<u>(737)</u>
At 1 April 2018 (Restated)	-	34,834	34,834
Recognised in:			
Income statement	-	531	531
At 31 March 2019	<u>-</u>	<u>35,365</u>	<u>35,365</u>

**Deferred tax liabilities:**

	<b>PPE and intangible assets RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>
At 1 April 2017	(10,771)	(1,253)	(12,024)
Recognised in:			
Income statement	(431)	(26)	(457)
Other comprehensive income	-	97	97
At 31 March 2018	<u>(11,202)</u>	<u>(1,182)</u>	<u>(12,384)</u>
Effects of adoption of MFRS 9	<u>-</u>	<u>706</u>	<u>706</u>
At 1 April 2018 (Restated)	(11,202)	(476)	(11,678)
Recognised in:			
Income statement	4,334	(2,830)	1,504
Other comprehensive income	-	(14)	(14)
At 31 March 2019	<u>(6,868)</u>	<u>(3,320)</u>	<u>(10,188)</u>

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**11. CASH AND SHORT-TERM DEPOSITS**

	2019 RM'000	2018 RM'000
Cash at banks and on hand	77,641	59,429
Short-term deposits (with original maturity of less than three months) with licensed banks	169,954	123,865
	<u>247,595</u>	<u>183,294</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

**12. NON-CURRENT ASSETS HELD FOR SALE**

	2019 RM'000	2018 RM'000
At 1 April 2018/2017	1,599	21,817
Disposals	(1,599)	(20,218)
Transferred from investment properties (Note 4)	5,029	-
At 31 March 2019/2018	<u>5,029</u>	<u>1,599</u>

During the current financial year, the Company:

- (i) Completed the disposals of certain leasehold land and buildings and others related assets to a third party for a total cash consideration of RM1,650,000 (2018: RM22,018,000), recognising a gain thereon of RM50,000 (2018: RM1,800,000) as disclosed in Note 21.
- (ii) Entered into Sale and Purchase Agreements, for the proposed disposal of its investment properties. The disposals have not been completed as at the date of this report as certain conditions precedent have yet to be met.

**13. SHARE CAPITAL**

	<----- No. of shares ----->		<----- Amount ----->	
	2019 ( '000)	2018 ( '000)	2019 RM'000	2018 RM'000
Ordinary shares (a)	600,000	600,000	600,000	600,000
Share capital arising from redemption RNCPS (a)	-	-	200,000	-
INCPS (b)	6,100	6,100	61,000	61,000
RNCPS (c)	20,000	40,000	200,000	400,000
	<u>626,100</u>	<u>646,100</u>	<u>1,061,000</u>	<u>1,061,000</u>

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**13. SHARE CAPITAL (CONT'D.)**

**(a) Ordinary shares**

	<----- 2019 ----->		<----- 2018 ----->	
	No. of shares ('000)	Amount RM'000	No. of shares ('000)	Amount RM'000
Issued and paid up:				
At 1 April 2018/2017	600,000	600,000	600,000	600,000
Arising from redemption RNCPS pursuant to Section 72 (4(a) of the Companies Act, 2016	-	200,000	-	-
At 31 March 2019/2018	<u>600,000</u>	<u>800,000</u>	<u>600,000</u>	<u>600,000</u>

**(b) INCPS**

	<----- 2019 ----->		<----- 2018 ----->	
	No. of shares ('000)	Amount RM'000	No. of shares ('000)	Amount RM'000
Issued and paid up:				
At 1 April 2018/2017 and at 31 March 2019/2018	<u>6,100</u>	<u>61,000</u>	<u>6,100</u>	<u>61,000</u>

The salient features of the INCPS issued by the Company are as follows:

- (i) Subject always to the prior approval of BNM and the discretion of the Board, the INCPS confer on the holders the right to a non-cumulative preferential dividend calculated at 5.5% per annum each year to be declared and paid within six months from the end of each financial year, calculated based on the issue price of the INCPS, in priority to any other classes of shares to the extent that there are profits available for the distribution and compliance with the capital adequacy requirements as stipulated by BNM.
- (ii) The INCPS holders are entitled at any time to convert all or any of the INCPS held to ordinary shares in the Company, pari passu as between themselves, on the basis of one (1) INCPS for one (1) new ordinary share.
- (iii) The INCPS shall not be transferable (in whole or in part) and shall not be redeemed by the Company.

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**13. SHARE CAPITAL (CONT'D.)**

**(c) RNCPS**

	<----- 2019 ----->		<----- 2018 ----->	
	No. of shares ('000)	Amount RM'000	No. of shares ('000)	Amount RM'000
Issued and paid up:				
At 1 April 2018/2017	40,000	400,000	40,000	400,000
Redemption of RNCPS during the year	(20,000)	(200,000)	-	-
At 31 March 2019/2018	<u>20,000</u>	<u>200,000</u>	<u>40,000</u>	<u>400,000</u>

On 26 July 2018, the Company redeemed 20,000,000 RNCPS for the total redemption sum of RM200,000,000 at the issue price of RM10.00 each.

The salient features of the RNCPS issued by the Company are as follows:

- (i) Subject always to the prior approval of BNM and the discretion of the Board, the RNCPS confer on the holders the right to a non-cumulative preferential dividend calculated at 5.5% per annum each year to be declared and paid within six months from the end of each financial year, calculated based on the issue price of the RNCPS, in priority to any other classes of shares to the extent that there are profits available for the distribution and compliance with the capital adequacy requirements as stipulated by BNM.
- (ii) The RNCPS holders are entitled at any time to convert all or any of the RNCPS held to ordinary shares in the Company, *pari passu* as between themselves, on the basis of one (1) RNCPS for one (1) new ordinary share.
- (iii) The RNCPS shall not be transferable (in whole or in part). Subject to the prior approval of BNM and the provisions of Section 72 of the Companies Act, 2016 in Malaysia, the RNCPS may at the sole discretion of the Company be redeemed at a redemption price which is equal to the issue price at which the relevant RNCPS have been issued. It should be redeemed upon and subject to the terms hereunder, provided that the Company shall not redeem any RNCPS during the first five years of the issue of the RNCPS.

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**14. INSURANCE CONTRACT LIABILITIES**

	Note	<----- 2019 ----->			<----- 2018 ----->		
		Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Provision for claims reported by policyholders		951,630	(266,467)	685,163	980,624	(263,100)	717,524
Provision for incurred but not reported claims ("IBNR")		729,406	(115,627)	613,779	779,957	(129,369)	650,588
Provision for fund provision of risk margin for adverse deviation ("FPRAD")		144,755	(32,082)	112,673	142,877	(33,107)	109,770
Claim liabilities	14.1	1,825,791	(414,176)	1,411,615	1,903,458	(425,576)	1,477,882
Less: Impairment loss on reinsurance assets		-	2,639	2,639	-	7,514	7,514
Premium liabilities	14.2	1,825,791	(411,537)	1,414,254	1,903,458	(418,062)	1,485,396
		701,260	(53,322)	647,938	679,015	(52,058)	626,957
		<u>2,527,051</u>	<u>(464,859)</u>	<u>2,062,192</u>	<u>2,582,473</u>	<u>(470,120)</u>	<u>2,112,353</u>

As at 31 March 2019, the insurance contract liabilities above includes the Company's share of MMIP's claims and premium liabilities amounting to RM35.2 million (2018: RM38.8 million) and RM2.6 million (2018: RM3.2 million) respectively.

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**14. INSURANCE CONTRACT LIABILITIES (CONT'D.)**

**14.1 Claim liabilities**

		2019		2018		
	Note	Gross RM'000	Reinsurance RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
<b>At 1 April 2018/2017</b>		1,903,458	(425,576)	1,855,989	(286,725)	1,569,264
Claims incurred in the current accident year (direct and facultative)		1,150,178	(146,618)	1,161,461	(154,159)	1,007,302
Adjustment to claims incurred in prior accident year (direct and facultative)		(296,014)	81,303	(228,874)	14,063	(214,811)
Claims incurred during the year (treaty inwards claims)		2,733	-	2,744	-	2,744
Claims paid during the year	24	(934,564)	76,715	(887,862)	1,245	(886,617)
<b>At 31 March 2019/2018</b>	24	<b>1,825,791</b>	<b>(414,176)</b>	<b>1,411,615</b>	<b>(425,576)</b>	<b>1,477,882</b>

**14.2 Premium liabilities**

		2019		2018		
	Note	Gross RM'000	Reinsurance RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
<b>At 1 April 2018/2017</b>		679,015	(52,058)	726,436	(54,321)	672,115
Premiums written during the year	19	1,526,544	(130,782)	1,473,891	(128,632)	1,345,259
Premiums earned during the year	19	(1,504,299)	129,518	(1,521,312)	130,895	(1,390,417)
<b>At 31 March 2019/2018</b>		<b>701,260</b>	<b>(53,322)</b>	<b>679,015</b>	<b>(52,058)</b>	<b>626,957</b>

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**15. OTHER LIABILITIES**

	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Treaty deposits from reinsurers	43	71
Performance bond deposits	17,374	16,883
	<u>17,417</u>	<u>16,954</u>

Performance bond deposits are collateral deposits received from policyholders for guarantees issued on behalf of policyholders.

The carrying amounts of treaty deposits from reinsurers disclosed above approximate fair value at the reporting date due to the relatively short term maturities.

The carrying value of performance bond deposits is a reasonable approximate of fair value due to the discounting impact being immaterial.

**16. INSURANCE PAYABLES**

	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Due to agents, brokers, co-insurers and insured	29,184	32,126
Due to reinsurers and cedants	137,076	148,911
	<u>166,260</u>	<u>181,037</u>

The carrying amounts disclosed above approximate fair values at the reporting date. All amounts are payable within one year.

The Company's insurance payables that have been offset against insurance receivables are as follows:

	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Gross amount of recognised insurance payables	174,756	190,061
Less:		
Gross amount of recognised insurance receivables set-off against the insurance payables that met the criteria of legally enforceable right to set-off	(8,496)	(9,024)
Net amount recognised in insurance payables	<u>166,260</u>	<u>181,037</u>



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**17. OTHER PAYABLES**

	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Financial liabilities:</b>		
Amount owing to other related companies *	7,230	9,576
SST and Stamp duty payable	16,280	2,481
Sundry payables	17,633	7,974
Amount due to stock brokers	14	20,450
	<u>41,157</u>	<u>40,481</u>
<b>Non-financial liabilities:</b>		
Accrued expenses and deposits	93,348	85,723
Other accruals	92,180	92,803
Commutation accounts	15,378	15,597
	<u>200,906</u>	<u>194,123</u>
	<u>242,063</u>	<u>234,604</u>

The carrying amounts disclosed above approximate fair values at the reporting date.

\* The amounts owing to other related companies are unsecured, interest free and repayable on demand.

**18. PROVISION FOR RETIREMENT BENEFITS**

**18.1 The movements in the present value of the defined benefit obligation recognised in the statement of financial position are as follows:**

	<b>Note</b>	<b>2019</b>	<b>2018</b>
		<b>RM'000</b>	<b>RM'000</b>
Defined benefit obligation at 1 April 2018/2017		19,614	19,348
Actuarial (gain)/loss	18.3	(23)	403
Benefits paid		(1,648)	(2,079)
Service costs and interest	18.2	1,888	1,942
Defined benefit obligation at 31 March 2019/2018		<u>19,831</u>	<u>19,614</u>
Present value of unfunded obligation		<u>19,831</u>	<u>19,614</u>
Recognised liability for defined benefit obligation		<u>19,831</u>	<u>19,614</u>

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**18. PROVISION FOR RETIREMENT BENEFITS (CONT'D.)**

**18.2 Expense recognised in the income statement as retirement benefits cost (Note 25.1):**

	2019 RM'000	2018 RM'000
Service cost	941	974
Interest cost	947	968
	<u>1,888</u>	<u>1,942</u>

**18.3 Actuarial gains and losses recognised directly in other comprehensive income**

	2019 RM'000	2018 RM'000
Amount accumulated in retained earnings at 1 April 2018/2017	2,396	2,702
Actuarial gain/(loss) arising from changes in demographic assumptions	23	(403)
	23	(403)
Tax effects thereon (Note 10)	(14)	97
Amount accumulated in retained earnings at 31 March 2019/2018	<u>2,405</u>	<u>2,396</u>

**18.4 Actuarial assumptions**

Principal actuarial assumptions used at the end of the reporting year:

	2019	2018
Discount rate at 31 March 2019/2018 (per annum)	4.85%	5.00%
Fixed deposit rate (per annum)	3.40%	3.40%
Withdrawal rates (per annum)	<u>5.20%</u>	<u>5.30%</u>

The discount rate used is based on market yields at the end of the reporting year on high quality corporate bonds. The amount and terms of the corporate bonds are consistent with the current and estimated future post employment benefit obligation.

The assumption regarding future mortality is based on the experience of Malaysian insured lives between 1999 to 2003 with no allowance for improvement in mortality rate. The average expected future working lives has been estimated at 8.07 years.

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**18. PROVISION FOR RETIREMENT BENEFITS (CONT'D.)**

**18.4 Actuarial assumptions (Cont'd.)**

Calculation of the unfunded defined retirement benefits involves the projection of the present value for unfunded obligations using certain principal actuarial assumptions such as the rate of interest at which to discount the future retirement benefits payments at the valuation date and the assumed rate of growth of liabilities, namely the rate of salary escalation. There are elements of significant uncertainty on the assumptions used and thus the projected future retirement benefits payable may be different from the actual retirement benefit paid.

Under the scheme, eligible employees who have completed a minimum of 10 years of service are entitled to retire at 56 years of age or optional retirement age of 50 years. Employees who leave before the attainment of the normal retirement age or optional retirement age, are not entitled to the benefit.

All new employees who are hired after 18 March 2011 are not entitled to the retirement benefit.

The following table demonstrates the sensitivity of provision for retirement benefits to a reasonable change in the defined benefit obligation:

	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Discount rate:</b>		
Increase 100 basis points	(1,290)	(1,318)
Decrease 100 basis points	1,434	1,472
	<hr/>	<hr/>
<b>Fixed deposit rate:</b>		
Increase 100 basis points	2,609	2,385
Decrease 100 basis points	(2,291)	(2,104)
	<hr/>	<hr/>
<b>Withdrawal rate:</b>		
10% increase in the withdrawal rate	(573)	(627)
10% decrease in the withdrawal rate	600	660
	<hr/>	<hr/>

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**19. NET EARNED PREMIUMS**

	Note	2019 RM'000	2018 RM'000
<b>19.1 Gross earned premiums</b>			
Premium written during the year	14.2	1,526,544	1,473,891
Change in premium liabilities		(22,245)	47,421
	14.2	<u>1,504,299</u>	<u>1,521,312</u>
<b>19.2 Earned premiums ceded to reinsurers</b>			
Premium ceded during the year	14.2	(130,782)	(128,632)
Change in premium liabilities		1,264	(2,263)
	14.2	<u>(129,518)</u>	<u>(130,895)</u>
<b>19.3 Net earned premiums</b>			
Net premium written during the year	14.2	1,395,762	1,345,259
Change in premium liabilities		(20,981)	45,158
	14.2	<u>1,374,781</u>	<u>1,390,417</u>

**20. INVESTMENT INCOME**

	2019 RM'000	2018 RM'000
Financial assets at FVTPL:		
Dividend/distribution income:		
- Equity securities quoted in Malaysia	7,207	-
- Equity securities unquoted in Malaysia	123	-
- Unit and property trust funds quoted in Malaysia	308	-
- Collective investment schemes quoted in Malaysia	146,907	107,284
AFS financial assets:		
Dividend/distribution income:		
- Equity securities quoted in Malaysia	-	5,226
- Equity securities unquoted in Malaysia	-	123
- Unit and property trust funds quoted in Malaysia	-	605
- Collective investment schemes quoted in Malaysia	-	47,745
AC/LAR:		
Interest income:		
- Mortgage and other loans	51	77
- Cash and short-term deposits	5,057	2,762
	<u>159,653</u>	<u>163,822</u>

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**21. REALISED GAINS AND LOSSES**

	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Property and equipment:</b>		
Realised gains on disposal of property and equipment	<u>96</u>	<u>-</u>
<b>Non-current assets held for sale</b>		
Realised gains on disposal of non-current assets held for sale	<u>50</u>	<u>1,800</u>
<b>FVTPL financial assets:</b>		
<b>Mandatorily measured:</b>		
Realised (losses)/gains:		
- Collective investment schemes quoted in Malaysia	(549)	167
- Equity securities quoted in Malaysia	(11,507)	-
- Unit and property trust funds quoted in Malaysia	25	-
	<u>(12,031)</u>	<u>167</u>
<b>AFS financial assets:</b>		
Realised gains/(losses):		
- Equity securities quoted in Malaysia	-	20,692
- Unit and property trust funds quoted in Malaysia	-	(390)
Total realised gains for AFS financial assets	<u>-</u>	<u>20,302</u>
Total realised (losses)/gains	<u>(11,885)</u>	<u>22,269</u>

**22. FAIR VALUE GAINS AND LOSSES**

	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>FVTPL financial assets:</b>		
<b>Mandatorily measured:</b>		
Unrealised (losses)/gains:		
- Collective investment schemes quoted in Malaysia	20,917	(116)
- Equity securities quoted in Malaysia	(11,584)	-
	<u>9,333</u>	<u>(116)</u>

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**23. OTHER OPERATING INCOME/(EXPENSES)**

	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Other operating income:</b>		
Transfer fees and other contract fees	1,075	146
Other income	5,156	3,813
	<u>6,231</u>	<u>3,959</u>
<b>Other operating expenses:</b>		
Allowance for impairment losses on AFS investments	<u>-</u>	<u>(1,483)</u>

**24. NET CLAIMS**

	<b>Note</b>	<b>2019</b>	<b>2018</b>
		<b>RM'000</b>	<b>RM'000</b>
Gross benefits and claims paid	14.1	934,564	887,862
Claims ceded to reinsurers	14.1	(76,715)	(1,245)
Net claims paid	14.1	<u>857,849</u>	<u>886,617</u>
Gross change in contract liabilities			
At 31 March 2019/2018	14.1	1,825,791	1,903,458
At 1 April 2018/2017		<u>(1,903,458)</u>	<u>(1,855,989)</u>
		<u>(77,667)</u>	<u>47,469</u>
Change in contract liabilities ceded to reinsurers			
At 31 March 2019/2018	14.1	(414,176)	(425,576)
At 1 April 2018/2017		<u>425,576</u>	<u>286,725</u>
		<u>11,400</u>	<u>(138,851)</u>
		<u>791,582</u>	<u>795,235</u>

**25. MANAGEMENT EXPENSES**

	<b>Note</b>	<b>2019</b>	<b>2018</b>
		<b>RM'000</b>	<b>RM'000</b>
Employee benefits	25.1	161,137	148,474
Chief Executive Officer's remuneration	25.2	1,790	1,559
Non-executive directors' fees and remuneration	25.3	1,401	1,394

**AmGENERAL INSURANCE BERHAD**  
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**25. MANAGEMENT EXPENSES (CONT'D.)**

	Note	2019 RM'000	2018 RM'000
Auditors' remuneration:			
- Statutory audits		570	590
- Regulatory-related services		69	65
- Other services		60	200
Rental of offices and premises from third parties		14,225	15,246
Rental of offices and premises from other related companies		80	44
Depreciation of property and equipment	3	10,949	12,713
Depreciation of investment properties	4	163	196
Amortisation of intangible assets	5	18,877	14,659
Property and equipment written-off	3	73	3
Reversal of impairment losses on financial assets	9	(102)	-
Write off on financial assets		67	-
Reversal of allowance for impairment losses on reinsurance assets	7	(4,875)	-
Provision/(reversal) of impairment losses on insurance receivables	8	3,770	(965)
Recovery of bad debts written-off		(153)	(156)
Advertisement expenses		7,983	11,369
Bank charges		12,814	16,938
Electronic Data Processing expenses		23,735	23,761
Printing expenses		12,767	8,251
Office expenses		10,684	10,179
Professional fees		3,959	14,335
Share of group charges		15,509	16,285
Other expenses		41,398	39,758
		<u>336,950</u>	<u>334,898</u>

**25.1 Employee benefits**

Wages and salaries		125,299	113,936
Social securities contributions		1,150	1,071
Contribution to Employees' Provident Fund		19,144	17,767
Contribution to defined benefit plans	18.2	1,888	1,942
Other benefits		13,656	13,758
		<u>161,137</u>	<u>148,474</u>

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**25. MANAGEMENT EXPENSES (CONT'D.)**

**25.2 Chief Executive Officer's remuneration including benefits-in-kind**

The details of remuneration received by the Chief Executive Officer during the year was as follows:

	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Non-deferred:</u></b>		
<b>Fixed remuneration:</b>		
Salaries	914	900
Contribution to Employees' Provident Fund	147	144
	<u>1,061</u>	<u>1,044</u>
<b>Variable remuneration:</b>		
Bonus	303	168
Contribution to Employees' Provident Fund	48	27
Other benefits-in-kind	378	320
	<u>729</u>	<u>515</u>
Total monetary benefits	<u>1,790</u>	<u>1,559</u>
Non-monetary benefits	<u>19</u>	<u>28</u>
<b><u>Deferred*:</u></b>		
Share options*	<u>180</u>	<u>95</u>
Total remuneration	<u>1,989</u>	<u>1,682</u>

\* Deferred remuneration is refers to remuneration that set aside to be paid at a later date, which includes share options granted pursuant to the Executives' Share Scheme of AMMB Holdings Berhad, the ultimate holding company.

**25.3 Non-executive directors' fees and remuneration**

The details of remuneration received by the non-executive directors during the year was as follows:

	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Fees	900	973
Allowances and other emoluments	501	421
	<u>1,401</u>	<u>1,394</u>



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**25. MANAGEMENT EXPENSES (CONT'D.)**

**25.3 Non-executive directors' fees and remuneration (Cont'd.)**

The total remuneration (including benefits-in-kind) of the non-executive directors of the Company are as follows:

	<----- Non-deferred * ----->		Total RM'000
	Fixed Remuneration Fees RM'000	Variable Remuneration Others RM'000	
<b>2019</b>			
Phoon Soon Keong	150	133	283
Duncan Victor Brain	150	34	184
Ramesh Pillai	150	96	246
Wong Teck Kat	150	91	241
Sathasivan Kunchambo	150	91	241
Dato' Sulaiman Bin Mohd Tahir	150	56	206
	<u>900</u>	<u>501</u>	<u>1,401</u>
<b>2018</b>			
Tan Sri Azman Hashim	113	6	119
Phoon Soon Keong	94	19	113
Duncan Victor Brain	150	22	172
Ramesh Pillai	94	55	149
Raymond Fam Chye Soon	72	64	136
Wong Teck Kat	150	97	247
Sathasivan Kunchambo	150	97	247
Dato' Sulaiman Bin Mohd Tahir	150	61	211
	<u>973</u>	<u>421</u>	<u>1,394</u>

\* Deferred remuneration refers to remuneration that is set aside to be paid at a later date, which includes defined benefits plans and stock options.

The directors' fees are subject to the recommendation of the Remuneration Committee of the Board of Directors for endorsement and approval by the shareholder at the Annual General Meeting.

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**25. MANAGEMENT EXPENSES (CONT'D.)**

**25.3 Non-executive directors' fees and remuneration (Cont'd.)**

The number of directors of the Company whose total remuneration received during the financial year that fall within the following bands is analysed below:

	<b>Number of directors</b>	
	<b>2019</b>	<b>2018</b>
<b>Non-executive directors:</b>		
RM100,001 - RM150,000	-	4
RM150,001 - RM200,000	1	1
RM200,001 - RM250,000	4	3
Above RM250,001	1	-
	<hr/>	<hr/>

**26. TAXATION**

	<b>Note</b>	<b>2019</b> <b>RM'000</b>	<b>2018</b> <b>RM'000</b>
Current tax:			
Malaysia - current		49,181	52,893
Malaysia - over provision in prior year		(1,191)	(1,485)
		<hr/>	<hr/>
		47,990	51,408
Deferred tax:	10		
Origination and reversal of temporary differences		(2,217)	(6,197)
Under/(over) provision in prior year		182	(290)
		<hr/>	<hr/>
		(2,035)	(6,487)
		<hr/>	<hr/>
<b>Total tax expense</b>		<b>45,955</b>	<b>44,921</b>

Domestic income tax is calculated at the Malaysian statutory rate of 24% (2018: 24%) of the estimated assessable profit for the year:

	<b>2019</b> <b>RM'000</b>	<b>2018</b> <b>RM'000</b>
Profit before taxation	<hr/>	<hr/>
	266,042	300,401
Taxation at Malaysian statutory tax rate of 24%	63,850	72,096
Real Property Gain Tax	146	90
Expenses not deductible for tax purposes	20,619	14,037
Tax exempt income	(37,651)	(39,527)
Over provision of income tax in prior year	(1,191)	(1,485)
Under/(over) provision of deferred tax in prior year	182	(290)
	<hr/>	<hr/>
	45,955	44,921
	<hr/>	<hr/>

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**27. EARNINGS PER ORDINARY SHARE**

**27.1 Basic earning per ordinary share**

Basic earnings per ordinary share is calculated based on the net profit for the year ended 31 March 2019 of RM220,087,000 (2018: RM255,480,000) divided by the weighted average number of ordinary shares in issue during the year, calculated as follows:

	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Net profit attributable to equity holder of the Company	<u>220,087</u>	<u>255,480</u>
Weighted average number of ordinary shares:		
	<b>2019</b>	<b>2018</b>
	<b>'000</b>	<b>'000</b>
Issued ordinary shares	<u>600,000</u>	<u>600,000</u>
	<b>2019</b>	<b>2018</b>
	<b>Sen</b>	<b>Sen</b>
Basic earnings per ordinary share	<u>37</u>	<u>43</u>

**27.2 Diluted earnings per ordinary share**

The calculation of diluted earnings per ordinary share for the year ended 31 March 2019 and 31 March 2018 were based on profit attributable to ordinary shareholder and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

Weighted average number of ordinary shares:

	<b>2019</b>	<b>2018</b>
	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares	600,000	600,000
Effect of assumed conversion of outstanding INCPs and RNCPS	<u>26,100</u>	<u>46,100</u>
Weighted average number of ordinary shares at 31 March	<u>626,100</u>	<u>646,100</u>
	<b>2019</b>	<b>2018</b>
	<b>Sen</b>	<b>Sen</b>
Diluted earnings per ordinary share	<u>35</u>	<u>40</u>

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**28. DIVIDENDS**

The amount of dividends paid by the Company since 31 March 2018 were as follows:

	<b>2019</b> <b>RM'000</b>	<b>2018</b> <b>RM'000</b>
In respect of financial year ended 31 March 2018/2017:		
<b>INCPS:</b>		
Dividend of 5.5% per INCPS on 6,100,000 INCPS based on issue price of RM10.00 each declared on 30 April 2018 / 28 April 2017 and paid on 26 July 2018 / 25 September 2017	3,355	3,355
<b>RNCPS:</b>		
Dividend of 5.5% per RNCPS on 40,000,000 RNCPS based issue price of RM10.00 each declared on 30 April 2018 / 28 April 2017 and paid on 26 July 2018 / 25 September 2017	22,000	22,000
	<u>25,355</u>	<u>25,355</u>
<b>Ordinary share:</b>		
Final single tier dividend of 30.67 sen per ordinary share on 600,000,000 ordinary shares declared on 30 April 2018 and paid on 26 July 2018	184,000	-
	<u>209,355</u>	<u>25,355</u>

**29. OPERATING LEASE ARRANGEMENTS**

**29.1 The Company as lessee**

The Company has entered into lease agreements for rental of office premises. The future aggregate minimum lease payments under operating leases contracted for as at the reporting date but not recognised as liabilities, are as follows:

	<b>2019</b> <b>RM'000</b>	<b>2018</b> <b>RM'000</b>
Not later than 1 year	12,091	7,040
Later than 1 year and not later than 5 years	14,185	1,492
	<u>26,276</u>	<u>8,532</u>

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**29. OPERATING LEASE ARRANGEMENTS (CONT'D.)**

**29.2 The Company as lessor**

The Company has entered into lease agreements on its investment and other properties. These leases have remaining lease term of between 1 to 3 years. The future aggregate minimum lease receivables under the operating leases contracted for as at the reporting date but not recognised as assets, are as follows:

	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Not later than 1 year	161	106
Later than 1 year and not later than 5 years	40	81
	<u>201</u>	<u>187</u>

**30. CAPITAL COMMITMENTS**

	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Capital expenditure:</b>		
Approved and contracted for:		
Renovation, furniture and fitting and office equipment	160	-
Computer hardware and software	8,506	1,342
	<u>8,666</u>	<u>1,342</u>
Approved and but not contracted for:		
Renovation, furniture and fitting and office equipment	-	198
Computer hardware and software	-	454
	<u>-</u>	<u>652</u>

**31. SIGNIFICANT RELATED PARTIES DISCLOSURES**

**(a) Related parties**

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

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**31. SIGNIFICANT RELATED PARTIES DISCLOSURES (CONT'D.)**

**(a) Related parties (Cont'd.)**

<b>Name</b>	<b>Relationship</b>
AMMB Holdings Berhad	Ultimate holding company
AMAB Holdings Sdn. Bhd.	Penultimate holding company
AmGeneral Holdings Berhad	Immediate holding company
Insurance Australia Group Limited	Corporate shareholder
IAG Re Labuan (L) Berhad	Subsidiary of corporate shareholder
Insurance Australia Limited	Subsidiary of corporate shareholder
AmMetLife Insurance Berhad	Subsidiary of penultimate holding company
AmInvestment Bank Berhad	Other related company
AmBank (M) Berhad	Other related company
AmFunds Management Berhad	Other related company
AmCard Services Berhad	Other related company
AmBank Islamic Berhad	Other related company
AmMetLife Takaful Berhad	Other related company
AmIslamic Funds Management Sdn Bhd	Other related company
AmIncome Institutional 1*	Subsidiary

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**31. SIGNIFICANT RELATED PARTIES DISCLOSURES (CONT'D.)**

**(a) Related parties (Cont'd.)**

<b>Name</b>	<b>Relationship</b>
AmIncome Institutional 3*	Subsidiary
AmCash Plus*	Subsidiary
Harpers Travel (M) Sdn. Bhd.	Company in which a director, Tan Sri Azman Hashim has financial interests
AmCorp Properties Bhd	Company in which a director, Tan Sri Azman Hashim has financial interests
Asian Institute of Finance Berhad	Company in which a director, Tan Sri Azman Hashim has financial interests
AON Insurance Brokers (Malaysia) Sdn Bhd	Company in which a director, Tan Sri Azman Hashim's family has financial interests interests
Petronas Dagangan Berhad #	Company in which a director, has financial interests
IERP Sdn Bhd	Company in which a director, has financial interests

\* In accordance with MFRS 10, the investments are considered as subsidiaries of the Company.

# Petronas Dagangan Berhad is not a related party in the current financial year as the Director is no longer has any financial interest in the entity for the current financial year.

In the normal course of business, the Company undertakes various transactions with subsidiaries and associated companies of its ultimate holding company, AMMB Holdings Berhad, AMAB Holdings Sdn. Bhd. and other companies deemed related parties by virtue of common director's shareholdings and a corporate shareholder's interest in the ultimate holding company. The Directors are of the opinion that the Company sold insurance policies to the related companies and related parties on terms and conditions no more favourable than those available in similar transactions with other customers or employees. Other related party transactions (other than dividends/distributions received from subsidiaries) were also carried out on terms and conditions no more favourable than those available on similar transactions with unrelated parties, unless otherwise stated.

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**31. SIGNIFICANT RELATED PARTIES DISCLOSURES (CONT'D.)**

**(a) Related parties (Cont'd.)**

The Company had the following balances with related parties as at 31 March 2019 and 31 March 2018:

	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Included in insurance receivables (Note 8):</b>		
Due from agents, brokers and co-insurers:		
AmBank (M) Berhad	12,132	11,116
AmCard Services Berhad	-	167
AmInvestment Bank Berhad	106	120
AON Insurance Brokers (Malaysia) Sdn Bhd	2,172	64
	<u>14,410</u>	<u>11,467</u>
<b>Included in amount owing by ultimate holding, holding and other related companies (Note 9):</b>		
AmMetLife Insurance Berhad	7	69
Insurance Australia Limited	1,331	1,159
	<u>1,338</u>	<u>1,228</u>
<b>Included in income due and accrued (Note 9):</b>		
AmBank (M) Berhad	2	-
AmIncome Institutional 1	3,468	3,225
AmIncome Institutional 3	7,556	8,354
AmCash Plus	482	897
	<u>11,508</u>	<u>12,476</u>
<b>Included in cash and short-term deposits (Note 11):</b>		
AmBank (M) Berhad	<u>55,443</u>	<u>29,427</u>
<b>Included in insurance payables (Note 16):</b>		
Due to agents, brokers and co-insurers:		
AmBank (M) Berhad	3,353	4,574
AmCard Services Berhad	81	-
AmInvestment Bank Berhad	127	163
AON Insurance Brokers (Malaysia) Sdn Bhd	904	202
	<u>4,465</u>	<u>4,939</u>



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**31. SIGNIFICANT RELATED PARTIES DISCLOSURES (CONT'D.)**

**(a) Related parties (Cont'd.)**

The Company had the following balances with related parties as at 31 March 2019 and 31 March 2018 (Cont'd.):

	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Included in amount owing to other related companies (Note 17):</b>		
AmBank (M) Berhad	7,230	9,576
<b>Included in accrued expenses and deposits (Note 17):</b>		
AmBank (M) Berhad	6,561	6,798
Insurance Australia Limited	3,515	3,758
AmMetLife Insurance Berhad	13	-
	<u>10,089</u>	<u>10,556</u>

The significant transactions of the Company with related parties during the financial year are as follows:

	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Interest and dividend income from:</b>		
AmBank (M) Berhad	925	365
AmCash Institutional 1	-	369
AmIncome Institutional 1	41,126	40,034
AmIncome Institutional 3	93,211	94,583
AmCash Premium	-	1,615
AmCash Plus	7,198	11,682
	<u>142,460</u>	<u>148,648</u>
<b>Gross premium income from:</b>		
AmBank (M) Berhad	3,422	3,302
AMMB Holdings Berhad	2,995	2,383
AmMetLife Insurance Berhad	223	130
AmInvestment Bank Berhad	104	74
AmBank Islamic Berhad	39	46
AmFunds Management Berhad	-	20
AmMetLife Takaful Berhad	4	6
AmIslamic Funds Management Sdn Bhd	-	3
AmCorp Properties Berhad	67	55
	<u>6,854</u>	<u>6,019</u>

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**31. SIGNIFICANT RELATED PARTIES DISCLOSURES (CONT'D.)**
**(a) Related parties (Cont'd.)**

The significant transactions of the Company with related parties during the financial year are as follows (Cont'd.):

	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Commission income from:</b>		
IAG Re Labuan (L) Berhad	<u>10,046</u>	<u>10,051</u>
<b>Commission expenses to:</b>		
AmBank (M) Berhad	(13,530)	(17,870)
AmInvestment Bank Berhad	(38)	-
AmCard Services Berhad	12	(12)
AON Insurance Brokers (Malaysia) Sdn Bhd	<u>(2,432)</u>	<u>(308)</u>
	<u>(15,988)</u>	<u>(18,190)</u>
<b>Administration and operating expenses to:</b>		
AmBank (M) Berhad	(20,330)	(23,540)
AmFunds Management Berhad	(652)	(547)
AmMetLife Insurance Berhad	(3,814)	(5,281)
Asian Institute of Finance Berhad	(3)	(4)
Insurance Australia Limited	(3,776)	(5,706)
Harpers Travel (M) Sdn. Bhd.	(2,300)	(1,865)
Petronas Dagangan Berhad	-	(49)
	<u>(30,875)</u>	<u>(36,992)</u>
<b>Reinsurance premiums ceded to:</b>		
IAG Re Labuan (L) Berhad	<u>(34,798)</u>	<u>(35,903)</u>
<b>Claims recovery from:</b>		
IAG Re Labuan (L) Berhad	<u>17,835</u>	<u>16,322</u>
<b>Rental expenses to:</b>		
AmMetLife Insurance Berhad	<u>(81)</u>	<u>(88)</u>
<b>Rental income from:</b>		
AmMetLife Insurance Berhad	<u>58</u>	<u>36</u>

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**31. SIGNIFICANT RELATED PARTIES DISCLOSURES (CONT'D.)**

**(a) Related parties (Cont'd.)**

The significant transactions of the Company with related parties during the financial year/period are as follows (Cont'd.):

	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Dividends on INCPS, RNCPS and ordinary share paid to:</b>		
AmGeneral Holdings Berhad	<u>209,355</u>	<u>25,355</u>
<b>Redemption of RNCPS paid to:</b>		
AmGeneral Holdings Berhad	<u>200,000</u>	<u>-</u>

**(b) Compensation of Key Management Personnel**

The remuneration of directors and other member of key management during the year was as follows:

	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Chief Executive Officers' remuneration:</b>		
Salaries and bonus	1,217	1,068
Contribution to Employees' Provident Fund	195	171
Other benefits-in-kind	577	443
	<u>1,989</u>	<u>1,682</u>
<b>Non-executive directors' fees and remuneration:</b>		
Fees	900	973
Allowances and other emoluments	501	421
	<u>1,401</u>	<u>1,394</u>
	<u>3,390</u>	<u>3,076</u>

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly.

The key management personnel of the Company are the directors and the Chief Executive Officer.

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**32. FINANCIAL INSTRUMENTS BY CATEGORY**

2019	AC RM'000	FVTPL RM'000	Sub-total RM'000	Assets not in scope of		Total RM'000
				MFRS 9 RM'000	MFRS 9 RM'000	
<b>Assets</b>						
Property and equipment	-	-	-	25,538	25,538	25,538
Intangible assets	-	-	-	55,179	55,179	55,179
Investments	16,145	3,684,671	3,700,816	-	3,700,816	3,700,816
Reinsurance assets	-	-	-	464,859	464,859	464,859
Insurance receivables	60,693	-	60,693	-	60,693	60,693
Other receivables	106,016	-	106,016	-	106,016	106,016
Deferred tax assets	-	-	-	25,177	25,177	25,177
Cash and short-term deposits	247,595	-	247,595	-	247,595	247,595
Non-current assets held for sale	-	-	-	5,029	5,029	5,029
<b>Total assets</b>	<b>430,449</b>	<b>3,684,671</b>	<b>4,115,120</b>	<b>575,782</b>	<b>4,690,902</b>	<b>4,690,902</b>

2019	Other financial liabilities RM'000	Sub-total RM'000	Liabilities not in scope of		Total RM'000
			MFRS 9 RM'000	MFRS 9 RM'000	
<b>Liabilities</b>					
Insurance contract liabilities	-	-	2,527,051	2,527,051	2,527,051
Other liabilities	17,417	17,417	-	17,417	17,417
Insurance payables	166,260	166,260	-	166,260	166,260
Provision for taxation	-	-	3,488	3,488	3,488
Other payables (net of accrued expenses, deposits and commutation accounts)	41,157	41,157	200,906	242,063	242,063
Provision for retirement benefits	-	-	19,831	19,831	19,831
<b>Total liabilities</b>	<b>224,834</b>	<b>224,834</b>	<b>2,751,276</b>	<b>2,976,110</b>	<b>2,976,110</b>

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32. FINANCIAL INSTRUMENTS BY CATEGORY (CONT'D.)

2018	Note	LAR RM'000	AFS RM'000	FVTPL RM'000	Sub-total RM'000	Assets not in scope of MFRS 139		Total RM'000
						RM'000	RM'000	
<b>Assets</b>								
Property and equipment	3	-	-	-	-	34,475		34,475
Investment properties	4	-	-	-	-	5,192		5,192
Intangible assets	5	-	-	-	-	61,555		61,555
Investments	6	17,189	1,326,301	2,574,661	3,918,151			3,918,151
Reinsurance assets	7	-	-	-	-	470,120		470,120
Insurance receivables	8	66,738	-	-	66,738			66,738
Other receivables	9	166,083	-	-	166,083			166,083
Deferred tax assets	10	-	-	-	-	23,187		23,187
Tax recoverable		-	-	-	-	8,454		8,454
Cash and short-term deposits	11	183,294	-	-	183,294			183,294
Non-current assets held for sale	12	-	-	-	-	1,599		1,599
<b>Total assets</b>		<b>433,304</b>	<b>1,326,301</b>	<b>2,574,661</b>	<b>4,334,266</b>	<b>604,582</b>		<b>4,938,848</b>
<b>Liabilities</b>								
Insurance contract liabilities	14	-	-	-	-	2,582,473		2,582,473
Other liabilities	15	-	16,954	-	16,954			16,954
Insurance payables	16	-	181,037	-	181,037			181,037
Other payables (net of accrued expenses, deposits and commutation accounts)	17	-	40,481	-	40,481	194,123		234,604
Provision for retirement benefits	18	-	-	-	-	19,614		19,614
<b>Total liabilities</b>		<b>238,472</b>	<b>238,472</b>	<b>2,796,210</b>	<b>238,472</b>	<b>2,796,210</b>		<b>3,034,682</b>

### **33. RISK MANAGEMENT FRAMEWORK**

#### ***33.1 Risk governance framework***

The Company's Enterprise Risk Management (ERM) Framework is focused on embedding effective risk mitigation mechanisms and risk disciplines within the Company to manage risks within the Board-approved tolerances and risk appetites while protecting it from uncertainties and threats, thus enabling the achievement of its business objectives.

The objectives of managing the risks (uncertainties) are essential to sustain the Company's business in order to:

- Protect the investments of the Company's shareholders
- Create value for the Company's shareholders
- Fulfil its obligations to the Company's customers and other stakeholders
- Prepare the Company's resilience to face expected and unexpected events
- Support the Company's objectives and the achievement of its long term strategic intent
- Instil confidence in customers, shareholders and other stakeholders on the Company's financial strength, capability and reliability

The ERM Framework set the foundation in managing all sources of risk facing the Company by defining the standards and expectations consistent with the views of the Board of Directors, regulatory requirements, industry guidelines and risk management best practices.

The ERM Framework enables the Board of Directors and the Management to maintain and manage a full view of the risk profiles of all facets of the company, through transparency, reporting and escalation of risk matters.

The ERM is implemented through a Risk Governance structure which includes:

- Board of Directors & Board Committees: Responsible for ensuring the continued appropriateness and effectiveness of the ERM Framework, setting the risk appetite and risk tolerance thresholds, endorsing risk profiling and approving the risk management policies and procedures;

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**33. RISK MANAGEMENT FRAMEWORK (CONT'D.)**

***33.1 Risk governance framework (Cont'd.)***

The ERM is implemented through a Risk Governance structure which includes (Cont'd.):

- Risk Management Committee: Includes Chief Executive Officer and Senior Vice Presidents; accountable for the implementation of the requirements of the ERM Framework and Risk Management Strategy across the Company, including the reporting and escalation of risk matters to the Board and Board Committees and the subsequent rectification or mitigation of those matters;
- Risk Management Department: Assists the Board, Risk Management Committee of Directors and the senior management in developing and maintaining an effective ERM Framework in consultation with stakeholders, regulators and industry regulating bodies while remaining accountable for the reporting and escalation of significant risk matters to the Management and the Board and their subsequent resolution or rectification; and
- Business Units: Incorporates the requirements of the ERM Framework into the departmental policies and procedures and ensures the continued effectiveness of risk management practices across each department while continually escalating and reporting significant risks to the Management and Risk Management Department.

***33.2 Capital management objectives, policies and approach***

The Company's Capital Management Policy ("CMP") has been noted by the regulators and establishes a detailed capital management and response action plan to be taken by the Board and Management of the Company in the event of extreme events that may lead to the Capital Adequacy Ratio ("CAR") falling below the Internal Target Capital Level ("ITCL") and the Supervisory Target Capital Level ("STCL"). The CMP defines general and probable risk scenarios that could threaten the capital position of the Company and establishes appropriate remedial action plans to respond, taking into consideration the Company's financial and business position. The CMP allows the Company to utilize capital more efficiently in a controlled and predictable manner to drive its strategic intent while ensuring that the Company operates above the ITCL and STCL at all times.

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**33. RISK MANAGEMENT FRAMEWORK (CONT'D.)**

**33.2 Capital management objectives, policies and approach (Cont'd.)**

The Company has established the following capital management objectives, policies and approach to the risks that affect its capital position.

The capital management objectives are:

- For the Company to remain resilient when faced with extreme or unexpected situations or scenarios, maintaining adequate capital to continue to support the business.
- For the Company to maintain adequate capital to support all risks in the business as well as to develop and use better risk management techniques including scenario modelling and stress testing methods in monitoring and managing risks.
- For the Company's Management and Board to develop and establish an internal capital adequacy assessment process through the use of stress testing and scenario modelling to establish capital targets that commensurate with its risk profiles and control environments.
- Maintenance of the available capital, expressed as a multiple of the statutory CAR within a range that supports the shareholder's objectives whilst suitably protecting the interests of the policyholders.
- For the setting of an ITCL which accurately reflects the risk profiles of the Company, taking into consideration the quality and effectiveness of the Company's ERM Framework and Risk Management Strategies.
- For treatment of risks not fully captured under the Risk-Based Capital (RBC) Framework and external risks to be taken up and considered within the Company's internal capital target management.
- For the Company to utilise an effective capital management strategy to create shareholder value whilst maintaining an appropriate level of capital to protect the policyholders' interests and satisfy regulatory requirements.
- For the continued issuance of dividends on ordinary shares through the effective management of the Company's CAR positions at the point of payment and the avoidance of significant deterioration to the CAR after payments.
- Dynamic management of the Company's statement of financial position and capital mix.



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**33. RISK MANAGEMENT FRAMEWORK (CONT'D.)**

**33.2 Capital management objectives, policies and approach (Cont'd.)**

***Approach to capital management***

With reference to the Bank Negara Malaysia's (BNM) Guidelines of Stress Testing for Insurers, the impact of adverse scenarios on the capital position of the Company is considered and incorporated into the CMP and the management of the Company's CAR positions. This is also consistent with the Company's Individual Capital Adequacy Assessment Process.

The CMP has been implemented for the Company to monitor and manage the CAR should there be adverse conditions developing that may threaten to lower the CAR below the ITCL and STCL. The CMP also defines conditions and scenarios which may act as indicators of potential or impending adverse situations, allowing the Management to prepare and respond quickly before those adverse situations become a reality.

**33.3 Regulatory framework**

Through the RBC Framework, BNM is primarily concerned with protecting the interests of the policyholders and monitors insurers closely to ensure that the management of policyholders' interests remain at a satisfactory level. At the same time, BNM is also interested in ensuring that the Company maintains an appropriate capital position to meet the unforeseen liabilities arising from economic shocks or natural disasters.

**33.4 Asset-Liability Management ("ALM") framework**

The Company manages asset and liability positions within the ALM framework that has been developed with the objectives of achieving sustainable and predictable medium to long-term investment returns while prudently preserving capital to meet the financial and contractual obligations of the Company. The ALM framework considers multiple drivers which include interest rate movements, changes in financial obligations, asset and liability classes etc. to provide the Management and the Board with a transparent, accurate and dynamic ALM monitoring structure for effective oversight and decision making. Scenario modelling and stress testing methodologies are also extensively used to determine possible outcomes and impacts on the Company's ALM management in the event of unpredictable or extreme market and environmental situations. These methods allow for a comprehensive Sensitivity Assessment of the Company's ALM portfolio and removes uncertainties around impacts and outcomes. The Asset and Liability Committee (ALCO) maintains regular oversight, continually assessing the performance and condition of the Company's ALM portfolio while striving to achieve optimized returns on investments within the risk appetites and tolerances stipulated by the Risk Management Framework.

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**34. INSURANCE RISK**

**34.1 Nature of risk**

The Company principally issues the following types of general insurance contracts: Motor, Household and Commercial Fire, Business Interruption, Personal Accident, Extended Warranty and other Miscellaneous commercial contracts. Risks under these contracts usually cover a twelve-month duration other than Contractors' All Risk & Engineering and Extended Warranty which may be extended for more than a year. For general insurance contracts, the most significant risk arises from the frequency and severity of the claims experience. These risks vary significantly in relation to the location of risk, type of risk insured and industry.

The above risks are mitigated by diversification across a large portfolio of insurance contracts. The volatility of risks is mitigated by implementation of underwriting strategies and claims management policies which attempt to minimise risks while at the same time encouraging reduction in the time taken to settle claims.

The Company limits its exposure to risk via various reinsurance arrangements. Also, claims exposure is limited to individual contracts and loss events basis such as floods and fires, as well as accidents involving multiple insureds.

**34.2 Concentration of insurance risk by type of contract**

The table below sets out the concentration of insurance contract liabilities by types of contracts issued:

	<b>Gross RM'000</b>	<b>Reinsurance RM'000</b>	<b>Net RM'000</b>
<b>2019</b>			
Motor	2,011,487	(104,574)	1,906,913
Fire	280,335	(225,402)	54,933
Personal accident	11,973	(1,608)	10,365
Miscellaneous	223,256	(135,914)	87,342
	<u>2,527,051</u>	<u>(467,498)</u>	<u>2,059,553</u>
Less: Impairment loss on reinsurance assets	-	2,639	2,639
	<u>2,527,051</u>	<u>(464,859)</u>	<u>2,062,192</u>

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**34. INSURANCE RISK (CONT'D.)**

**34.2 Concentration of insurance risk by type of contract (Cont'd.)**

The table below sets out the concentration of insurance contract liabilities by types of contracts issued:

	Gross RM'000	Reinsurance RM'000	Net RM'000
<b>2018</b>			
Motor	2,072,388	(100,520)	1,971,868
Fire	257,444	(215,278)	42,166
Personal accident	14,324	(1,632)	12,692
Miscellaneous	238,317	(160,204)	78,113
	<u>2,582,473</u>	<u>(477,634)</u>	<u>2,104,839</u>
Less: Impairment loss on reinsurance assets	-	7,514	7,514
	<u>2,582,473</u>	<u>(470,120)</u>	<u>2,112,353</u>

Included in motor insurance contract liabilities is the Company's proportionate share of claim liabilities and premium liabilities in MMIP of RM35.2 million and RM2.6 million, respectively (2018: claim liabilities of RM38.8 million and premium liabilities of RM3.2 million).

**34.3 Insurance contract liabilities for general insurance**

The insurance contract liabilities comprised claim and premium liabilities and are computed in accordance with sound actuarial principles and regulatory guidelines.

**Claim liabilities**

The estimate of (outstanding) claim liabilities is made up of the following components:

- The best estimate value of the outstanding claim payments associated with all claims that have been incurred as at the valuation date;
- An estimate for future claims handling expenses ("CHE") associated with the outstanding claim payments; and
- An estimate of diversified risk margins resulting in the provision of the overall Insurance Liabilities at the company level at 75% level of sufficiency.

### **34. INSURANCE RISK (CONT'D.)**

#### ***34.3 Insurance contract liabilities for general insurance (Cont'd.)***

##### ***Premium liabilities***

The estimate of Premium Liabilities is the higher of:

- The aggregate of the unearned premium reserve calculated as per BNM guidelines; or
- The unexpired risk provision, which is made up of:
  - the best estimate value of future claim liabilities associated with the unexpired portion of the premiums written up to the valuation date.
  - an estimate for the future policy handling expenses ("PHE") and CHE associated with managing the unexpired policies and the corresponding future claims incurred respectively.
  - an estimate for the future cost of reinsurance for future periods where reinsurance recoveries are expected and reinsurance has not been arranged.
  - an estimate of diversified risk margins resulting in the provision of the overall insurance liabilities at the Company level at 75% level of sufficiency.

##### ***34.3.1 Valuation methodology***

The valuation methods employed are generally accepted actuarial methods. The following methods have been employed to analyse the experience and to derive the estimate of claim liabilities before CHE:

- Incurred Chain Ladder ("ICL")
- Payments per Claim Incurred ("PPCI")
- Bornhuetter-Ferguson ("BF"); and
- Expected Loss Ratio ("ELR")

The method(s) employed for each valuation group take into account factors such as characteristics of the claims, recent trends in claims experience, size and stability of each valuation group.

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**34. INSURANCE RISK (CONT'D.)**

***34.3 Insurance claim liabilities for general insurance (Cont'd.)***

***34.3.2 Key assumptions***

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

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

***34.3.3 Discounting***

The insurance liabilities have been discounted using the risk-free discount rate derived from zero-coupon spot yield curve of MGS.

***34.3.4 Sensitivities***

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

The analysis below is performed for reasonably possible movements in the key assumption with all other assumptions held constant, showing the impact on gross and net liabilities, profit before taxation and equity. The correlation of assumptions will have a significant effect in determining the ultimate claim liabilities, but to demonstrate the impact due to changes in assumption, the assumption had to be changed on an individual basis.

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### 34. INSURANCE RISK (CONT'D.)

#### 34.3 Insurance claim liabilities for general insurance (Cont'd.)

##### 34.3.4 Sensitivities (Cont'd.)

	Change in assumption of ultimate claims ratio	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before taxation RM'000	Impact on equity* RM'000
<b>2019</b>					
Motor Act	+11.3%	48,621	47,501	(47,501)	(36,101)
Motor Others	+7.7%	66,510	64,796	(64,796)	(49,245)
Fire	+9%	15,485	7,807	(7,807)	(5,933)
Personal Accident and Medical	+4%	3,989	3,647	(3,647)	(2,772)
<b>2018</b>					
Motor Act	+20.5%	49,342	48,448	(48,448)	(36,820)
Motor Others	+6.0%	63,749	62,342	(62,342)	(47,380)
Fire	+9%	17,179	7,325	(7,325)	(5,567)
Personal Accident and Medical	+4%	4,110	3,759	(3,759)	(2,857)

\* impact on equity reflects adjustments for tax, where applicable. The method used for deriving sensitivity information and significant assumptions did not change from the previous year.

A reduction in the key assumption at the rates shown above will have an equal but opposite effect on gross and net liabilities, profit before taxation and equity.

<sup>1</sup> The assumptions in 2019 are equivalent to the assumptions held in 2018. The difference in the assumptions in 2019 for Motor Act and Motor Others is a result of the premium allocation post liberalisation.

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**34. INSURANCE RISK (CONTD.)**

**34.3.5 Claims development table**

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

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

While the information in the tables provides a historical perspective on the adequacy of the unpaid claims estimate established in previous years, users of these financial statements are cautioned against extrapolating redundancies or deficiencies of the past on current unpaid loss balances.

The management of the Company believes that the estimates of total claims outstanding as of the reporting date are adequate. However, due to the inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate.

**Gross general insurance contract liabilities for 2019:**

Accident year	Before 2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	Sub total RM'000	Inward treaty and MMIP RM'000	Total RM'000
At end of accident year	1,200,371	1,205,506	1,242,423	1,194,736	1,070,130	1,227,523	1,161,461	1,150,178			
One year later	1,035,887	1,078,538	1,080,838	1,044,184	1,029,824	1,149,853	1,084,565				
Two years later	1,018,768	1,061,512	1,087,252	998,910	1,007,382	1,098,274					
Three years later	1,006,413	1,106,863	1,049,006	933,819	916,885						
Four years later	1,011,446	1,052,914	1,009,430	901,251							
Five years later	977,616	1,028,657	962,661								
Six years later	964,810	1,027,931									
Seven years later	1,100,149										
<b>Current estimate of cumulative claims incurred</b>	<b>1,100,149</b>	<b>1,027,931</b>	<b>962,661</b>	<b>901,251</b>	<b>916,885</b>	<b>1,098,274</b>	<b>1,084,565</b>	<b>1,150,178</b>			
At end of accident year	(394,477)	(391,391)	(382,588)	(350,724)	(362,327)	(418,997)	(413,497)	(406,583)			
One year later	(722,240)	(746,862)	(695,027)	(637,079)	(631,990)	(728,720)	(697,415)				
Two years later	(860,786)	(886,525)	(815,309)	(755,021)	(743,674)	(841,972)					
Three years later	(911,882)	(941,110)	(874,843)	(813,229)	(809,250)						
Four years later	(935,406)	(971,793)	(901,976)	(834,470)							
Five years later	(944,361)	(984,310)	(924,531)								
Six years later	(949,985)	(988,726)									
Seven years later	(951,277)	(968,726)	(924,531)	(834,470)	(809,250)	(841,972)	(697,415)	(406,583)			
<b>Cumulative payments to-date</b>	<b>(951,277)</b>	<b>(968,726)</b>	<b>(924,531)</b>	<b>(834,470)</b>	<b>(809,250)</b>	<b>(841,972)</b>	<b>(697,415)</b>	<b>(406,583)</b>			
<b>Gross general insurance claims liabilities (direct and facultative)</b>	<b>148,872</b>	<b>39,205</b>	<b>38,130</b>	<b>66,781</b>	<b>107,635</b>	<b>256,302</b>	<b>387,150</b>	<b>743,595</b>	<b>1,787,670</b>	<b>38,121</b>	<b>1,825,791</b>

## 34. INSURANCE RISK (CONTD.)

## 34.3.5 Claims development table (Cont'd.)

## Net general insurance claims liabilities for 2019:

Accident year	Before 2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	Sub total RM'000	Inward treaty and MIMP RM'000	Total RM'000
At end of accident year	792,136	926,165	1,028,962	1,089,590	997,614	1,093,342	1,007,302	1,003,559			
One year later	793,919	896,635	959,376	951,089	959,398	1,058,099	977,750				
Two years later	791,978	860,834	982,953	907,365	924,949	1,008,222					
Three years later	779,482	885,185	935,316	844,427	850,963						
Four years later	794,484	849,500	884,072	809,285							
Five years later	773,169	831,688	871,175								
Six years later	765,548	824,031									
Seven years later	768,193										
<b>Current estimate of cumulative claims incurred</b>	<b>768,193</b>	<b>824,031</b>	<b>871,175</b>	<b>809,285</b>	<b>850,963</b>	<b>1,008,222</b>	<b>977,750</b>	<b>1,003,559</b>			
At end of accident year	(323,199)	(329,835)	(362,384)	(333,248)	(344,191)	(392,176)	(385,935)	(388,952)			
One year later	(582,022)	(627,664)	(654,303)	(593,745)	(592,213)	(672,310)	(644,402)				
Two years later	(687,473)	(730,446)	(760,861)	(694,479)	(695,841)	(776,164)					
Three years later	(725,991)	(773,550)	(808,793)	(746,892)	(751,734)						
Four years later	(742,500)	(797,507)	(833,687)	(765,158)							
Five years later	(751,463)	(808,834)	(844,590)								
Six years later	(756,126)	(811,696)									
Seven years later	(756,988)										
<b>Cumulative payments to-date</b>	<b>(756,988)</b>	<b>(811,696)</b>	<b>(844,590)</b>	<b>(765,158)</b>	<b>(751,734)</b>	<b>(776,164)</b>	<b>(644,402)</b>	<b>(388,952)</b>			
<b>Net general insurance claims liabilities (direct and facultative), gross of impairment loss on reinsurance assets</b>	<b>11,205</b>	<b>12,335</b>	<b>26,585</b>	<b>44,127</b>	<b>99,229</b>	<b>232,058</b>	<b>333,348</b>	<b>614,607</b>	<b>1,373,494</b>	<b>38,121</b>	<b>1,411,615</b>



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34. INSURANCE RISK (CONT'D.)

34.3.5 Claims development table (Cont'd.)

Gross general insurance contract liabilities for 2018:

Accident year	Before 2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	Sub total RM'000	Inward treaty and MMIP RM'000	Total RM'000
At end of accident year	1,157,126	1,200,371	1,205,506	1,242,423	1,194,736	1,070,130	1,227,523	1,161,461			
One year later	1,029,375	1,035,887	1,078,538	1,080,838	1,044,784	1,029,824	1,149,853				
Two years later	1,028,550	1,018,768	1,061,512	1,087,252	998,910	1,007,382					
Three years later	992,759	1,006,413	1,106,863	1,049,006	933,819						
Four years later	968,327	1,011,446	1,052,914	1,009,430							
Five years later	961,038	977,616	1,028,657								
Six years later	939,557	964,810									
Seven years later	1,068,102										
<b>Current estimate of cumulative claims incurred</b>	<b>1,068,102</b>	<b>964,810</b>	<b>1,028,657</b>	<b>1,009,430</b>	<b>933,819</b>	<b>1,007,382</b>	<b>1,149,853</b>	<b>1,161,461</b>			
At end of accident year	(355,496)	(394,477)	(391,391)	(382,588)	(350,724)	(362,327)	(418,997)	(413,497)			
One year later	(715,651)	(722,240)	(746,862)	(695,027)	(637,079)	(631,990)	(728,720)				
Two years later	(833,504)	(860,786)	(886,525)	(815,309)	(755,021)	(743,674)					
Three years later	(889,672)	(911,882)	(941,110)	(874,843)	(813,229)						
Four years later	(906,103)	(935,406)	(971,793)	(901,976)							
Five years later	(917,361)	(944,361)	(984,310)								
Six years later	(923,747)	(949,985)									
Seven years later	(926,378)										
<b>Cumulative payments to-date</b>	<b>(926,378)</b>	<b>(949,985)</b>	<b>(984,310)</b>	<b>(901,976)</b>	<b>(813,229)</b>	<b>(743,674)</b>	<b>(728,720)</b>	<b>(413,497)</b>			
<b>Gross general insurance claims liabilities (direct and facultative)</b>	<b>141,724</b>	<b>14,825</b>	<b>44,347</b>	<b>107,454</b>	<b>120,590</b>	<b>263,708</b>	<b>421,133</b>	<b>747,964</b>	<b>1,861,745</b>	<b>41,713</b>	<b>1,903,458</b>

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34. INSURANCE RISK (CONT'D.)

34.3.5 Claims development table (Cont'd.)

Net general insurance claims liabilities for 2018:

Accident year	Before 2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	Sub total RM'000	Inward treaty and MMIP RM'000	Total RM'000
At end of accident year	884,131	792,136	926,165	1,028,962	1,089,590	997,614	1,093,342	1,007,302			
One year later	877,184	793,919	896,635	959,376	951,089	959,398	1,058,099				
Two years later	863,446	791,978	860,834	982,953	907,365	924,949					
Three years later	848,751	779,482	885,185	935,316	844,427						
Four years later	836,040	794,484	849,500	884,072							
Five years later	839,817	773,169	831,688								
Six years later	821,608	765,548									
Seven years later	831,608										
<b>Current estimate of cumulative claims incurred</b>	<b>831,608</b>	<b>765,548</b>	<b>831,688</b>	<b>884,072</b>	<b>844,427</b>	<b>924,949</b>	<b>1,058,099</b>	<b>1,007,302</b>			
At end of accident year	(328,287)	(323,199)	(329,835)	(362,384)	(333,248)	(344,191)	(392,176)	(385,935)			
One year later	(633,815)	(582,022)	(627,664)	(654,303)	(593,745)	(592,213)	(672,310)				
Two years later	(734,325)	(687,473)	(730,446)	(760,861)	(694,479)	(695,841)					
Three years later	(779,901)	(725,991)	(773,550)	(809,793)	(746,892)						
Four years later	(796,842)	(742,500)	(797,507)	(833,687)							
Five years later	(804,582)	(751,463)	(808,834)								
Six years later	(809,909)	(756,126)									
Seven years later	(811,899)										
<b>Cumulative payments to-date</b>	<b>(811,899)</b>	<b>(756,126)</b>	<b>(808,834)</b>	<b>(833,687)</b>	<b>(746,892)</b>	<b>(695,841)</b>	<b>(672,310)</b>	<b>(385,935)</b>			
<b>Net general insurance claims liabilities (direct and facultative), gross of impairment loss on reinsurance assets</b>	<b>19,709</b>	<b>9,422</b>	<b>22,854</b>	<b>50,385</b>	<b>97,535</b>	<b>229,108</b>	<b>385,789</b>	<b>621,367</b>	<b>1,436,169</b>	<b>41,713</b>	<b>1,477,882</b>

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**35. FINANCIAL RISK**

**35.1 Credit risk**

Credit risk is most simply defined as the potential that a borrower or counterparty will fail to meet its obligations in accordance with the agreed terms.

The Company's main exposures to credit risk include:

- Investment credit risk – financial loss arising from a change in the value of an investment due to a rating downgrade, default, or widening of credit spreads. Changes in credit spreads are also affected by the liquidity of the stock, but since the liquidity is usually closely related to credit risk, the risk is managed as credit risk.
- Reinsurance counterparty risk – financial loss arising from a reinsurer's default, or the deterioration of the reinsurer's financial position.
- Insurance and other receivables credit risk - financial loss arising from default by agents and other counterparties in the normal course of business; and staff loans and other receivables.

***Reinsurance counterparty risk***

The Company is exposed to three types of reinsurance counterparty risk:

- as a result of debts arising from claims made by the Company but not yet paid by the reinsurer;
- from reinsurance premium payments made to the reinsurer in advance; and
- as a result of reserves held by the reinsurer which would have to be met by the Company in the event of default.

In order to mitigate the reinsurance counterparty risk, the Company will give due consideration to the credit quality of a reinsurer before incepting a reinsurance treaty. To facilitate this process, a list of acceptable reinsurers is maintained within the Company.

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

**35.1 Credit risk (Cont'd.)**

***Insurance and other receivables credit risk***

The Company is exposed to insurance receivables credit risk arising from default by agents and other counterparties. One of the credit events would be non-remittance of premium collected on behalf of insureds by the agents. In order to mitigate the insurance receivables credit risk, the Company will give due consideration to the credit quality of an agent before accepting him as an agent and constantly monitor receivable ageing, including conforming to the Cash Before Cover rule.

***Loan credit risk***

The Company is exposed to loan credit risk in several different areas, the most material of which is mortgage loans to employees of the Company.

***Objectives in managing credit risk***

To mitigate credit risk:

- counterparty limits are set for investments, cash deposits and foreign exchange trade exposure.
- the Company regularly reviews the financial security of its reinsurers.

At the reporting date, the Company's maximum exposure to credit risk is represented by the maximum amount of each class of financial assets/insurance contracts exposed to credit risk and recognised in the statement of financial position as shown in the table below:

	<b>Note</b>	<b>2019 RM'000</b>	<b>2018 RM'000</b>
<b>LAR:</b>			
Fixed and call deposits	6.1	-	15,602
Loans	6.1	-	1,587
<b>AC:</b>			
Fixed and call deposits	6.4	15,241	-
Loans	6.4	904	-
Reinsurance assets	7	464,859	470,120
Insurance receivables	8	60,693	66,738
Other receivables	9	106,016	166,083
Cash and short-term deposits	11	247,595	183,294
<b>Total credit risk exposure</b>		<b><u>895,308</u></b>	<b><u>903,424</u></b>

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**35. FINANCIAL RISK (CONT'D.)****35.1 Credit risk (Cont'd.)****35.1.1 Credit exposure by credit rating**

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit rating of counterparties:

	Investment grade RM'000	Non- investment grade/ unrated RM'000	Past-due but not impaired RM'000	Total RM'000
<b>2019</b>				
AC:				
Fixed and call deposits	15,241	-	-	15,241
Loans	-	904	-	904
Reinsurance assets	371,621	93,238	-	464,859
Insurance receivables	4,306	56,387	-	60,693
Other receivables	25	105,991	-	106,016
Cash and short-term deposits	247,393	202	-	247,595
Total credit risk exposure	<u>638,586</u>	<u>256,722</u>	<u>-</u>	<u>895,308</u>
<b>2018</b>				
LAR:				
Fixed and call deposits	15,602	-	-	15,602
Loans	-	1,587	-	1,587
Reinsurance assets	348,496	121,624	-	470,120
Insurance receivables	1,670	37,570	27,498	66,738
Other receivables	2	166,081	-	166,083
Cash and short-term deposits	183,155	139	-	183,294
Total credit risk exposure	<u>548,925</u>	<u>327,001</u>	<u>27,498</u>	<u>903,424</u>

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

**35.1 Credit risk (Cont'd.)**

**35.1.1 Credit exposure by credit rating (Cont'd.)**

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Rating Agency of Malaysia's ("RAM"), S&P Global Rating, AmBest or Malaysian Rating Corporation Berhad ("MARC") credit ratings of counterparties. AAA is the highest possible rating.

	AAA RM'000	AA RM'000	A RM'000	B RM'000	Non-rated RM'000	Total RM'000
<b>2019</b>						
AC:						
Fixed and call deposits	15,241	-	-	-	-	15,241
Loans	-	-	-	-	904	904
Reinsurance assets	-	159,487	212,096	38	93,238	464,859
Insurance receivables	-	2,723	1,583	-	56,387	60,693
Other receivables	23	2	-	-	105,991	106,016
Cash and short-term deposits	190,401	56,803	189	-	202	247,595
Total credit risk exposure	205,665	219,015	213,868	38	256,722	895,308
<b>2018</b>						
LAR:						
Fixed and call deposits	15,602	-	-	-	-	15,602
Loans	-	-	-	-	1,587	1,587
Reinsurance assets	-	137,200	210,807	489	121,624	470,120
Insurance receivables	-	733	937	-	65,068	66,738
Other receivables	2	-	-	-	166,081	166,083
Cash and short-term deposits	145,373	37,006	776	-	139	183,294
Total credit risk exposure	160,977	174,939	212,520	489	354,499	903,424

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### 35. FINANCIAL RISK (CONT'D)

#### 35.1 Credit risk (Cont'd.)

##### 35.1.1 Credit exposure by credit rating (Cont'd.)

Set out below is the information about the credit risk exposure on the Company's insurance receivables, using a provision matrix:

	< 2 months RM'000	6 months RM'000	> 2 to 6 months RM'000	12 months RM'000	> 6 to 12 months RM'000	Total RM'000
<b>31 March 2019</b>						
Expected credit loss rate	8%	21%	70%	100%		
Gross carrying amount						
- Insurance receivables	3,230	1,745	3,249	11,260	19,484	
<b>1 April 2018</b>						
Expected credit loss rate	7%	13%	59%	100%		
Gross carrying amount						
- Insurance receivables	2,250	2,706	3,065	9,378	17,399	

#### 35.2 Liquidity risk

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

The Company will meet its liquidity needs arising in a number of key areas:

- the ability to meet the Company's payment obligations under normal and stressed operating environments without suffering any material loss
- efficient management of additions/withdrawals from the Company's investment funds

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### 35. FINANCIAL RISK (CONT'D.)

#### 35.2 *Liquidity risk (Cont'd.)*

Part of the Company's liquidity management strategy is to put in place the necessary framework capable of measuring and reporting on:

- daily cash flows
- minimum liquidity holdings
- cash flow forecasting, for a minimum of 2 months up to a maximum of 1 year
- the composition and market values of the Company's investment portfolios, including liquid holdings
- Insurance contract liabilities

For managing the liquidity of the insurance funds, it is appropriate to maintain a certain proportion of the General Insurance Fund in liquid assets which is derived from the investment mandate of the Company.

#### 35.2.1 *Maturity profiles*

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

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



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### 35. FINANCIAL RISK (CONT'D.)

#### 35.2 Liquidity risk (Cont'd.)

##### 35.2.1 Maturity profiles (Cont'd.)

Premium liabilities and the reinsurers' share of premium liabilities have been excluded from the analysis as they are not contractual obligations.

2019	Carrying value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	No maturity date RM'000	Total RM'000
Financial investments:							
AC	16,145	15,548	294	179	305	-	16,326
FVTPL	3,684,671	3,681,903	-	-	-	2,768	3,684,671
Reinsurance assets - claim liabilities	3,700,816	3,697,451	294	179	305	2,768	3,700,997
Insurance receivables	411,537	232,199	148,521	31,131	14,135	-	425,986
Other receivables	60,693	60,693	-	-	-	-	60,693
Cash and short-term deposits	106,016	106,016	-	-	-	-	106,016
<b>Total undiscounted financial assets</b>	<b>4,526,657</b>	<b>4,343,954</b>	<b>148,815</b>	<b>31,310</b>	<b>14,440</b>	<b>-</b>	<b>247,595</b>
Insurance contract liabilities - claim liabilities	1,825,791	1,064,712	689,189	145,904	87,291	-	1,987,096
Other liabilities	17,417	17,417	-	-	-	-	17,417
Insurance payables	166,260	166,260	-	-	-	-	166,260
Other payables	41,157	41,157	-	-	-	-	41,157
<b>Total undiscounted financial liabilities</b>	<b>2,050,625</b>	<b>1,289,546</b>	<b>689,189</b>	<b>145,904</b>	<b>87,291</b>	<b>-</b>	<b>2,211,930</b>
<b>Total liquidity surplus/(gap)</b>	<b>2,476,032</b>	<b>3,054,408</b>	<b>(540,374)</b>	<b>(114,594)</b>	<b>(72,851)</b>	<b>2,768</b>	<b>2,329,357</b>

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### 35. FINANCIAL RISK (CONT'D.)

#### 35.2 Liquidity risk (Cont'd.)

##### 35.2.1 Maturity profiles (Cont'd.)

2018	Carrying value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
Financial investments:								
LAR	17,189	15,947	469	323	580	10	-	17,329
AFS	1,326,301	1,324,871	-	-	-	-	1,430	1,326,301
FVTPL	2,574,661	2,574,661	-	-	-	-	-	2,574,661
	3,918,151	3,915,479	469	323	580	10	1,430	3,918,291
Reinsurance assets - claim liabilities	418,062	235,714	152,062	32,094	18,114	-	-	437,984
Insurance receivables	66,738	66,738	-	-	-	-	-	66,738
Other receivables	166,083	166,083	-	-	-	-	-	166,083
Cash and short-term deposits	183,294	183,294	-	-	-	-	-	183,294
<b>Total undiscounted financial assets</b>	<b>4,752,328</b>	<b>4,567,308</b>	<b>152,531</b>	<b>32,417</b>	<b>18,694</b>	<b>10</b>	<b>1,430</b>	<b>4,772,390</b>
Insurance contract liabilities - claim liabilities	1,903,458	1,064,712	689,189	145,904	87,291	-	-	1,987,096
Other liabilities	16,954	16,954	-	-	-	-	-	16,954
Insurance payables	181,037	181,037	-	-	-	-	-	181,037
Other payables	40,481	40,481	-	-	-	-	-	40,481
<b>Total undiscounted financial liabilities</b>	<b>2,141,930</b>	<b>1,303,184</b>	<b>689,189</b>	<b>145,904</b>	<b>87,291</b>	<b>-</b>	<b>-</b>	<b>2,225,568</b>
<b>Total liquidity surplus/(gap)</b>	<b>2,610,398</b>	<b>3,264,124</b>	<b>(536,658)</b>	<b>(113,487)</b>	<b>(68,597)</b>	<b>10</b>	<b>1,430</b>	<b>2,546,822</b>

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

**35.2 Liquidity risk (Cont'd.)**

**35.2.1 Maturity profiles (Cont'd.)**

The table below summarises the expected utilisation or settlement of assets and liabilities by classifying them into Current and Non-current categories:

	<b>Current*</b> RM'000	<b>Non- current</b> RM'000	<b>Total</b> RM'000
<b>2019</b>			
<b>Assets</b>			
Property and equipment	-	25,538	25,538
Investment properties	-	-	-
Intangible assets	-	55,179	55,179
Investments	3,697,143	3,673	3,700,816
Reinsurance assets	269,149	195,710	464,859
Insurance receivables	60,693	-	60,693
Other receivables	106,016	-	106,016
Deferred tax assets	25,177	-	25,177
Cash and short-term deposits	247,595	-	247,595
Non-current asset held for sale	5,029	-	5,029
<b>Total assets</b>	<b>4,410,802</b>	<b>280,100</b>	<b>4,690,902</b>
<b>Liabilities</b>			
Insurance contract liabilities	1,648,117	878,934	2,527,051
Other liabilities	17,417	-	17,417
Insurance payables	166,260	-	166,260
Provision for taxation	-	3,488	3,488
Other payables	242,063	-	242,063
Provision for retirement benefits	1,280	18,551	19,831
<b>Total liabilities</b>	<b>2,075,137</b>	<b>900,973</b>	<b>2,976,110</b>

\* *Expected maturities within 12-months from the reporting date.*

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

**35.2 Liquidity risk (Cont'd.)**

**35.2.1 Maturity profiles (Cont'd.)**

The table below summarises the expected utilisation or settlement of assets and liabilities by classifying them into Current and Non-current categories (Cont'd.):

	<b>Current*</b> RM'000	<b>Non- current</b> RM'000	<b>Total</b> RM'000
<b>2018</b>			
<b>Assets</b>			
Property and equipment	-	34,475	34,475
Investment properties	-	5,192	5,192
Intangible assets	-	61,555	61,555
Investments	3,915,134	3,017	3,918,151
Reinsurance assets	229,091	241,029	470,120
Insurance receivables	66,738	-	66,738
Other receivables	166,083	-	166,083
Deferred tax assets	23,187	-	23,187
Tax recoverable	8,454	-	8,454
Cash and short-term deposits	183,294	-	183,294
Non-current asset held for sale	1,599	-	1,599
<b>Total assets</b>	<b>4,593,580</b>	<b>345,268</b>	<b>4,938,848</b>
<b>Liabilities</b>			
Insurance contract liabilities	1,648,117	934,356	2,582,473
Other liabilities	16,954	-	16,954
Insurance payables	181,037	-	181,037
Other payables	234,604	-	234,604
Provision for retirement benefits	708	18,906	19,614
<b>Total liabilities</b>	<b>2,081,420</b>	<b>953,262</b>	<b>3,034,682</b>

\* Expected maturities within 12-months from the reporting date.

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

**35.3 Market risk**

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

- Foreign exchange risk
- Interest rate risk – the risk of fluctuations in fair value or future cash flows of a financial instrument arising from a change of or volatility in interest rates
- Price risk – the risk of fluctuations in fair value or future cash flows of a financial instrument arising from a change of or volatility in equity values.

**35.3.1 Foreign exchange risk**

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

At the reporting date, the Company has no significant exposure to foreign exchange risk.

The Company does not engage in derivative transactions for speculative purposes.

**35.3.2 Interest rate risk**

Interest rate risk is the risk of fluctuations in fair value or future cash flows of a financial instrument arising from volatility in interest rates.

Day-to-day investment decisions around the management of interest rate risk and its impact on the value of the Company's investments are largely undertaken on behalf of the Company by approved fund managers, within the boundaries set by the fund management mandates entered into between the Company and its related company and AmFunds Management Berhad. The fund managers will assess the extent of interest rate risk allowed by the fund as set out in the fund objectives and relative to the defined performance benchmarks. The methodology to manage interest rate risk within each specific fund is an integral part of the fund manager's approach adopted.

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

**35.3.3 Price risk**

The following table demonstrates the sensitivity to a reasonable change in market indices on the equity securities, as well as collective investment schemes and quoted unit and property trust funds:

	Change in variables	<----- 2019 ----->		<----- 2018 ----->	
		Impact on profit before taxation RM'000	Impact on equity* RM'000	Impact on profit before taxation RM'000	Impact on equity* RM'000
<b>Equity securities:</b>					
Market price	+5%	8,507	6,465	-	8,494
Market price	-5%	(8,507)	(6,465)	-	(8,494)
<b>Unit and property trust funds:</b>					
Market price	+5%	526	400	-	494
Market price	-5%	(526)	(400)	-	(494)
<b>Collective investment schemes</b>					
Net asset value	+5%	175,062	133,047	128,733	139,194
Net asset value	-5%	(175,062)	(133,047)	(128,733)	(139,194)

\* impact on equity reflects adjustment for tax, where applicable.

The method used for deriving sensitivity information and significant variables did not change from the previous year.

**35.4 Operational risk**

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss that cannot be estimated in all operational risks. However, by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage these risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education and assessment processes, as well as the use of internal audit. Business risks such as changes in environment, technology and the industry are monitored through the Company's strategic planning and budgeting process.

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**36. FAIR VALUE HIERARCHY**

The table below analyses those financial instruments carried at fair value and assets for which fair value is disclosed by their valuation methods.

- (a) Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- (b) Level 2 - Valuation techniques for which all inputs that are significant to the fair value measurement is directly or indirectly observable
- (c) Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

	Note	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>2019</b>					
<b>Assets measured at fair value on a recurring basis:</b>					
FVTPL financial assets:					
Equity securities					
Quoted	6	170,136	-	-	170,136
Unquoted	6	-	-	2,768	2,768
Unit and property trust funds	6	10,519	-	-	10,519
Collective investment schemes	6				
Investment in subsidiaries		3,342,522	-	-	3,342,522
Investment in others		158,726	-	-	158,726
		<u>3,681,903</u>	-	2,768	<u>3,684,671</u>

**2018**

**Assets measured at fair value on a recurring basis:**

AFS financial assets:

Equity securities	6				
Quoted	6	223,515	-	-	223,515
Unit and property trust funds	6	13,009	-	-	13,009
Collective investment schemes	6				
Investment in subsidiaries		1,044,448	-	-	1,044,448
Investment in joint venture		-	-	-	-
Investment in others		43,899	-	-	43,899
FVTPL financial assets:					
Collective investment schemes	6				
Investment in subsidiaries		2,416,130	-	-	2,416,130
Investment in others		158,531	-	-	158,531
		<u>3,899,532</u>	-	-	<u>3,899,532</u>

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**36. FAIR VALUE HIERARCHY (CONT'D.)**

	Note	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>Assets for which fair values are disclosed:</b>					
Investment properties	4	-	-	11,400	11,400

The fair values of investment properties were derived based on the methods disclosed in Note 4. The reconciliation from opening to closing balances of investment properties (classified under Level 3 of the fair value hierarchy) is provided in Note 4. Methods to derive fair value of other assets are disclosed in Note 2.2(i).

There were no transfers between Level 1 or Level 2 of the fair value hierarchy during the current and previous financial years for assets which are carried at fair value.

Unquoted equities are valued using adjusted net asset value. The adjusted net asset value of unquoted equities as at the reporting period is an unobservable input as it is not published. Accordingly, these investments are classified as Level 3 investment within the fair value hierarchy. Changing unobservable inputs to reasonably possible alternative assumptions would not have a significant impact on profit for the year.

Movement in level 3 assets and liabilities measured at fair value:

The following tables present the reconciliation for all assets measured at fair value based on significant unobservable inputs (Level 3):

	RM'000
<b>At 1 April 2018</b>	1,430
Effects of adoption of MFRS9	1,310
<b>At 1 April 2018 (Restated)</b>	<u>2,740</u>
Total gain for the year:	
Included in the income statement	
Changes in fair value	28
<b>At 31 March 2019</b>	<u>2,768</u>



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**37. REGULATORY CAPITAL REQUIREMENTS**

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

	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Eligible Tier 1 capital</b>		
Fully paid-up ordinary shares (Note 13)	800,000	600,000
Paid-up non-cumulative irredeemable preference shares	61,000	61,000
Retained earnings	<u>653,792</u>	<u>845,504</u>
	<u>1,514,792</u>	<u>1,506,504</u>
<b>Tier 2 capital</b>		
RNCPS	200,000	400,000
AFS fair value reserves	-	<u>(2,338)</u>
	<u>200,000</u>	<u>397,662</u>
Amounts deducted from capital	<u>(90,544)</u>	<u>(97,126)</u>
Total capital available	<u>1,624,248</u>	<u>1,807,040</u>

**38. INSURANCE FUND**

The Company's activities are organised by funds and segregated into Insurance and Shareholder's Funds in accordance with the Financial Services Act, 2013.

The insurance and shareholder's funds have been presented together as one fund in the Company's statement of financial position, income statement and statement of comprehensive income.

The general insurance business offers general insurance products which include Motor, Fire, Personal Accident, Health and Surgical, Marine, Aviation and Transit and Miscellaneous products.

**AmGENERAL INSURANCE BERHAD  
(Incorporated in Malaysia)**

**39. SIGNIFICANT AND SUBSEQUENT EVENT**

**The Malaysian Competition Commission ("MyCC")'s Proposed Decision against PIAM and its 22 members**

On 10 August 2016, the Malaysian Competition Commission ("MyCC") commenced an investigation into an alleged infringement by Persatuan Insurans Am Malaysia ("PIAM") and all its members, being 22 general insurers, including AmGeneral Insurance Berhad in respect of Section 4(2)(a) of the Competition Act, 2010 ("CA 2010"). The MyCC alleged that PIAM and all 22 general insurers fixed the parts trade discount rates for certain vehicle makes and labour hourly rates for PIAM Approved Repairers Scheme workshops.

On 22 February 2017, MyCC issued a proposed decision against PIAM and 22 of its members, being general insurers, for an alleged infringement of the CA 2010. The Proposed Decision ("PD") includes proposed financial penalties on all 22 general insurers, including AmGeneral Insurance Berhad. AmGeneral Insurance Berhad's share of the proposed infringement penalties amounted to RM45,156,098.

On 1 March 2017, Bank Negara Malaysia issued a press statement confirming that the arrangement which is the subject of MyCC's PD was put in place in response to a clear directive from Bank Negara Malaysia to the general insurers in 2011. AmGeneral Insurance Berhad has on 25 April 2017, completed the submission of its written representations to MyCC. AmGeneral Insurance Berhad has also indicated its request for oral representations.

On 29 January 2018, AmGeneral Insurance Berhad's legal counsel delivered oral representations to MyCC reiterating its position that it has not infringed Section 4(2)(a) of the CA 2010 and that no infringement penalties should be imposed. Should the PD be upheld, AmGeneral Insurance Berhad will appeal to the Competition Appeals Tribunal and thereafter take any adverse outcome to a judicial review before the Malaysian courts.

On 19 and 20 February 2019, AmGeneral Insurance Berhad's legal counsel delivered 2nd oral representations to MyCC. The other counsel had applied to fix further dates for their respective oral representations, which was granted by MyCC. In view thereof, the final finding of infringement or non-infringement by MyCC will not likely take place until after 18 June 2019.