Unless otherwise stated, all terms and abbreviations contained in this Abridged Prospectus are defined in the "Definitions" Section of this Abridged Prospectus.

THIS ABRIDGED PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

If you have sold or transferred all your MNRB Shares, you should at once hand the Documents (as defined herein) to the agent/broker through whom you have effected the sale or transfer for onward transmission to the purchaser or transferee. All enquiries concerning the Rights Issue, which is the subject of this Abridged Prospectus, should be addressed to MNRB's Share Registrar, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor.

A copy of this Abridged Prospectus has been registered with the SC. The registration of this Abridged Prospectus should not be taken to indicate that the SC recommends the Rights Issue or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Abridged Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment. A copy of the Documents, have also been lodged with the Registrar of Companies, who takes no responsibility for the contents.

The approval for the Rights Issue has been obtained from our Shareholders at our EGM held on 13 September 2018. The approval for the listing of and quotation for the Rights Shares on the Main Market of Bursa Securities has been obtained from Bursa Securities vide its letter dated 2 August 2018. The listing of and quotation for the Rights Shares are in no way reflective of the merits of the Rights Issue.

Our Board has seen and approved all the documentation relating to the Rights Issue. They collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable inquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts which if omitted would make the statements in these documents false or misleading.

The Documents are only despatched to our shareholders whose names appear in the Record of Depositors as at 5.00 p.m. on 2 October 2018 at their registered address in Malaysia or who have provided our Share Registrar with a registered address in Malaysia in writing by 5.00 p.m. on 2 October 2018. The Documents are not intended to be (and will not be) issued, circulated or distributed, and the Rights Issue is not intended to be (and will not be) made or offered or deemed to be made or offered for purchase or subscription, in any countries or jurisdiction other than Malaysia or to persons who are or may be subject to the laws of any country or jurisdiction other than the laws of Malaysia. Persons receiving the Documents (including without limitation, custodians, nominees and trustees) must not, in connection with the Rights Issue, offer, distribute or send the Documents outside of Malaysia. No action has been or will be taken to ensure that the Rights Issue complies with the laws of any countries or jurisdictions other than the laws of Malaysia. The Rights Issue to which the Documents relate is only available to persons receiving the Documents within Malaysia. The Documents do not constitute an offer, solicitation or invitation to subscribe for the Rights Issue in any jurisdictions other than Malaysia or to any person whom it may be unlawful to make such an offer, solicitation or invitation. Our Entitled Shareholders and/or their renouncee(s)/transferee(s) who are residents in countries or jurisdictions other than Malaysia should therefore immediately consult their legal advisers and other professional advisers as to whether the acceptance and/or renunciation (as the case may be) of all or any part of their entitlements to the Rights Issue would result in a contravention of any laws of such countries or jurisdiction. Neither our Company, AmInvestment Bank nor any other professional advisers to the Rights Issue shall accept any responsibility or liability if any acceptance and/or renunciation (as the case may be) made by our Entitled Shareholders and/or their renouncee(s)/transferee(s) is or shall become illegal, unenforceable, voidable or void in any such country or jurisdiction. For further information, see "Laws of foreign jurisdiction" as set out in Section 10.8 of this Abridged Prospectus.

AmInvestment Bank, being the Principal Adviser of the Rights Issue, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning the Rights Issue.

FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, PLEASE REFER TO "RISK FACTORS" AS SET OUT IN SECTION 6 OF THIS ABRIDGED PROSPECTUS.

MNRB

MNRB HOLDINGS BERHAD

(Company No. 13487-A)

(Incorporated in Malaysia under the Companies Act 1965 and deemed registered under the Companies Act 2016)

RENOUNCEABLE RIGHTS ISSUE OF 447,445,870 NEW ORDINARY SHARES IN MNRB HOLDINGS BERHAD ("MNRB" OR "COMPANY") ("MNRB SHARE(S)") ("RIGHTS SHARE(S)") ON THE BASIS OF 7 RIGHTS SHARES FOR EVERY 5 EXISTING MNRB SHARES HELD BY THE ENTITLED SHAREHOLDERS AS AT 5.00 P.M. ON 2 OCTOBER 2018 AT AN ISSUE PRICE OF RM0.90 PER RIGHTS SHARE ("RIGHTS ISSUE")

Principal Adviser, Managing Underwriter and Joint Underwriter

AmInvestment Bank

AmInvestment Bank Berhad

(Company No. 23742-V)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

Joint Underwriter

RHB InvestmentBank

RHB Investment Bank Berhad

(Company No. 19663-P)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

IMPORTANT RELEVANT DATES AND TIMES

Entitlement Date	: Tuesday, 2 October 2018 at 5.00 p.m.
Last date and time for the:	
Sale of Provisional Rights Shares	: Tuesday, 9 October 2018 at 5.00 p.m.
Transfer of Provisional Rights Shares	: Friday, 12 October 2018 at 4.00 p.m.
Acceptance and payment	: Wednesday, 17 October 2018 at 5.00 p.m.*
Excess Application and payment	: Wednesday, 17 October 2018 at 5.00 p.m.*

This Abridged Prospectus is dated 2 October 2018.

Company No. 13487-A

Unless otherwise stated, all terms and abbreviations contained in this Abridged Prospectus are defined in the "Definitions" Section of this Abridged Prospectus.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON OUR PART AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS ABRIDGED PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS ABRIDGED PROSPECTUS.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKERS, BANK MANAGERS, SOLICITORS, ACCOUNTANTS OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

BURSA SECURITIES HAS APPROVED THE LISTING OF AND QUOTATION FOR THE RIGHTS SHARES ON THE MAIN MARKET OF BURSA SECURITIES. HOWEVER, THIS IS NOT AN INDICATION THAT BURSA SECURITIES RECOMMENDS THE RIGHTS ISSUE.

YOU ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE AND MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS ABRIDGED PROSPECTUS ARE DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CMSA.

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE RIGHTS ISSUE FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA, E.G. OUR DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

THE DISTRIBUTION OF THE DOCUMENTS IS SUBJECT TO MALAYSIAN LAWS. WE AND OUR ADVISERS FOR THE RIGHTS ISSUE ARE NOT RESPONSIBLE FOR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE OF MALAYSIA. WE AND OUR ADVISERS HAVE NOT TAKEN ANY ACTION TO PERMIT AN OFFERING OF OUR SHARES BASED ON THE DOCUMENTS OR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE OF MALAYSIA. THE DOCUMENTS MAY NOT BE USED FOR AN OFFER TO SELL OR AN INVITATION TO BUY OUR SHARES IN ANY OTHER COUNTRIES OR JURISDICTIONS OTHER THAN MALAYSIA. WE AND OUR ADVISERS REQUIRE YOU TO INFORM YOURSELF OF AND TO OBSERVE SUCH RESTRICTIONS.

THE DOCUMENTS HAVE BEEN PREPARED AND PUBLISHED SOLELY FOR THE RIGHTS ISSUE UNDER THE LAWS OF MALAYSIA. WE AND OUR ADVISERS HAVE NOT AUTHORISED ANYONE TO PROVIDE YOU WITH INFORMATION WHICH IS NOT CONTAINED IN THE DOCUMENTS.

DEFINITIONS

For the purpose of this Abridged Prospectus, unless where the context otherwise requires, the following definitions will apply throughout this Abridged Prospectus:

Abridged Prospectus	:	This abridged prospectus dated 2 October 2018 issued by our Company in relation to the Rights Issue
Act	:	Companies Act, 2016
ART-ASB	:	AmanahRaya Trustees Berhad holding shares for and on behalf of Amanah Saham Bumiputera, a major shareholder of our Company
ART-ASB Undertaking	:	The irrevocable written undertakings dated 7 September 2018 from ART-ASB
AmInvestment Bank or **Principal Adviser**	:	AmInvestment Bank Berhad, being the Principal Adviser for the Rights Issue
Bloomberg	:	Bloomberg Finance L.P.
BNM	:	Bank Negara Malaysia
Board	:	Board of Directors of our Company
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd
Bursa Securities	:	Bursa Malaysia Securities Berhad
CDS Account(s)	:	The account(s) established by Bursa Depository for the recording of deposit and withdrawal of securities and for the dealing in such securities by the depositor
CMSA	:	Capital Markets and Services Act, 2007
Director(s)	:	Director(s) of our Company
Documents	:	This Abridged Prospectus together with the NPA and the RSF
EGM	:	Extraordinary General Meeting of our Company
Entitled Shareholder(s)	:	Our Shareholder(s) whose name(s) appear in our Record of Depositors on the Entitlement Date
Entitlement Date	:	2 October 2018 at 5.00 p.m., being the date and time at which the name(s) of our Shareholder(s) must be registered in our Record of Depositors in order to be entitled to participate in the Rights Issue
EPS	:	Earnings per Share
Excess Application	:	Application for additional Rights Shares in excess of our Entitled Shareholders' and/or their renouncee(s)'/transferee(s)' entitlements under the Rights Issue, the procedures of which are set out in Section 10.5 of this Abridged Prospectus
Excess Rights Share(s)	:	Rights Share(s) which are not taken up or not validly taken up by our Entitled Shareholders and/or their renouncee(s)/transferee(s) prior to the Excess Application

Foreign Entitled Shareholder(s)	:	Entitled Shareholder(s) who have not provided an address in Malaysia for the service of documents to be issued for the purpose of the Rights Issue
FPE	:	Financial period ended
FSA	:	Financial Services Act, 2013
FYE	:	Financial year(s) ended/ending, as the case may be
IFSA	:	Islamic Financial Services Act, 2013
IRB	:	Inland Revenue Board of Malaysia
Government	:	Government of Malaysia
GEP/GEC	:	Gross earned premiums/contributions
High Court	:	High Court of Malaya
Issue Price	:	RM0.90, being the issue price for each Rights Share
LAT	:	Loss after tax
LBT	:	Loss before tax
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	6 September 2018, being the latest practicable date prior to the printing of this Abridged Prospectus
Malaysian Re	:	Malaysian Reinsurance Berhad
Managing and Underwriting Agreement	:	Managing and Underwriting Agreement dated 18 September 2018 entered into between our Company, the Managing Underwriter and the Joint Underwriters in relation to the Rights Issue
Managing Underwriter	:	AmInvestment Bank
Market Day	:	A day on which Bursa Securities is open for trading in securities
MNRB or **Company**	:	MNRB Holdings Berhad
MNRB Group or **Group**	:	Our Company and our subsidiaries, collectively
MNRB Share(s) or **Share(s)**	:	Ordinary share(s) in our Company
MNRB Shareholder(s) or **Shareholder(s)**	:	Shareholder(s) of our Company
NA	:	Net assets
NPA	:	Notice of provisional allotment issued under the Rights Issue
PAT	:	Profit after tax

DEFINITIONS *(CONT'D)*

PBT	:	Profit before tax
PNB	:	Permodalan Nasional Berhad, a major shareholder of our Company
PNB Undertaking	:	The irrevocable written undertakings dated 27 July 2018 from PNB
Price-Fixing Date	:	13 September 2018, being the date on which the Issue Price of the Rights Shares was determined and announced by our Company
Proposed Reorganisation	:	The proposed reorganisation which entails the separation of Takaful IKHLAS's takaful businesses into distinct family and general takaful businesses by transferring Takaful IKHLAS's general takaful business to Takaful Ikhlas General by way of a business transfer scheme in accordance with Section 112 of the IFSA
Provisional Rights Shares	:	Rights Shares provisionally allotted to our Entitled Shareholders
Record of Depositors	:	A record of depositors provided by Bursa Depository to our Company under Chapter 24.0 of the Rules of Bursa Depository
Reporting Accountants		Ernst & Young, being the Reporting Accountants for the Rights Issue
Rights Proceeds	:	The gross proceeds of approximately RM400 million to be raised under the Rights Issue
Rights Issue	:	Renounceable rights issue of 447,445,870 Rights Shares on the basis of 7 Rights Shares for every 5 existing MNRB Shares held by our Entitled Shareholders on the Entitlement Date at an Issue Price of RM0.90 per Rights Share
Rights Share(s)	:	447,445,870 new MNRB Share(s) to be issued under the Rights Issue
RM and **sen**	:	Ringgit Malaysia and sen
RSF	:	Rights subscription form for the Rights Issue
Rules of Bursa Depository	:	The rules of Bursa Depository as issued under the SICDA
SC	:	Securities Commission Malaysia
Share Registrar	:	Symphony Share Registrars Sdn Bhd
SICDA	:	Securities Industry (Central Depositories) Act, 1991
Solicitors	:	Adnan Sundra & Low, being the Solicitors for the Rights Issue
Takaful IKHLAS	:	Takaful Ikhlas Berhad
Takaful Ikhlas General	:	Takaful Ikhlas General Berhad
TERP	:	Theoretical ex-rights price
Undertakings	:	Collectively, the ART-ASB Undertaking and the PNB Undertaking
Joint Underwriters	:	AmInvestment Bank and RHB Investment Bank, collectively
VWAMP	:	Volume weighted average market price

All references to "our Company" or "MNRB" in this Abridged Prospectus are to MNRB Holdings Berhad and reference to "our Group" are to our Company and our subsidiaries. All references to "we", "us", "our" and "ourselves" are to our Company, or where the context requires, our Group or any of our subsidiaries.

All references to "you" and "your" in this Abridged Prospectus are to our Entitled Shareholders and/or where the context otherwise requires, their renouncee(s) and/or transferee(s), where applicable.

Words importing the singular will, where applicable, include the plural and vice versa, and words importing the masculine gender will, where applicable, include the feminine and neuter genders and vice versa. References to persons will include corporations, unless otherwise specified.

Any reference in this Abridged Prospectus to any legislation, statute, guidelines, code, rules and regulations is a reference to that legislation, statute, guidelines, code, rules and regulations as amended or re-enacted from time to time. Any reference to a time of day or date in this Abridged Prospectus will be a reference to Malaysian time and date, unless otherwise stated.

Certain amounts and percentage figures included in this Abridged Prospectus have been subject to rounding adjustments. Any discrepancy between the figures shown in this Abridged Prospectus and figures published by our Company, such as quarterly reports or annual reports, is due to rounding.

Certain statements in this Abridged Prospectus may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by our Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of forward-looking statements in this Abridged Prospectus should not be regarded as representation or warranty that our Company's plans and objectives will be achieved.

TABLE OF CONTENTS

TABLE OF CONTENTS *(CONT'D)*

APPENDICES

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Name (*Designation*)	Age	Address	Nationality	Profession
Dato Sharkawi bin Alis *(Non-Independent Non-Executive Chairman)*	71	62, Jalan Kekabu, Damansara Heights, 50490 Kuala Lumpur	Malaysian	Company Director
Mustaffa bin Ahmad *(Senior Independent Non-Executive Director)*	62	No. 39, Jalan Setiakasih 9, Bukit Damansara, 50490 Kuala Lumpur	Malaysian	Company Director
Hijah Arifakh binti Othman *(Non-Independent Non-Executive Director)*	58	No. 219, Jalan Jati, Kampung Melayu Ampang, 68000 Ampang Selangor	Malaysian	Company Director
Rosinah binti Mohd Salleh *(Independent Non-Executive Director)*	49	No. 10, Jalan Memanah, 13/55A, Laman Seri, Seksyen 13, 40100 Shah Alam, Selangor Darul Ehsan	Malaysian	Company Director
Arul Sothy A/L S Mylvaganam *(Independent Non-Executive Director)*	62	67, Jalan Keruing, Bukit Bandaraya, Bangsar, 59100 Kuala Lumpur	Malaysian	Company Director
Noor Rida binti Hamzah *(Independent Non-Executive Director)*	57	52, Jalan Hilir Dua, Taman Ampang Hilir, 55000 Kuala Lumpur	Malaysian	Company Director
Datuk Johar bin Che Mat *(Independent Non-Executive Director)*	66	No. 4, Jalan SS7/11, Kelana Jaya, 47301 Petaling Jaya, Selangor	Malaysian	Company Director
George A/L Oommen *(Independent Non-Executive Director)*	65	Apt 7-6-4, Menara Hartamas, Jalan Sri Hartamas 3, 50480 Kuala Lumpur	Malaysian	Company Director

AUDIT COMMITTEE

Name	**Designation**	**Directorship**
Arul Sothy A/L S Mylvaganam	Chairman	Independent Non-Executive Director
Noor Rida binti Hamzah	Member	Independent Non-Executive Director
Datuk Johar bin Che Mat	Member	Independent Non-Executive Director
George A/L Oommen	Member	Independent Non-Executive Director

COMPANY SECRETARY : Lena binti Abd Latif (LS 8766)
846, Jalan 17/24 Petaling Jaya
46400 Petaling Jaya
Selangor Darul Ehsan

REGISTERED/ HEAD/MANAGEMENT OFFICE : 12th Floor,
Bangunan Malaysian Re
No. 17, Lorong Dungun
Damansara Heights
50490 Kuala Lumpur
Tel: 03-2096 8000
Email: enquiry@mnrb.com.my
Website: www.mnrb.com.my

AUDITORS AND REPORTING ACCOUNTANTS : Ernst & Young
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur, Malaysia

SOLICITORS : Adnan Sundra & Low
Level 11, Menara Olympia
No. 8, Jalan Raja Chulan
50200 Kuala Lumpur

PRINCIPAL ADVISER : AmInvestment Bank Berhad
22nd Floor, Bangunan AmBank Group
55, Jalan Raja Chulan
50200 Kuala Lumpur

PRINCIPAL BANKERS *(in alphabetical order)* : AmBank (M) Berhad
22nd Floor, Bangunan AmBank Group
55, Jalan Raja Chulan
50200 Kuala Lumpur

Standard Chartered Bank Malaysia Berhad
Level 16, Menara Standard Chartered
No. 30, Jalan Sultan Ismail
50250, Kuala Lumpur

SHARE REGISTRAR	:	Symphony Share Registrars Sdn Bhd Level 6, Symphony House Pusat Dagangan Dana 1 Jalan PJU 1A/46 47301 Petaling Jaya Selangor Darul Ehsan
MANAGING UNDERWRITER FOR THE RIGHTS ISSUE	:	AmInvestment Bank Berhad 22nd Floor, Bangunan AmBank Group 55, Jalan Raja Chulan 50200 Kuala Lumpur
JOINT UNDERWRITERS FOR THE RIGHTS ISSUE ***(in alphabetical order)***	:	AmInvestment Bank Berhad 22nd Floor, Bangunan AmBank Group 55, Jalan Raja Chulan 50200 Kuala Lumpur RHB Investment Bank Berhad Level 9, Tower One RHB Centre Jalan Tun Razak 50400 Kuala Lumpur
STOCK EXCHANGE LISTED AND LISTING	:	Main Market of Bursa Securities

MNRB HOLDINGS BERHAD
(Company No. 13487-A)
(Incorporated in Malaysia under the Companies Act 1965 and deemed registered under the Companies Act 2016)

Registered Office
12th Floor,
Bangunan Malaysian Re
No. 17, Lorong Dungun
Damansara Heights
50490 Kuala Lumpur

2 October 2018

Board of Directors

Dato Sharkawi bin Alis *(Non-Independent Non-Executive Chairman)*
Mustaffa bin Ahmad *(Senior Independent Non-Executive Director)*
Hijah Arifakh binti Othman *(Non-Independent Non-Executive Director)*
Rosinah binti Mohd Salleh *(Independent Non-Executive Director)*
Arul Sothy A/L S Mylvaganam *(Independent Non-Executive Director)*
Noor Rida binti Hamzah *(Independent Non-Executive Director)*
Datuk Johar bin Che Mat *(Independent Non-Executive Director)*
George A/L Oommen *(Independent Non-Executive Director)*

To: The Entitled Shareholders

Dear Sir/Madam,

RENOUNCEABLE RIGHTS ISSUE OF 447,445,870 NEW MNRB SHARES ON THE BASIS OF 7 RIGHTS SHARES FOR EVERY 5 EXISTING MNRB SHARES HELD BY OUR ENTITLED SHAREHOLDERS AS AT 5.00 P.M. ON THE ENTITLEMENT DATE AT AN ISSUE PRICE OF RM0.90 PER RIGHTS SHARE

1. INTRODUCTION

On 18 July 2018, AmInvestment Bank had, on behalf of our Board, announced that we propose to undertake a renounceable rights issue of new MNRB Shares to our Entitled Shareholders on a basis and issue price to be determined and announced later, to raise gross proceeds of approximately RM400 million.

On 27 July 2018, AmInvestment Bank had, on behalf of our Board, announced that the additional listing application in relation to the Rights Issue had been submitted to Bursa Securities. On 3 August 2018, AmInvestment Bank had, on behalf of our Board, announced that Bursa Securities had, vide its letter dated 2 August 2018, approved the listing of and quotation for the new MNRB Shares to be issued under the Rights Issue on the Main Market of Bursa Securities, subject to, among others, the following conditions:-

No.	Conditions	Status of compliance
(a)	MNRB and AmInvestment Bank must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Rights Issue;	Noted
(b)	MNRB and AmInvestment Bank to inform Bursa Securities upon the completion of the Rights Issue;	To be complied
(c)	MNRB to incorporate Bursa Securities' comments in respect of the circular to shareholders for the Rights Issue;	Complied
(d)	MNRB to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Rights Issue is completed; and	To be complied
(e)	MNRB to provide a certified true copy of the resolution passed by the shareholders at a general meeting approving the Rights Issue.	Complied

On 13 September 2018, AmInvestment Bank had, on behalf of our Board, announced that:-

(i) our Shareholders had approved the Rights Issue at our EGM. A certified true copy of the extract of the ordinary resolution approving the Rights Issue at our EGM is attached as Appendix I of this Abridged Prospectus; and

(ii) the Issue Price of the Rights Shares had been fixed at RM0.90 per Rights Share on an entitlement basis of 7 Rights Shares for every 5 existing MNRB Shares held by our shareholders on the Entitlement Date.

On 18 September 2018, AmInvestment Bank had, on behalf of our Board, announced that:-

(ii) our Company had entered into the Managing and Underwriting Agreement with the Managing Underwriter and the Joint Underwriters; and

(iii) the Entitlement Date had been fixed on 2 October 2018.

No person is authorised to give any information or to make any representation not contained in this Abridged Prospectus in connection with the Rights Issue and if given or made, such information or representation must not be relied upon as having been authorised by AmInvestment Bank or our Company.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

2. DETAILS OF THE RIGHTS ISSUE

2.1 Introduction

In accordance with the terms of the Rights Issue as approved by Bursa Securities as well as our Shareholders and subject to the terms of the Documents, the Rights Issue entails a provisional allotment of 447,445,870 Rights Shares on the basis of 7 Rights Shares for every 5 existing MNRB Shares held by our Entitled Shareholders at the Issue Price.

Based on Issue Price of RM0.90, the Rights Issue will raise gross proceeds of approximately RM402.7 million.

Shareholders whose names appear on our Record of Depositors as at the Entitlement Date are entitled to participate in the Rights Issue. However, only our Entitled Shareholders who have an address in Malaysia as stated in our Record of Depositors or who have provided the Share Registrar with an address in Malaysia in writing by the Entitlement Date will receive the Documents.

Our Entitled Shareholders can fully or partially renounce their entitlements to the Rights Shares. The Rights Shares which are not taken-up or validly taken-up will be made available for Excess Application by our Entitled Shareholders and/or Renouncee(s) and thereafter will be taken up by ART-ASB and PNB pursuant to the Undertakings and the Joint Underwriters. It is the intention of our Board to allocate the Excess Rights Shares on a fair and equitable manner as set out in Section 10.5 of this Abridged Prospectus.

Fractional entitlements of the Rights Shares, if any, arising from the Rights Issue will be disregarded and dealt with in such manner as our Board at its absolute discretion deems fit and expedient, and in the best interest of our Company.

As you are an Entitled Shareholder, you will find enclosed with this Abridged Prospectus, a NPA setting out the number of Rights Shares which you are entitled to subscribe for and a RSF which is to be used for the acceptance of the Rights Shares provisionally allotted to you, and for the application of any Excess Rights Shares under the Excess Application, should you wish to do so.

Upon allotment and issuance by our Company, the Rights Shares will be credited directly into the respective CDS Account(s) of yourself and/or your renouncee(s)/transferee(s) who have successfully subscribed for the Rights Shares. No physical share certificates will be issued but notices of allotment will be issued to the successful applicants. We will allot and issue the Rights Shares and despatch notices of allotment to successful applicants within eight (8) Market Days from the last day for acceptance and payment for the Rights Shares.

The official listing of and quotation for the Rights Shares will commence after, among others, receipt of confirmation from Bursa Depository that all the CDS Accounts of our Entitled Shareholders and/or their renouncee(s)/transferee(s) who have subscribed for the Rights Shares, have been duly credited and notices of allotment have been despatched to them.

2.2 Basis of determining the Issue Price of the Rights Shares

The issue price of RM0.90 per Rights Share was determined by our Board after taking into consideration, among others, the market conditions and movement in market price of MNRB Shares prior to the Price-Fixing Date, our Company's issued share capital and the TERP of our Shares based on the five-day VWAMP of MNRB Shares immediately preceding the Price-Fixing Date.

The issue price of RM0.90 per Rights Share represents a discount of approximately RM0.27 or 23.1% to the TERP of MNRB Shares of RM1.17, calculated based on the five-day VWAMP of RM1.545 per MNRB Share up to and including 12 September 2018, being the last Market Day immediately preceding the Price-Fixing Date.

2.3 Ranking of the Rights Shares

The Rights Shares will, upon allotment and issue, rank *pari passu* in all respects with the then existing MNRB Shares, save and except that the Rights Shares will not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to our Shareholders, the entitlement date of which is prior to the date of allotment of the Rights Shares.

3. MAJOR SHAREHOLDERS' UNDERTAKINGS AND UNDERWRITING ARRANGEMENT

3.1 Major Shareholders' Undertakings

The Rights Issue is to be undertaken on a full subscription basis.

Our Company had procured the following undertakings from our major shareholders:

(a) ART-ASB

By an irrevocable written undertaking dated 7 September 2018 from our major shareholder, ART-ASB, which has undertaken to:

(i) subscribe in full for its entitlement under the Rights Issue as at the Entitlement Date, including any increase in its Rights Shares entitlement arising from the increase in its shareholding (if any) in our Company from its shareholding of 135,500,000 MNRB Shares as at 7 September 2018;

(ii) not reduce its shareholding in our Company or dispose its MNRB Shares so that its shareholding as at the Entitlement Date will be no less than its shareholdings of 135,500,000 MNRB Shares as at 7 September 2018; and

(iii) subscribe for such number of undersubscribed Excess Rights Shares subject to ART-ASB's resultant shareholdings in our Company not exceeding 44.30%,

(b) PNB

By an irrevocable written undertaking dated 27 July 2018 from our major shareholder, PNB, which has undertaken to:

(i) subscribe in full for its entitlement under the Rights Issue as at the Entitlement Date, including any increase in its Rights Shares entitlement arising from the increase in its shareholding (if any) in our Company from its shareholding of 40,731,300 MNRB Shares as at 27 July 2018;

(ii) not reduce its shareholding in our Company or dispose its MNRB Shares so that its shareholding as at the Entitlement Date will be no less than its shareholdings of 40,731,300 MNRB Shares as at 27 July 2018;

(iii) subscribe for such number of undersubscribed Excess Rights Shares subject to PNB's resultant shareholdings in our company not exceeding 32.90%,

The Undertakings are also subject to:

(aa) such subscription not resulting in ART-ASB and PNB being required to undertake a mandatory general offer to the remaining Entitled Shareholders under the Rules on Take-overs, Mergers and Compulsory Acquisitions;

(bb) such subscription not resulting in our Company breaching the public spread requirement under the Listing Requirements;

(cc) the approval of Bursa Securities for the listing and quotation for the Rights Shares to be issued pursuant to the Rights Issue on the Main Market of Bursa Securities;

(dd) the approval of BNM for ART-ASB and PNB to subscribe to their entitlements and the Excess Rights Shares as provided under Section 87 of the FSA which has been obtained on 7 September 2018;

(ee) the approval of the shareholders of our Company which has been obtained at an EGM which was convened on 13 September 2018; and

(ff) the approval of any governmental authority, other regulatory authority and/or similar body pursuant to any applicable law or regulation.

The entitlements of ART-ASB and PNB under the Rights Issue and the number of Rights Shares to be subscribed under the Undertakings, based on ART-ASB's and PNB's shareholdings in our Company as at LPD are as follows:-

			Rights Shares to be subscribed for under the undertakings					
	As at LPD		**Entitlement under the Rights Issue**		**Excess Application**		**After the Rights Issue**	
Major Shareholders	**No. of MNRB Shares**	**%**	**No. of Rights Shares**	**%**	**No. of Excess Rights Shares**	**%**	**No. of MNRB Shares**	**%**
	('000)		*('000)*		*('000)*		*('000)*	
ART-ASB	135,500	42.40	189,700	42.40	14,603	1.90*	339,803	44.30*
PNB	40,731	12.74	57,024	12.74	137,729	17.96*	235,484	30.70*

Note:

* Illustrated assuming in the event of undersubscription of Excess Rights Shares, ART-ASB and PNB apply for the undersubscribed Excess Rights Shares, and 14.603 million Rights Shares and 137.729 million Rights Shares are allocated to ART-ASB and PNB respectively such that the subscription by ART-ASB and PNB shall not result in the trigger of the mandatory general offer by ART-ASB or PNB and our Company breaching the public spread requirement under the Listing Requirements.

Based on the Undertakings and the Issue Price of RM0.90, the ART-ASB Undertaking and PNB Undertaking amount to approximately RM183.9 million and RM175.3 million respectively.

ART-ASB and PNB have confirmed that they have sufficient financial resources to subscribe for their entitlements and Excess Rights Shares in accordance with the Undertakings and AmInvestment Bank has verified the said confirmation.

For clarification, the Undertakings will not give rise to any mandatory general offer obligation under the Rules on Take-overs, Mergers and Compulsory Acquisitions.

The Rights Issue is to be undertaken on a full subscription basis and the remaining balance of the Rights Shares not covered by the Undertakings has been fully underwritten by the Joint Underwriters.

3.2 Underwriting arrangement

On 18 September 2018, our Company had entered into the Managing and Underwriting Agreement with the Managing Underwriter and the Joint Underwriters to underwrite approximately 48.4 million Rights Shares ("**Underwritten Shares**") representing approximately 10.8% of the Rights Shares, being the portion of Rights Shares which is not covered by the Undertakings.

The Underwritten Shares are underwritten at a managing underwriting commission of 0.3% of the value of total Underwritten Shares ("**Managing Underwriting Commission**"), and at an underwriting commission of 1.0% of the value of total Underwritten Shares ("**Underwriting Commission**"). The total underwriting commission payable by our Company is approximately RM0.6 million.

The number of Underwritten Shares underwritten by each Joint Underwriter is as follows:-

Joint Underwriters	Role	No. of Underwritten Shares
AmInvestment Bank	Managing Underwriter and Joint Underwriter	38,352,502
RHB	Joint Underwriter	10,037,121
Total		48,389,623

The Managing Underwriting Commission and the Underwriting Commission for the Underwritten Shares and all reasonable costs in relation to the underwriting arrangement will be fully borne by our Company.

4. OTHER CORPORATE PROPOSALS APPROVED BUT PENDING COMPLETION

Save for the Rights Issue, there are no other corporate proposals involving our Group which have been approved by the regulatory authorities but have yet to be completed as at the LPD.

5. RATIONALE FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

5.1 Rationale for the Rights Issue

The Rights Issue:

(a) is for the Company to raise funds to support the capital management plan and continuous business growth of our two main businesses, namely, takaful and reinsurance.

The higher capital base would provide Takaful IKHLAS and Malaysian Re with the necessary capital to support their business growth.

(b) provides our Shareholders with an opportunity to participate in an equity offering on equitable basis based on their proportionate shareholdings at a discount to the prevailing market price of our Shares.

The participation will not dilute our Entitled Shareholders' respective equity interest, provided that such Entitled Shareholders fully subscribe for their respective entitlements to the Rights Shares; and

5.2 Use of proceeds from the Rights Issue

The gross proceeds to be raised by our Company under the Rights Issue are proposed to be used in the following manner:-

Details of use of proceeds		Timeframe for use*	RM'million
(a)	Capital injection into our Company's takaful subsidiaries namely, Takaful IKHLAS and Takaful Ikhlas General	Within 3 months	300.0
(b)	Capital injection into Malaysian Re	Within 3 months	100.0
(c)	Defrayment of estimated expenses for the Rights Issue	Within 3 months	1.5
(d)	Working capital requirements	Within 3 months	1.2
			402.7

Notes:

* From the date of listing of the Rights Shares.

(a) Capital injection into our Company's takaful subsidiaries

Our Group's family and general takaful businesses are currently carried out under one subsidiary, namely Takaful IKHLAS. For the FYE 31 March 2018, the audited gross earned contributions for Takaful IKHLAS was RM928.9 million, comprising RM647.8 million for the family takaful business and RM281.1 million for the general takaful business.

In accordance with the requirements of IFSA, Takaful IKHLAS is required to take steps to split the family and general takaful businesses into separate legal entities before 1 July 2018. BNM has, vide its letter dated 13 July 2018, granted its approval for Takaful IKHLAS to complete the Proposed Reorganisation on or before 30 December 2018.

Our Company proposes to undertake the general takaful business under Takaful Ikhlas General which was incorporated on 5 June 2017 as a wholly-owned subsidiary of Takaful IKHLAS. Under the Proposed Reorganisation, the existing general takaful business under Takaful IKHLAS, together with its identified assets and liabilities will be transferred to Takaful Ikhlas General. MNRB intends to acquire the entire shareholdings in Takaful Ikhlas General from Takaful IKHLAS to facilitate the Proposed Reorganisation.

It is proposed that the family takaful business be retained in Takaful IKHLAS and Takaful IKHLAS will be renamed as Takaful Ikhlas Family Berhad ("**Takaful Ikhlas Family**").

To support the scale of its existing business as well as cater for the growth in demand for takaful products, our Company proposes that Takaful Ikhlas General will have an issued share capital of RM230.0 million, and Takaful Ikhlas Family will have an issued share capital of RM405.0 million.

It is proposed that out of the allocated RM300.0 million Rights Proceeds, RM130.0 million shall be injected into Takaful Ikhlas General as capital via ordinary shares whilst the balance of RM170.0 million will be injected into Takaful Ikhlas Family as its ordinary share capital.

As at LPD, Takaful IKHLAS has an issued share capital of RM335.0 million. Pursuant to the Proposed Reorganisation, Takaful Ikhlas Family will:

(i) subscribe RM100.0 million capital of Takaful Ikhlas General; and

(ii) undertake a capital reduction and repayment exercise to reduce its share capital from RM335.0 million to RM235.0 million to repay the RM100.0 million reduced capital to our Company by transferring its entire equity interest in Takaful Ikhlas General to our Company.

Upon receipt of the Rights Proceeds from the Rights Issue, Takaful Ikhlas Family's issued share capital will increase from RM235.0 million to RM405.0 million and Takaful Ikhlas General's issued share capital will increase from RM100.0 million to RM230.0 million.

(b) Capital injection into Malaysian Re

Our Company, through our wholly-owned subsidiary, Malaysian Re, is the market leader in domestic reinsurance with a market share of 67% against the industry's gross written premiums for the calendar year 2017 *(Source: BNM Monthly Highlights and Statistics 2018)*. Malaysian Re also has a presence in the international market, especially in the Asian region.

For the FYE 31 March 2018, the audited gross earned premiums for Malaysian Re was RM1,317.9 million comprising RM856.6 million from the domestic market and RM461.3 million from the international market.

As at the LPD, Malaysian Re has an issued share capital of approximately RM563.0 million.

Our Company proposes to use RM100.0 million of the Rights Proceeds to increase the share capital of Malaysian Re to RM663.0 million. The enlarged share capital would enable Malaysian Re to expand its reinsurance business and increase its participation in certain business segments which MNRB deems profitable within the markets it operates in.

(c) Defrayment of estimated expenses for the Rights Issue

The estimated expenses relating to the Rights Issue comprise the following:-.

Details	RM'000
Professional and underwriting fees	1,300
Fees payable to authorities	100
Other ancillary expenses#	100
Total estimated expenses	**1,500**

Note:

\# Other ancillary expenses consist of estimated printing costs, EGM expenses and other miscellaneous expenses.

Any deviation in the actual expenses relating to the Rights Issue will be adjusted to/from the amount allocated for the working capital requirements of the Company.

(d) **Working capital requirements**

The remaining proceeds from the Rights Issue estimated to be RM1.2 million will be used towards the working capital requirements of our Company which include but are not limited to the day-to-day operating expenses such as general administrative expenses and promotion/marketing relating expenses.

Pending utilisation of the proceeds from the Rights Issue, the proceeds will be placed in deposits with financial institutions or in short-term money market instruments.

6. RISK FACTORS

You should carefully consider, in addition to the other information contained in this Abridged Prospectus, the following risk factors before making your decision on whether to subscribe for your entitlements to the Rights Issue.

6.1 Risks relating to our Group and industry in which our Group operates

6.1.1 Underwriting risk

Our Group is exposed to underwriting risk inherent to its reinsurance/retakaful and takaful businesses. Underwriting risk include the risk of incurring higher claims costs than expected owing to the random nature of claims, their frequency and severity as well as the risk of change in legal or economic conditions of insurance/takaful or reinsurance/retakaful cover.

Our financial performance also depends on, amongst others, our ability to assess the potential losses associated with the risks we insure, our ability to price our products and obtain adequate retakaful or retrocession cover accordingly. Any negative deviation from the above may materially and adversely affect our operating results and financial position, the extent of which would depend on the size of the deviation. For the FYE 31 March 2018, our Group recorded a net combined ratio of 93% showing that the earned premium of our Group exceeded the claims and expenses incurred during the financial year.

In addition, we establish and carry reserves as balance sheet liabilities owing to participants or cedants for their claims. The process of establishing reserves, carried out by a qualified actuary, is a complex exercise involving many variables and subjective judgements. Due to the nature of the underlying risks and high degree of uncertainty associated with the determination of outstanding claims liabilities, we may not always be able to estimate the amount that we will ultimately pay to settle these liabilities with reasonable accuracy. Our operating results and financial position may be materially and adversely affected should the actual claims be significantly higher than our estimate of the liabilities.

There can be no assurance that any or all of the above risk will not have a material and adverse effect on our Group's business and financial performance.

6.1.2 Market risk

Market risk includes equity price risk, interest/profit rate risk and foreign exchange risk. It involves the risk of loss arising from changes in market prices or factors such as the worsening of liquidity, changes in interest/profit rates or movements in foreign exchange rates.

Market risk may result in the value of our financial assets and liabilities to fluctuate, hence affecting our Group's solvency, capital requirement and ability to meet our claims liabilities. Although our Group may seek to manage this risk through, amongst others, limiting our investments in each sector, market and issuer, establishing a foreign exchange risk management plan and matching the duration and profile of the assets with the liabilities, there can be no assurance that market risk will not have a material and adverse effect on our Group's business and financial performance.

6.1.3 Credit risk

Our Group is exposed to credit risk arising from the failure of counter parties to meet their contractual obligations.

Whilst our Group has in place policies and procedures to manage credit risk, including giving due consideration to the credit quality of the counterparties and setting counterparty limits, there can be no assurance that our Group's business and financial performance will not be materially and adversely impacted from credit risk.

6.1.4 Investment risk

Our Group's investment income is derived from our investment activities in the capital and money markets and comprises, amongst others, interest/profit received from investments in debt securities and deposits, dividends received from quoted and unquoted securities and net gains from disposal of quoted and unquoted securities. Income from these investments is subject to, amongst others, market risk and credit risk, which may result in losses.

Events or developments that have a negative effect on any particular industry, asset class, group of related industries, country or geographical region may have a greater negative effect on our investment portfolio to the extent our portfolio is concentrated on such industry, asset class, group of related industries, country or geographic region.

In addition, there may not be sufficient liquidity in the market to trade certain of our investments. Liquidity may be affected by numerous factors, including the non-existence of suitable buyers and market makers, market sentiment and volatility, the availability of funding and unfavourable economic, political and social conditions. If we are required to dispose assets at short notice due to cash flow requirements or otherwise, we may suffer investment losses.

Our investment assets which are in interest/profit-bearing investments are exposed to fluctuations in interest/profit rates that are sensitive to many factors. These include monetary and tax policies, economic and political considerations, balance of payments, regulatory requirements and other factors beyond our control. During periods of declining interest/profit rates, we may experience a decline in our average investment yield, as maturing investments are replaced with new investments with lower yields and coupon payments, which may lead to a reduction in our investment returns and profitability. Our Group has total investments of RM6,328 million as at 31 March 2018 generating an average investment yield of 3.97%.

Whilst our Group has in place investment policy and mandate, strategies and management practices to manage exposure to such risk, there can be no assurance that, the above factors, alone or in combination, will not have a material and adverse effect on our Group's business and financial performance.

6.1.5 Operational risk

Operational risk involves the risk of financial and non-financial loss resulting from inadequacies or failures in the systems, processes, people or external factors.

This risk includes losses from fraud, errors by employees, failure to properly document transactions or to obtain proper internal authorisation, failure to comply with regulatory requirements and conduct of business rules, failure of internal systems, equipment and external systems, occurrence of natural disasters and employee safety hazards.

In addition, our Group relies on our information technology systems to conduct our businesses. As at the LPD, our Group's information technology systems and network infrastructure are being upgraded to facilitate increasing usage by a larger pool of agents and introduction of new products. While our Group has implemented control measures during this upgrade, there can be no assurance that the upgraded systems will be stable or such control measures will be entirely successful or adequately effective in preventing losses resulting including from physical break-ins as well as security breaches.

Our Group seeks to manage this risk through, among others, having in place a control framework, and by monitoring and managing potential risks. The controls include segregation of duties, employment of security systems, including firewalls and password encryption, access controls, authorisation and reconciliation procedures, continuous staff education and appropriate assessment processes. There can be no assurance that operational risk, if materialised will not have a material and adverse effect on our Group's business and financial performance.

6.1.6 Dependency on the Voluntary Cession ("VC")

VC is an arrangement whereby all Malaysian general insurers cede to the national reinsurer (Malaysian Re) a predetermined percentage of its business up to the limits specified for the various classes of general insurance business.

On 27 December 2016, Malaysian Re received confirmation by BNM that the levels of voluntary cessions to be ceded to Malaysian Re shall remain unchanged at 2.5% for all classes of business for the next three years from 1 January 2017 to 31 December 2019.

For FYE 31 March 2018, VC arrangement contributed RM437.4 million or 19.4% to our Group's consolidated gross earned premiums of RM2,251.7 million. Although our Group has been growing the non VC's revenue streams under Malaysian Re's business transformation programme, no assurance can be given that any change to the VC arrangement will not have a material adverse effect on our Group's business performance.

6.1.7 Competition risk

Our Group faces competition from other companies in the industry. In addition, BNM's phased liberalisation of motor and fire tariffs policy document which was introduced on 1 July 2016 has increased competition amongst insurers/takaful operators. In view of the competitive market environment, the ability to maintain or increase our Group's market share in the future is not guaranteed. For the calendar year 2017, our reinsurance and takaful business segments recorded a local market share of 67% and 8% respectively *(Source: BNM Monthly Highlights and Statistics 2018; BNM Financial Stability Report 2017)*.

Whilst our Group constantly reviews and evaluates our position from time to time to differentiate ourselves from our peers including introducing diversified products and services, there can be no assurance that we will be able to maintain or increase market share and derive similar or higher income levels from our businesses in the future.

6.1.8 Licences and regulatory environment

Our Group operates in a regulated industry which is subject to changes from time to time. These changes may require us to commit significant resources that could affect our business practices.

Our Group's activities are also conducted under licences issued by various governmental and regulatory bodies. If any of these licences are not renewed or are revoked or suspended, our Group may not be able to continue with our licensed activities.

Our Group recognises the importance of regulatory compliance and has in place a Compliance Department to monitor adherence to the relevant regulations, acts and guidelines imposed by governmental and regulatory bodies. Notwithstanding that, there can be no assurance that the risk of non-compliance can be fully managed. Any future changes to present laws, regulations, guidelines or introduction of new regulations or guidelines by governmental or regulatory bodies may have a material impact on the industries in which our Group operates in and which may in turn materially affect our Group's business and financial performance.

6.1.9 Dependence on key personnel

Our Group is headed by an experienced and committed Board and supported by a dedicated senior management team who has the relevant knowledge and experience in the reinsurance and takaful industries. Our Group's continued success relies on the abilities, skills, experience, competencies and continuous efforts of our Board and senior management team.

The loss of certain key members on our Board or senior management, in particular our Chief Executive Officer, may to a certain extent, adversely affect our Group's business performance and financial condition.

Our Group recognises the importance of attracting and retaining talents. To manage the risk of loss of key personnel, our Group has in place a comprehensive talent development and management programme as well as succession planning in all key functions of our operations. Notwithstanding these efforts, there can be no assurance that our Group will be able to continue to attract and retain these key personnel.

6.1.10 Economic and political risk

Our Group operates principally in Malaysia and accordingly, our continued growth depends to a large extent on the political and economic conditions in Malaysia. Any adverse political and economic conditions, such as political instability, severe fluctuation in interest and currency exchange rates, and prolonged low commodity prices (particularly crude oil and crude palm oil) could create uncertainties and result in adverse developments in national economic activity. This in turn may have a material impact on our Group's business and financial performance.

Additionally, the onset of globalisation has resulted in the increasing integration of economic and market activities, so much so that economic and political changes or instabilities in a country or region could affect regional and global economic conditions, which may in turn affect our Group's business and financial performance.

6.1.11 Tax recoverable

IRB had, on 8 September 2017, issued to our Company notices of additional assessment for the years of assessment 2008 to 2014, disallowing the interest expense that our Company had deducted as part of our business expense in arriving at the taxable profit. The additional tax payable by our Company under the above-mentioned notices is RM13,575,720. IRB had also treated the tax returns made by our Company for the above years of assessment as incorrect, and imposed a penalty of RM6,109,074 to our Company. This brings the total amount payable to IRB to RM19,684,794.

Our Company disagrees with the abovementioned additional assessment imposed by IRB and had submitted a notice of appeal to the Special Commissioner of Income Tax on 6 October 2017. Notwithstanding the appeal, our Company had paid RM19,684,794 to IRB and had treated the payment made as tax recoverable.

Our Company had obtained legal advice that there are strong justifications for our appeal. The tax appeal is in the preliminary stage and may take time to resolve. The eventual resolution of this tax appeal cannot be ascertained. There can be no assurance that our Company will be able to recover the RM19,684,794 paid to IRB in full. Any amount not recovered will be charged to our profit and loss account, which will reduce our profitability.

6.2 Risks relating to the Rights Issue

6.2.1 Capital market risks

The price of our Shares as traded on Bursa Securities may fluctuate, like all other listed securities. Numerous factors could cause the price of our Shares to fluctuate, including but not limited to, trades of substantial amounts of our Shares in the open market, announcements of developments relating to the insurance industry or our Group and fluctuations in our Group's financial performance

In addition to the above, the price performance of our Shares also depends on various other factors such as general economic, political and industry conditions, sentiments and liquidity of the local stock market, performance of regional and world bourses.

There is no assurance that the market price of our Shares will be maintained at any particular level subsequent to the Rights Issue and/or our Shares will trade above any particular price range on the Main Market of Bursa Securities.

6.2.2 Delay in the implementation or non-completion of the Rights Issue

There is a risk that the Rights Issue may be delayed or its implementation not completed due to, amongst others, the occurrence of the following events:

(a) material adverse change of events/circumstances, such as flood, storm and epidemic, which are beyond the control of our Group arising prior to or during the implementation of the Rights Issue; and

(b) the Managing Underwriter and/or the Joint Underwriters exercising their rights under the Managing and Underwriting Agreement to terminate their commitments and discharge themselves from their obligations for any reason whatsoever.

If there is a failure in the implementation of the Rights Issue, all monies received in respect of all applications for any Rights Shares will be returned in full without interest. Where applicable, if any money received from the Entitled Shareholders and/or renouncee(s)/transferee(s) are not repaid within 14 days after we become liable to pay, we will repay such money with interest at the rate of 10% per annum or such other rate as may be prescribed by the SC in accordance with Section 243(2) of the CMSA.

However, if the Rights Issue is aborted/terminated, and the Rights Shares have been allotted to our Entitled Shareholders, a return of monies to all holders of the Rights Shares could only be achieved by way of cancellation of share capital as provided under the Act. Such cancellation requires the sanction of our Shareholders by way of special resolution in a general meeting, consent of our creditors (where applicable) and may require the confirmation of the High Court or a solvency statement made by our Board.

While our Board will exercise its best endeavour to ensure that every effort is made to ensure the successful implementation of the Rights Issue, there can be no assurance that the abovementioned factors/events or any other factors/events will not cause a delay in or result in the non-completion of the Rights Issue.

6.2.3 Potential dilution

Entitled Shareholders who do not or are not able to accept the Rights Shares provisionally allotted to them of which the said renounced portion is allocated to other Entitled Shareholders via the Excess Applications will have their proportionate ownership and voting interests in our Company reduced, and the percentage of their shareholdings in our Company will also be reduced accordingly.

6.3 Forward-looking statements

This Abridged Prospectus contains forward-looking statements. All statements other than statements of historical facts included in this Abridged Prospectus, including, without limitation, those regarding our Group's financial position, business strategies, prospects, plans and our Group's objectives for future operations, are forward-looking statements. Although our Board believes that these statements and assumptions are reasonable, such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements.

Such forward-looking statements are based on numerous assumptions regarding the present and future business strategies and the environment in which our Group will operate in the future. Such forward-looking statements reflect our Group's current views with respect to the future events and are not a guarantee of future performance.

Our Group's actual results may differ materially from information contained in such forward-looking statements as a result of a number of factors including, but not limited to, the general economic conditions in the markets in which our Group operates, ability to compete with other insurance institutions in a highly competitive industry, etc.

7. INDUSTRY OVERVIEW AND PROSPECTS OF OUR GROUP

7.1 Overview and outlook of the Malaysian economy

The Malaysian economy expanded at a slower pace of 4.5% in the second quarter of 2018 (1Q 2018: 5.4%). Growth was slower on account of supply disruptions in the mining sector and lower agriculture production. The latter is due to supply constraints and adverse weather conditions. On the demand side, growth was dampened by lower public investment and net export growth. Private sector spending remained resilient, expanding further by 7.5% (1Q 2018: 5.2%). In particular, private consumption increased strongly by 8.0% (1Q 2018: 6.9%). On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 0.3% (1Q 2018: 1.4%).

Domestic demand recorded a stronger growth of 5.6% (1Q 2018: 4.1%), as the higher private sector activity (7.5%; 1Q 2018: 5.2%) more than offset the decline in public sector spending (-1.4%; 1Q 2018: -0.1%).

Private consumption expanded at a stronger pace of 8.0% (1Q 2018: 6.9%), the highest since the first quarter of 2015. This was driven by continued strength in income and employment. Consumer spending was also boosted by the lower inflation during the quarter following the zerorisation of the Goods and Services Tax (GST) rate and stronger consumer sentiments.

Private investment growth was higher at 6.1% (1Q 2018: 0.5%), driven mainly by capital spending in the manufacturing and services sectors. The better performance was supported by positive business sentiments, favourable demand conditions and continued high capacity utilisation during the quarter.

Public consumption registered a higher growth of 3.1% (1Q 2018: 0.4%), supported by improvement in supplies and services and sustained growth in emoluments.

Public investment continued to contract during the quarter (-9.8%; 1Q 2018: -1.0%). This was in part due to the near completion of ongoing projects and lower Federal Government development expenditure.

On the supply side, growth was affected by commodity-specific shocks. Major economic sectors, notably the services and manufacturing sectors (77.5% of GDP), remained supportive of growth.

Growth in the services sector was sustained during the quarter, driven primarily by the wholesale and retail trade sub-sector arising from increased household spending following the zerorisation of the GST rate. Growth was further supported by the information and communication sub-sector, following continued strong demand for data communication services. Growth in the finance and insurance sub-sector was driven by continued strength in lending activity.

(Source: BNM Quarterly Bulletin, Second Quarter 2018, www.bnm.gov.my)

7.2 Overview and outlook of the Malaysian insurance and takaful sector

The insurance and takaful sector reported an aggregate capital adequacy ratio of 237.3% (4Q 2017: 233.8%), above the 130% minimum required.

For the insurance and takaful industry, market risk exposures stood at 14.9% of total capital available (4Q 2017: 15.4%). Equity risk, which formed the bulk of insurers' market risk exposures, decreased slightly to 9% of total capital available (4Q 2017: 9.1%).

In the insurance and takaful sector, life insurers and family takaful operators recorded lower excess income over outgo of RM4.0 billion (4Q 2017: RM 4.9 billion). This was partly attributed to net capital losses from holdings of debt securities together with lower valuations. The operating profits of general insurers and takaful operators also declined to RM563.3 million in the first quarter (4Q 2017: RM783.4 million) driven by higher claims cost in the motor line of business. The industry overall claims ratio increased to 56.9% (4Q 2017: 54.9%).

(Source: BNM Quarterly Bulletin, First Quarter 2018, www.bnm.gov.my)

Growth in the finance and insurance sub-sector was driven by continued strength in lending activity.

(Source: BNM Quarterly Bulletin, Second Quarter 2018, www.bnm.gov.my)

7.3 Prospects of our Group

For the FYE 31 March 2018, our Group reported an audited consolidated profit after tax of RM140.9 million compared to RM71.2 million for the FYE 31 March 2017. The improved results were mainly attributable to the effectiveness of the business strategies and plans executed over the last two years which included, amongst others, portfolio rebalancing and expansion of non-proportional portfolio for the reinsurance business; as well as enhancement of agency force and partnerships with distributors and financial institutions for the takaful business. Our Group has also implemented programmes to focus on talent development and acquisition, and employees' learning and development.

For the general insurance industry, due to the intense competition as well as the progressive impact of the motor and fire de-tariffication, our Group expects that the growth for the general takaful industry will remain flat for this financial year. On the other hand, our Group believes that the family takaful sector will register positive growth in expectation of the increasing consumer awareness and demand for family takaful products.

For information, the number of takaful policies in force in Malaysia increased from 3.2 million policies in 2010 to 4.7 million policies in 2017 compared with 11.5 million life insurance policies in force in 2010 and 12.7 million life insurance policies in force in 2017 *(Source: Monthly Highlights and Statistics July 2018, BNM).*

Based on the above as well as the outlook of the Malaysian economy, our Board believes that the Rights Issue will provide our Group with a stronger capital base to take advantage of future growth opportunities.

8. FINANCIAL EFFECTS OF THE RIGHTS ISSUE

8.1 Issued share capital

The proforma effects of the Rights Issue on the issued share capital of our Company are as follows:-

Description	No. of MNRB Shares	RM
As at the LPD	319,604,193	319,604,193
To be issued under the Rights Issue	447,445,870	402,701,283
Enlarged issued share capital	**767,050,063**	**722,305,476**

8.2 NA and gearing

For illustrative purposes, based on our Company's audited consolidated statements of financial position as at 31 March 2018, the proforma effects of the Rights Issue on our Company's consolidated NA per share and gearing assuming that the Rights Issue had been implemented and completed on 31 March 2018 are as follows:-

	Audited 31 March 2018 RM	After Rights Issue RM
Share capital	319,604,193	722,305,476(i)
Reserves	79,755,620	79,755,620
Retained earnings	1,138,641,400	1,137,141,400(ii)
Total equity/NA	**1,538,001,213**	**1,939,202,496**
Number of MNRB Shares	319,604,193	767,050,063
NA per MNRB Share (RM)	4.81	2.53
Total borrowings (RM)	320,000,000	320,000,000
Gearing ratio (times)	0.21	0.17

Notes:

(i) Computed based on full subscription of 447,445,870 Rights Shares issued at an assumed Issue Price of RM0.90 each.

(ii) After deducting estimated expenses (including underwriting costs) for the Rights Issue of approximately RM1.5 million.

8.3 Earnings and EPS

The completion of the Rights Issue will result in an immediate dilution in our Company's consolidated EPS as a result of the increase in the number of our Shares in issue.

The effect of the Rights Issue on our consolidated Company's earnings and EPS will depend on the level of returns generated from the use of proceeds raised from the Rights Issue.

Moving forward, the Rights Issue is expected to contribute positively to our Company's consolidated earnings for the ensuing financial years, when the benefits of the use of proceeds are realised.

For illustration purposes, based on the latest audited financial statements of our Group for the FYE 31 March 2018, the EPS of our Group will be proportionately reduced with the increase in the number of Shares in issue upon completion of the Rights Issue as follows:-

	FYE 31 March 2018	After Rights Issue
Net profit attributable to equity holders (RM)	140,864,720	139,364,720[(i)]
No. of Shares in issue	319,604,193	767,050,063
Basic and diluted EPS (sen)	44.1	18.2

Note:

(i) After deducting estimated expenses (including underwriting costs) for the Rights Issue of approximately RM1.5 million.

9. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL CAPITAL COMMITMENTS

9.1 Working capital

Our Board is of the opinion that after taking into account the amount to be raised from the Rights Issue, the banking facilities available to our Group and the funds to be generated from our Group's operations, our Group will have sufficient working capital for a period of 12 months from the date of this Abridged Prospectus.

9.2 Borrowings and funding

As at the LPD, the total outstanding consolidated interest-bearing borrowings of our Group amounted to RM320 million, comprising a short term revolving credit facility that was obtained from AmBank (M) Berhad.

Our Group has not defaulted on payments of either interest or principal sums in respect of any borrowing for the FYE 31 March 2018 and the subsequent financial period up to the LPD.

After having made all reasonable enquiries and to the best knowledge of our Board, there has been no default or any known event that could give rise to a default on payments of either interest and/or principal sum in relation to any of our Group's borrowings for the past one financial year preceding the LPD, and the subsequent financial period up to the LPD.

9.3 Contingent liabilities

Save for the contingent liabilities arising from reinsurance, takaful and retakaful contracts underwritten in the ordinary course of business of our Group, as at the LPD, there are no material contingent liabilities incurred or known to be incurred by our Group, which upon becoming enforceable, may have a material impact on the profit or NA of our Group.

9.4 Material commitments

Save as disclosed below, as at the LPD, there are no other material commitments incurred or known to be incurred by our Group, which upon becoming enforceable, may have a material impact on the results or financial position of our Group:-

	Amount RM'000
Authorised and contracted for:	
Intangible assets*	3,320
Authorised but not contracted for:	
Property, plant and equipment	646
Intangible assets*	10,754
	11,400

Note:

* Relating to purchase and enhancement of computer systems of our Company and for reinsurance and takaful subsidiaries.

The material commitments are expected to be funded through internally-generated funds.

10. INSTRUCTIONS FOR ACCEPTANCE, SALE OR TRANSFER, EXCESS APPLICATION AND PAYMENT

FULL INSTRUCTIONS FOR THE ACCEPTANCE OF AND PAYMENT FOR THE PROVISIONAL RIGHTS SHARES, EXCESS APPLICATION AND THE PROCEDURES TO BE FOLLOWED SHOULD YOU AND/OR YOUR RENOUNCEE(S)/TRANFEREE(S) (IF APPLICABLE) WISH TO SELL OR TRANSFER ALL OR ANY PART OF YOUR/THEIR ENTITLEMENTS ARE SET OUT IN THIS ABRIDGED PROSPECTUS AND THE ACCOMPANYING RSF.

YOU AND/OR YOUR RENOUNCEE(S)/TRANFEREE(S) (IF APPLICABLE) ARE ADVISED TO READ THIS ABRIDGED PROSPECTUS, THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED IN THE RSF CAREFULLY. IN ACCORDANCE WITH THE CMSA, THE RSF MUST NOT BE CIRCULATED UNLESS ACCOMPANIED BY THIS ABRIDGED PROSPECTUS.

10.1 General

The Provisional Rights Shares are prescribed securities under Section 14(5) of the SICDA and therefore, all dealings in such Provisional Rights Shares will be by book entries through CDS Accounts and will be governed by the SICDA and the Rules of Bursa Depository. As an Entitled Shareholder, you and/or your renouncee(s)/transferee(s) are required to have valid and subsisting CDS Account when making application to subscribe for the Rights Shares.

If you are an Entitled Shareholder, your CDS Account will be duly credited with the number of Provisional Rights Shares, which you are entitled to subscribe for in full or in part under the terms of the Rights Issue (fractional allotment, if any, will be dealt with in such manner as our Board at its absolute discretion deems fit or expedient and in the best interest of our Company). You will find enclosed with this Abridged Prospectus, the NPA notifying you of the crediting of such Provisional Rights Shares into your CDS Account and a RSF to enable you to subscribe for the Provisional Rights Shares, as well as to apply for any Excess Rights Shares if you choose to do so.

10.2 Last date and time for acceptance and payment

The last date and time for acceptance of and payment for the Rights Shares is on **Wednesday, 17 October 2018** at **5.00 p.m.**. Proof of time of postage will not constitute proof of time of receipt by the Share Registrar.

10.3 Procedures for acceptance and payment

Acceptance of and payment for the Provisional Rights Shares must be made on the RSF, a copy which is issued with this Abridged Prospectus, and must be completed in accordance with the notes and instructions contained in the RSF. Acceptances and/or payments which do not strictly conform to the terms and conditions of this Abridged Prospectus or the RSF together with notes and instructions printed in the RSF or which are illegible may not be accepted at the absolute discretion of our Board.

If you wish to accept your entitlement to the Provisional Rights Shares, either in full or in part, please complete Parts I(a) and II of the RSF in accordance with the notes and instructions contained in the RSF. Thereafter, please send each completed and signed RSF with the appropriate remittance either by ORDINARY POST, COURIER or DELIVERED BY HAND by using the reply envelope enclosed with this Abridged Prospectus (at your own risk) to the Share Registrar at either of the following addresses:

FOR DELIVERY BY HAND AND/OR COURIER: **Symphony Share Registrars Sdn Bhd** Level 6, Symphony House Pusat Dagangan Dana 1 Jalan PJU 1A/46 47301 Petaling Jaya Selangor Darul Ehsan Tel: 03-7849 0777 Fax: 03-7841 8151/8152	or	**FOR ORDINARY POST** **Symphony Share Registrars Sdn Bhd** Peti Surat 9150 Pejabat Pos Kelana Jaya 46785 Petaling Jaya Selangor Darul Ehsan

not later than Wednesday, 17 October 2018 at 5.00 p.m., being the last date and time for acceptance and payment.

One RSF can only be used for acceptance of the Provisional Rights Shares standing to the credit of one CDS Account. Separate RSF(s) must be used for the acceptance of the Provisional Rights Shares standing to the credit of more than one CDS Account(s). If successful, the Rights Shares subscribed for will be credited into your respective CDS Account(s) where the Provisional Rights Shares are standing to the credit, in accordance with the procedures as set out in the RSF.

A reply envelope is enclosed in the Abridged Prospectus. In order to facilitate the processing of the RSF by the Share Registrar, you are advised to use one reply envelope for each completed RSF.

If you do not wish to accept the Provisional Rights Shares in full, you are entitled to accept part of your entitlements that can be subscribed/applied for. You should take note that a trading board lot for the Rights Shares comprises of 100 Rights Shares. The minimum number of Rights Share that can be subscribed for or acceptance is one Rights Share. Fractions of the Rights Shares, if any, will be disregarded, and will be dealt with in such manner as our Board will in their absolute discretion deem fit and expedient, and to be in the best interest of our Company.

If acceptance and payment for the Provisional Rights Shares (whether in full or in part, as the case may be) are received by the Share Registrar later than **Wednesday, 17 October 2018** at **5.00 p.m.**, being the last date and time for acceptance and payment, the said Provisional Rights Shares will be deemed to have been declined and will be cancelled. Proof of time of postage will not constitute proof of time of receipt by the Share Registrar. If the Rights Shares are not fully taken up by such applicants, our Board will then have the right to allot such securities to applicants who have applied for Excess Application in the manner as set out in Section 10.5 of this Abridged Prospectus.

If you or your renouncee(s)/transferee(s) lose, misplace or for any other reasons require another copy of this Abridged Prospectus or the RSF, you may obtain additional copies from the following:

(a) Bursa Securities' website at the following address:
http://www.bursamalaysia.com;

(b) the Share Registrar at the following addresses:
Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-7849 0777

(c) our registered office at:
12th Floor, Bangunan Malaysian Re
No. 17, Lorong Dungun
Damansara Heights
50490 Kuala Lumpur
Tel: 03-2096 8000; or

(d) participating organisations under paragraph 6.27 of the Listing Requirements.

Each completed RSF must be accompanied by the appropriate remittance in RM for the full amount payable for the Rights Shares accepted in the form of banker's draft(s), cashier's order(s), money order(s) or postal order(s) drawn on a bank or post office in Malaysia and must be made payable to "**MNRB RIGHTS SHARES ACCOUNT**", crossed "**A/C PAYEE ONLY**" and endorsed on the reverse side with your name and CDS Account number so as to be received by the Share Registrar not later than the last date and time for acceptance and payment as set out in the cover page of this Abridged Prospectus. The remittance must be made in the exact amount payable for the Provisional Rights Shares accepted (rounded up to the nearest sen). Cheques or any other mode(s) of payment are not acceptable.

Applications accompanied by payments other than in the manner stated above or with excess or insufficient remittances may or may not be accepted at the absolute discretion of our Board. Details of the remittances must be filled in the appropriate boxes provided in the RSF.

Our Board reserves the right not to accept any application or to accept in part only any application accompanied by payment other than in the manner prescribed in this Abridged Prospectus or which is otherwise howsoever incomplete or not in order, without assigning any reason.

NO ACKNOWLEDGEMENT OF THE RECEIPT OF THE RSF OR APPLICATION MONIES WILL BE ISSUED BY OUR COMPANY OR THE SHARE REGISTRAR IN RESPECT OF THE RIGHTS ISSUE. HOWEVER, SUCCESSFUL APPLICANTS WILL BE ALLOTTED THEIR RIGHTS SHARE(S) AND NOTICE(S) OF ALLOTMENT WILL BE DESPATCHED BY ORDINARY POST TO THE ADDRESS AS SHOWN IN OUR RECORD OF DEPOSITORS AT YOUR OWN RISK WITHIN EIGHT MARKET DAYS FROM THE LAST DATE AND TIME FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS SHARES OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.

APPLICANTS SHOULD NOTE THAT THE RSF AND REMITTANCES LODGED WITH THE SHARE REGISTRAR WILL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN.

APPLICATION WILL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT.

IN RESPECT OF UNSUCCESSFUL OR LATE APPLICATIONS OR PARTIALLY SUCCESSFUL APPLICATIONS, THE FULL AMOUNT OR THE SURPLUS APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST WITHIN 15 MARKET DAYS FROM THE LAST DATE AND TIME FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS SHARES BY ORDINARY POST TO THE ADDRESS SHOWN IN OUR RECORD OF DEPOSITORS AT YOUR OWN RISK.

10.4 Procedures for sale and/or transfer of the Provisional Rights Shares

The Provisional Rights Shares are renounceable and will be traded on Bursa Securities commencing from **Wednesday, 3 October 2018** up to and including **Tuesday, 9 October 2018**. As such, you and/or your renouncee(s)/transferee(s) may sell and/or transfer all or part of your/their entitlements to the Rights Shares.

As the Provisional Rights Shares are prescribed securities, you and/or your renouncee(s)/transferee(s) who wish to dispose of all or part of your entitlements to the Rights Shares may do so immediately through your/their stockbroker for the period up to the last day of trading of the Provisional Rights Shares on **Friday, 12 October 2018**, without first having to request for a split of the Provisional Rights Shares standing to the credit of your/their CDS Accounts.

To dispose of all or part of your provisional entitlements to the Rights Shares, you and/or your renouncee(s)/transferee(s) may sell such entitlements on the open market of Bursa Securities or transfer such entitlements to such persons as may be allowed under the Rules of Bursa Depository.

IN SELLING AND/OR TRANSFERRING ALL OR PART OF YOUR PROVISIONAL RIGHTS SHARES, YOU AND/OR YOUR RENOUNCEE(S)/TRANSFEREE(S) NEED NOT DELIVER ANY DOCUMENT (INCLUDING THE RSF), TO THE STOCKBROKER. HOWEVER, YOU AND/OR YOUR RENOUNCEE(S)/TRANSFEREE(S) MUST ENSURE THAT YOU HAVE SUFFICIENT PROVISIONAL RIGHTS SHARES STANDING TO THE CREDIT OF YOUR CDS ACCOUNTS THAT ARE AVAILABLE FOR SETTLEMENT OF THE SALE AND/OR TRANSFER.

If you and/or your renouncee(s)/transferee(s) have disposed of and/or transferred only part of your/their entitlements of the Rights Shares, you/they may still accept the balance of your/their entitlements of the Rights Shares by completing Parts I(a) and II of the RSF and forwarding the RSF together with the relevant payment for the balance of your/their entitlements to the Share Registrar in accordance with the instructions as set out in Section 10.3 of this Abridged Prospectus.

IF YOU AND/OR YOUR RENOUNCEE(S)/TRANSFEREE(S) SELL AND/OR TRANSFER ALL OR PART OF YOUR/THEIR PROVISIONAL RIGHTS SHARES, YOU OR THEY WILL AUTOMATICALLY BE DISPOSING YOUR/THEIR ENTITLEMENTS TO THE PROVISIONAL RIGHTS SHARES.

YOU AND/OR YOUR RENOUNCEE(S)/TRANSFEREE(S) ARE ADVISED TO READ AND ADHERE TO THE RSF TOGETHER WITH THE NOTES AND INSTRUCTIONS CONTAINED IN THE RSF.

Purchaser(s) of the Provisional Rights Shares may obtain a copy of this Abridged Prospectus and the RSF from the following:

(a) Bursa Securities' website at the following address:
http://www.bursamalaysia.com;

(b) the Share Registrar at the following addresses:
Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-7849 0777

(c) our registered office at:
12th Floor, Bangunan Malaysian Re
No. 17, Lorong Dungun
Damansara Heights
50490 Kuala Lumpur
Tel: 03-2096 8000; or

(d) participating organisations under paragraph 6.27 of the Listing Requirements.

10.5 Procedures for Excess Application

If you and/or your renouncee(s)/transferee(s) wish to apply for additional Rights Shares in excess of those provisionally allotted to you, you may do so by completing Part I(b) of the RSF (in addition to Parts I(a) and II of the RSF) and forwarding it with a **separate remittance** for the full amount payable in respect of the Excess Rights Shares applied for, to the Share Registrar at either of the following addresses:

FOR DELIVERY BY HAND AND/OR COURIER:
Symphony Share Registrars Sdn Bhd

Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-7849 0777
Fax: 03-7841 8151/8152

or

FOR ORDINARY POST
Symphony Share Registrars Sdn Bhd
Peti Surat 9150
Pejabat Pos Kelana Jaya
46785 Petaling Jaya
Selangor Darul Ehsan

not later than Wednesday, 17 October 2018 at 5.00 p.m., being the last date and time for Excess Application and payment.

Payment under the Excess Application should be made in the same manner described in Section 10.3 of this Abridged Prospectus and in the form of banker's draft(s), cashier's order(s), money order(s) or postal order(s) drawn on a bank or post office in Malaysia made payable to "**MNRB EXCESS RIGHTS SHARES ACCOUNT**", crossed "**A/C PAYEE ONLY**" and endorsed on the reverse side with your name and CDS Account number so as to be received by the Share Registrar not later than the last date and time for the Excess Application and payment as set out in the cover page of the Abridged Prospectus. Cheques or any other mode(s) of payment are not acceptable.

It is the intention of our Board to allot the Excess Rights Shares, if any, in a fair and equitable manner in the following priority:

(a) firstly, to minimise the incidence of odd lots;

(b) secondly, for allocation to Entitled Shareholders who have applied for the Excess Rights Shares, on a pro-rata basis and in board lot, calculated based on their respective shareholdings as per their CDS Accounts as at the Entitlement Date;

(c) thirdly, for allocation to Entitled Shareholders who have applied for the Excess Rights Shares, on a pro-rata basis and in board lot, calculated based on the quantum of Excess Rights Shares applied for; and

(d) finally, for allocation to renouncee(s) and/or transferee(s) who have applied for the Excess Rights Shares, on a pro-rata basis and in board lot, calculated based on the quantum of Excess Rights Shares applied for.

If any balance of Excess Rights Shares after steps (a), (b), (c) and (d) are carried out, steps (b), (c) and (d) will be repeated in the same sequence again to allocate the balance Excess Rights Shares until such balance is exhausted.

Nevertheless, our Board reserves the right to allot any Excess Rights Shares applied under Part I(b) of the RSF in such manner as our Board deems fit and expedient in the best interest of our Company subject always to such allocation being made on a fair and equitable basis and that the intention of our Board as set out in Section **10.5 (a)** to **(d)** above is achieved.

NO ACKNOWLEDGEMENT OF THE RECEIPT OF THE RSF FOR THE EXCESS APPLICATION OR APPLICATION MONIES WILL BE ISSUED BY OUR COMPANY OR THE SHARE REGISTRAR IN RESPECT OF THE EXCESS RIGHTS SHARES. HOWEVER, SUCCESSFUL APPLICANTS WILL BE ALLOTTED THEIR RIGHTS SHARE(S) AND NOTICE(S) OF ALLOTMENT WILL BE DESPATCHED BY ORDINARY POST TO THE APPLICANTS AT THEIR OWN RISK TO THE ADDRESS SHOWN IN OUR RECORD OF DEPOSITORS WITHIN EIGHT MARKET DAYS FROM THE LAST DATE AND TIME FOR THE EXCESS APPLICATION AND PAYMENT.

IN RESPECT OF UNSUCCESSFUL OR LATE APPLICATIONS OR PARTIALLY SUCCESSFUL EXCESS APPLICATION, THE FULL AMOUNT OR THE SURPLUS APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST WITHIN 15 MARKET DAYS FROM THE LAST DATE AND TIME FOR THE EXCESS APPLICATION AND PAYMENT BY ORDINARY POST TO THE ADDRESS SHOWN IN OUR RECORD OF DEPOSITORS AT YOUR OWN RISK.

10.6 Procedures for acceptance by renouncee(s)/transferee(s)

The procedures applicable to renouncee(s)/transferee(s) for the acceptance and payment for selling/transferring of the Provisional Rights Shares and the application and payment for the Excess Rights Shares are the same as those which are applicable to our Entitled Shareholders as described in Sections 10.2, 10.3, 10.4 10.5 and 10.8 of this Abridged Prospectus. Please refer to the relevant Sections for the procedures to be followed.

You may obtain additional copies of this Abridged Prospectus and/or the RSF from the following:

(a) Bursa Securities' website at the following address:
http://www.bursamalaysia.com;

(b) the Share Registrar at the following addresses:
Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-7849 0777

(c) our registered office at:
12th Floor, Bangunan Malaysian Re
No. 17, Lorong Dungun
Damansara Heights
50490 Kuala Lumpur

Tel: 03-2096 8000; or

(d) participating organisations under paragraph 6.27 of the Listing Requirements.

10.7 Form of issuance

Bursa Securities has already prescribed our Shares listed on the Main Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the Rights Shares are prescribed securities and as such, the SICDA and the Rules of Bursa Depository will apply to the dealings of the Rights Shares.

You are required to have valid and subsisting CDS Account in order to subscribe for the Rights Shares.

Failure to comply with the specific instructions for applications or inaccuracy in the CDS Account number may result in the application being rejected. No physical share certificates will be issued to you under the Rights Issue. Instead, the Rights Shares will be credited directly into your CDS Account.

Any person who intends to subscribe for the Rights Shares as renouncee(s)/transferee(s) by purchasing the Provisional Rights Shares from an Entitled Shareholder will have his/its Rights Shares credited directly as prescribed securities into his/its CDS Account.

If you have multiple CDS Accounts into which the Provisional Rights Shares have been credited, you cannot use a single RSF to apply for all these Provisional Rights Shares. Separate RSF must be used if you have more than one CDS Account having been credited with the Provisional Rights Shares. If successful, the Rights Shares that you applied for will be credited into the respective CDS Accounts into which the Provisional Rights Shares have been credited.

10.8 Laws of foreign jurisdiction

The Documents have not been and will not be made to comply with the laws of any foreign jurisdiction and have not been and will not be lodged, registered or approved under any legislation (or with or by any regulatory authorities or other relevant bodies) for subscription of any foreign jurisdiction other than Malaysia. The Rights Issue will not be made or offered for subscription in any foreign jurisdiction other than Malaysia.

Accordingly, the Documents will not be despatched to the Foreign Entitled Shareholder(s) and/or their renouncee(s)/transferee(s) who do not have a registered address in Malaysia as stated in our Record of Depositors on the Entitlement Date. However, you may collect this Abridged Prospectus and the accompanying documents from the Share Registrar, in which event the Share Registrar will be entitled to request for such evidence as it deems necessary to satisfy itself as to the identity and authority of the person collecting the aforesaid documents.

The Foreign Entitled Shareholder(s) and/or their renouncee(s)/transferee(s) may accept or renounce (as the case may be) all or part of their entitlements and exercise any other rights in respect of the Rights Issue only to the extent that he/it would be lawful to do so.

AmInvestment Bank, the Share Registrar, our Company, Directors, officers and other advisers (collectively known as "**Parties**") would not, in connection with the Rights Issue, be in breach of the laws of any jurisdiction to which our Foreign Entitled Shareholder(s) and/or their renouncee(s)/transferee(s) are or may be subject to. Foreign Entitled Shareholder(s) and/or their renouncee(s)/transferee(s) will solely be responsible to seek advice as to the laws of the jurisdictions to which they are or may be subject to. The Parties will not accept any responsibility or liability if any acceptance or renunciation made by any Foreign Entitled Shareholder(s) and/or their renouncee(s)/transferee(s), is or will become unlawful, unenforceable, voidable or void in any such jurisdiction.

Our Foreign Entitled Shareholders and/or their renouncee(s)/transferee(s) will be responsible for payment of any issue or transfer fees or costs, or any other taxes or requisite payments due in such jurisdiction and the Parties will be entitled to be fully indemnified and held harmless by such Foreign Entitled Shareholder(s) and/or their renouncee(s)/transferee(s) for any issue, transfer or any other taxes or duties as such person may be required to pay. They will have no claims whatsoever against the Parties in respect of their rights, entitlements or any net proceeds arising from the Rights Issue. Such Foreign Entitled Shareholder(s) and/or their renouncee(s)/transferee(s) should consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal or regulatory requirements to enable them to exercise their rights in relation to the Rights Issue.

Our Company reserves the right, in our absolute discretion, to treat any acceptance as invalid, if we believe or have reason to believe that such acceptance may violate any applicable legal or regulatory requirements. The Provisional Rights Shares relating to any acceptance which is treated as invalid will be included in the pool of Excess Rights Shares available for Excess Application by our other Entitled Shareholders and/or their renouncee(s)/transferee(s).

Any payment made in respect of any RSF that does not meet the foregoing criteria will be returned without interest by ordinary post to the address as shown in our Record of Depositors at his/its own risk within 15 Market Days from the last date for the acceptance and payment of Rights Shares.

By signing the RSF, our Foreign Entitled Shareholder(s) and/or their renouncee(s)/transferee(s) are deemed to have represented, acknowledged and declared in favour of (and which representations, acknowledgements and declarations will be relied upon by) the Parties that:

(a) the Parties would not, by acting on the acceptance or renunciation in connection with the Rights Issue, be in breach of the laws of any jurisdiction which our Foreign Entitled Shareholders and/or their renouncee(s)/transferee(s) are or may be subject to;

(b) our Foreign Entitled Shareholder(s) and/or their renouncee(s)/transferee(s) have complied with the laws to which they are or may be subject to in connection with the acceptance or renunciation of the Provisional Rights Shares;

(c) our Foreign Entitled Shareholder(s) and/or their renouncee(s)/transferee(s) are not a nominee or agent of a person in respect of whom the Parties would, by acting on the acceptance or renunciation of the Provisional Rights Shares, be in breach of the laws of any jurisdiction which that person is or may be subject to;

(d) our Foreign Entitled Shareholder(s) and/or their renouncee(s)/transferee(s) are aware that the Provisional Rights Shares can only be transferred, sold or otherwise disposed of, or charged, hypothecated or pledged or dealt with in any way in accordance with all applicable laws in Malaysia;

(e) our Foreign Entitled Shareholder(s) and/or their renouncee(s)/transferee(s) have received a copy of this Abridged Prospectus and have read and understood the contents of this Abridged Prospectus and relied on their own evaluation to assess the merits and risks of the investment; and

(f) our Foreign Entitled Shareholder(s) and/or their renouncee(s)/transferee(s) have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing for or purchasing the Rights Shares, and are and will be able, and are prepared to bear the economic and financial risks of investing in and holding the Rights Shares.

Persons receiving the Documents (including without limitation custodians, nominees and trustees) must not, in connection with the Rights Issue, offer, distribute or send it into any jurisdiction where to do so would or might contravene local securities, exchange control or other relevant laws or regulations. If the Documents are received by any person in such jurisdictions, or by the agent or nominee of such a person, he/it must not seek to accept the offer unless he/it has complied with and observed the laws of the relevant jurisdiction.

Any person who does forward the Documents to any foreign jurisdiction, whether in accordance with a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this Section and our Company reserves the right to reject a purported acceptance of the Rights Shares from any application by Foreign Entitled Shareholders and/or their renouncee(s)/transferee(s) in any jurisdiction other than Malaysia.

11. TERMS AND CONDITIONS

The issue of the Rights Shares under the Rights Issue is governed by the terms and conditions set out in the Documents.

12. FURTHER INFORMATION

Please refer to the attached Appendices for further information.

Yours faithfully
For and on behalf of the Board of
MNRB HOLDINGS BERHAD

Arul Sothy A/L S Mylvaganam
Independent Non-Executive Director

APPENDIX I CERTIFIED TRUE EXTRACT OF THE ORDINARY RESOLUTION IN RESPECT OF THE RIGHTS ISSUE PASSED AT OUR EGM HELD ON 13 SEPTEMBER 2018

MNRB HOLDINGS BERHAD
(Company No.: 13487-A)
(Incorporated in Malaysia)

EXTRACT OF RESOLUTION AT EXTRAORDINARY GENERAL MEETING OF MNRB HOLDINGS BERHAD ("MNRB" OR THE "COMPANY") HELD AT MNRB AUDITORIUM, 3RD FLOOR, BANGUNAN MALAYSIAN RE, NO. 17, LORONG DUNGUN, DAMANSARA HEIGHTS, 50490 KUALA LUMPUR ON THURSDAY, 13 SEPTEMBER 2018

RESOLVED:

ORDINARY RESOLUTION

PROPOSED RENOUNCEABLE RIGHTS ISSUE OF NEW ORDINARY SHARES IN MNRB ("MNRB SHARES") ("RIGHTS SHARES") TO RAISE GROSS PROCEEDS OF APPROXIMATELY RM400 MILLION ("PROPOSED RIGHTS ISSUE")

"THAT subject to the approvals of all relevant regulatory authorities being obtained (if required), the Board of Directors of MNRB ("Board") be and is hereby authorised to provisionally allot by way of a renounceable rights issue of such number of new MNRB Shares to raise gross proceeds of approximately RM400 million, at an issue price and entitlement basis to be determined and announced by the Board, to the shareholders of MNRB ("Shareholders") whose names appear in the Record of Depositors of MNRB at 5.00 p.m. on an entitlement date to be determined and announced later by the Board ("Entitled Shareholders");

THAT fractional entitlements of the Rights Shares, if any, arising from the Proposed Rights Issue shall be disregarded and dealt with in such manner as the Board shall in its absolute discretion deem fit and expedient and in the best interest of the Company;

THAT any Rights Shares which are not taken up or are not validly taken up or which are not allotted for any reason whatsoever shall first be made available for excess applications by the other Entitled Shareholders and/or their renounce (s) in a fair and equitable manner on a basis to be determined by the Board;

THAT the proceeds of the Proposed Rights Issue be utilised for the purposes as set out in Section 2.7 of the Circular to the Shareholders dated 23 August 2018, and the Board be authorised with full powers to vary the manner and/or purpose of utilisation of such proceeds in such manner as the Board may deem fit, necessary and/or expedient, subject to the approval of the relevant authorities, where required;

THAT the Rights Shares shall, upon allotment and issue, rank pari passu in all respects with the then existing MNRB Shares, save and except that the Rights Shares will not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to the shareholders of the Company, the entitlement date of which is prior to the date of allotment of the Rights Shares;

Page **1** of **2**

MNRB HOLDINGS BERHAD
(Company No.: 13487-A)
(Incorporated in Malaysia)

EXTRACT OF RESOLUTION AT EXTRAORDINARY GENERAL MEETING OF MNRB HOLDINGS BERHAD ON THURSDAY, 13 SEPTEMBER 2018

RESOLVED:

ORDINARY RESOLUTION

PROPOSED RENOUNCEABLE RIGHTS ISSUE OF NEW ORDINARY SHARES IN MNRB ("MNRB SHARES") ("RIGHTS SHARES") TO RAISE GROSS PROCEEDS OF APPROXIMATELY RM400 MILLION ("PROPOSED RIGHTS ISSUE")

AND THAT the Board be and is hereby authorised to:

(a) enter into any underwriting agreement(s) for the underwriting of any part of the open portion of the Rights Shares and all other documents, agreements and/or arrangements in connection with the underwriting of the Rights Shares with such parties and upon such terms and conditions as the Board may deem fit; and

(b) do all acts, deeds and things and execute, sign, deliver and cause to be delivered on behalf of MNRB all such transactions, arrangements, agreements and/or documents as may be necessary or expedient in order to implement, give effect to and complete the Proposed Rights Issue with full powers to assent to any condition, modification, variation and/or amendment to the terms of the Proposed Rights Issue as the Board may deem fit, necessary and/or expedient in the interest of the Company or as may be imposed by any relevant authority or consequent upon the implementation of the said conditions, modifications, variations and/or amendments and to take all steps as it considers necessary in connection with the Proposed Rights Issue."

CERTIFIED TRUE EXTRACT

Norazman Hashim (MIA 5817)
Company Secretary

Lena Abd Latif (LS 8766)
Company Secretary

1. HISTORY OF THE BUSINESS AND PRINCIPAL ACTIVITIES

Our Company, formerly known as Malaysian National Reinsurance Berhad, was incorporated under the Companies Act 1965 on 30 December 1972 as a public limited company. The Company commenced operations on 9 February 1973 as a national reinsurer. It was listed on the now Main Market on 20 November 1996.

On 1 April 2005, as a result of a restructuring exercise, our Company's reinsurance licence, business and net assets were transferred to Malaysian Re, a subsidiary of our Company. Subsequently, our Company changed our name from Malaysian National Reinsurance Berhad to our present name on 5 April 2005.

Our Company is principally engaged in investment holding and provision of management services.

Further details of the principal activities of our subsidiaries are disclosed in Section 5 of this Appendix.

2. SHARE CAPITAL AND MOVEMENTS IN SHARE CAPITAL

As at the LPD, our Company's issued share capital is RM319,604,193 comprising 319,604,193 MNRB Shares.

The changes in our Company's issued share capital for the last three years and up to the LPD, are as follows:

Date of Allotment	No. of MNRB Shares Allotted	Consideration	Type of Issue	Cumulative Issued Share Capital
8 November 2016	106,534,693	Otherwise than cash	Allotment under bonus issue[(1)]	RM319,604,193

Note:

(1) Bonus issue of 106,534,693 new Shares credited as fully paid-up, on the basis of one bonus share for every two existing Shares held by our entitled shareholders as at 5.00 p.m. on 7 November 2016.

3. SUBSTANTIAL SHAREHOLDERS

The percentage shareholdings of our substantial shareholders will remain the same if all our Entitled Shareholders subscribe in full for their entitlements under the Rights Issue. The proforma effects of the Rights Issue on the shareholdings of our substantial shareholders as at the LPD are set out below:-

Scenario 1 – All Entitled Shareholders subscribe for their entitlements

Assuming all our Entitled Shareholders subscribe in full for their entitlements under the Rights Issue, the proforma effects of the Rights Issue based on the Register of Substantial Shareholders as at the LPD are as follow:-

	As at the LPD				After the Rights Issue			
	Direct		Indirect		Direct		Indirect	
Substantial shareholder	**No. of MNRB Shares**	**%**	**No. of MNRB Shares**	**%**	**No. of MNRB Shares**	**%**	**No. of MNRB Shares**	**%**
ART-ASB	135,500,000	42.40	-	-	325,200,000	42.40	-	-
PNB	40,731,300	12.74	-	-	97,755,120	12.74	-	-

<u>Scenario 2 – Only ART-ASB and PNB subscribe for the Rights Issue in accordance with the Undertakings</u>

Assuming none of our Entitled Shareholders other than ART-ASB and PNB subscribe for the Rights Issue in accordance with their Undertakings, the proforma effects of the Rights Issue based on the Register of Substantial Shareholders as at the LPD are as follow:-

	As at the LPD				After the Rights Issue			
	Direct		Indirect		Direct		Indirect	
Substantial shareholder	**No. of MNRB Shares**	**%**	**No. of MNRB Shares**	**%**	**No. of MNRB Shares**	**%**	**No. of MNRB Shares**	**%**
ART-ASB	135,500,000	42.40	-	-	339,803,178*	44.30	-	-
PNB	40,731,300	12.74	-	-	235,484,369*	30.70	-	-

Note:
* Illustrated assuming in the event of undersubscription of Excess Rights Shares, ART-ASB and PNB apply for Excess Rights Shares such that the subscription by ART-ASB and PNB shall not result in mandatory general offer and our Company breaching the public spread requirement under the Listing Requirements.

4. BOARD OF DIRECTORS

The particulars of our Board as at the LPD are as follows:

Name *(Designation)*	Age	Address	Nationality	Profession
Dato Sharkawi bin Alis *(Non-Independent Non-Executive Chairman)*	71	62, Jalan Kekabu, Damansara Heights, 50490 Kuala Lumpur	Malaysian	Company Director
Mustaffa bin Ahmad *(Senior Independent Non-Executive Director)*	62	No. 39, Jalan Setiakasih 9, Bukit Damansara, 50490 Kuala Lumpur	Malaysian	Company Director
Hijah Arifakh binti Othman *(Non-Independent Non-Executive Director)*	58	No. 219, Jalan Jati, Kampung Melayu Ampang, 68000 Ampang Selangor	Malaysian	Company Director
Rosinah binti Mohd Salleh *(Independent Non-Executive Director)*	49	No. 10, Jalan Memanah, 13/55A, Laman Seri, Seksyen 13, 40100 Shah Alam, Selangor Darul Ehsan	Malaysian	Company Director
Arul Sothy A/L S Mylvaganam *(Independent Non-Executive Director)*	62	67, Jalan Keruing, Bukit Bandaraya Bangsar, 59100 Kuala Lumpur	Malaysian	Company Director
Noor Rida binti Hamzah *(Independent Non-Executive Director)*	57	52, Jalan Hilir Dua, Taman Ampang Hilir, 55000 Kuala Lumpur	Malaysian	Company Director
Datuk Johar bin Che Mat *(Independent Non-Executive Director)*	66	No. 4, Jalan SS7/11, Kelana Jaya, 47301 Petaling Jaya, Selangor	Malaysian	Company Director
George A/L Oommen *(Independent Non-Executive Director)*	65	Apt 7-6-4, Menara Hartamas, Jalan Sri Hartamas 3, 50480 Kuala Lumpur	Malaysian	Company Director

As at the LPD, none of our Directors holds any of our Shares directly or indirectly.

5. SUBSIDIARIES AND ASSOCIATED COMPANIES

As at the LPD, our subsidiaries and associated companies are as follows:

(i) Subsidiaries

Name of Company	Date/Country of Incorporation	Issued Share Capital (RM unless otherwise stated)	Effective Equity Interest (%)	Principal Activities
Malaysian Re	27 August 2004 / Malaysia	563,106,423	100	Underwriting of all classes of general reinsurance business and management of family and general retakaful business
Takaful IKHLAS	18 September 2002 / Malaysia	335,000,000	100	Management of family general and investment-linked takaful business
Sinar Seroja Berhad (formerly known as MNRB Retakaful Berhad)	27 December 2006 / Malaysia	2	100	Dormant
MMIP Services Sdn Bhd	23 March 2006 / Malaysia	2	100	Management of the Malaysian Motor Insurance Pool which provides motor insurance to vehicle owners who are unable to obtain insurance protection for their vehicles
Takaful Ikhlas General	5 June 2017 / Malaysia	2	100	Dormant
Malaysian Re (Dubai) Ltd	7 December 2006 / United Arab Emirates	USD2,000,000	100	Marketing and promotional activities and servicing of clients on behalf of Malaysian Re

(ii) Associated Companies

Name of Company	Date/Country of Incorporation	Issued Share Capital (RM)	Effective Equity Interest (%)	Principal Activities
Motordata Research Consortium Sdn Bhd	27 July 1995 / Malaysia	1,600,000	40	Development and provision of a centralised motor parts price database for the Malaysian insurance industry
Labuan Reinsurance (L) Ltd	14 September 1992 / Malaysia	USD150,000,000	20	Underwriting of all classes of general reinsurance business

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6. PROFIT AND DIVIDEND RECORD

The following table summarises the relevant financial information based on our audited consolidated financial statements for the FYE 31 March 2016, FYE 31 March 2017 and FYE 31 March 2018 and our unaudited consolidated financial statements for the FPE 30 June 2018.

	< -- Audited FYE 31 March -- >			Unaudited FPE 30 June
	2016	**2017**	**2018**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Gross earned premiums/contributions	2,266,874	2,327,336	2,251,663	472,759
Net earned premiums/contributions	1,941,979	1,978,504	1,928,864	417,596
Other revenue	250,786	348,432	337,541	32,619
Net claims and benefits	(1,631,204)	(1,503,283)	(1,308,245)	(227,197)
Finance costs	(18,231)	(18,120)	(15,841)	(4,109)
Other expenses	(686,401)	(724,941)	(697,233)	(142,248)
Share of results of associates	12,615	5,628	9,712	(4,247)
Operating (loss)/profit before deficit/(surplus) attributable to takaful participants and taxation	(130,456)	86,220	254,798	72,414
Deficit/(surplus) attributable to takaful participants	99,408	12,708	(62,274)	(29,372)
Operating (loss)/profit before zakat and taxation	(31,048)	98,928	192,524	43,042
Zakat	-	-	(563)	(213)
Taxation	(7,781)	(27,758)	(51,096)	(14,551)
Net (loss)/profit for the year/period attributable to equity holders of the Company	(38,829)	71,170	140,865	28,278
Basic and diluted (loss)/ earnings per share attributable to equity holders of the Company (sen)	(18.2)	27.6	44.1	8.80
Gross dividend per share declared (sen)	-	-	-	-
LBT/PBT margin (%)[(1)]	(1.4)	4.3	8.6	9.1
LAT/PAT margin (%)[(2)]	(1.7)	3.1	6.3	6.0

Notes:

(1) Computed based on ratio of operating (loss)/profit before zakat and taxation to GEP/GEC.

(2) Computed based on ratio of net (loss)/profit for the year/period attributable to equity holders of the Company to GEP/GEC.

Commentary on financial performance

(i) FYE 31 March 2016

For the FYE 31 March 2016, the Group recorded GEP/GEC of RM2,266.9 million representing an increase of RM75.3 million (3.4%) from GEP/GEC of RM2,191.6 million in the FYE 31 March 2015. The increase in GEP/GEC was contributed by both the takaful and reinsurance businesses.

The takaful business recorded an increase in GEC of RM74.7 million (9.1%). The family takaful business GEC increased by 11.0% from RM554.0 to RM615.1 million while the general takaful business grew by 5.1% from RM268.4 to RM282.0 million. This growth was mainly attributable to the Agency Transformation Programme ("**ATP**"), an initiative to improve the productivity of Takaful IKHLAS' agency force.

Malaysian Re also recorded an increase in GEP amounting to RM18.2 million from RM1,323.3 million to RM1,341.5 million.

The Group recorded a LBT of RM31.0 million, as compared to a PBT of RM190.7 million for the preceding financial year. This was mainly due to an increase in net claims by RM361.2 million from RM1,270.0 million to RM1,631.2 million. The increase was due to a few large losses, such as the explosions at Port of Tianjin in China, earthquake in Taiwan, South Indian floods, as well as additional claims provision due to the weakening of the Ringgit.

After accounting for the income and expenses of the takaful funds, a deficit of RM99.4 million attributable to takaful participants was added back to the Group's income statement for the year. For FYE 31 March 2015, the amount attributable to takaful participants was a surplus of RM45.6 million.

As a result of the above, loss after tax for the FYE 31 March 2016 was RM38.8 million compared to a net profit of RM139.1 million in FYE 31 March 2015.

No dividend was paid in respect of the FYE 31 March 2016.

(ii) FYE 31 March 2017

For the FYE 31 March 2017, the Group recorded GEP/GEC of RM2,327.3 million, representing an increase of RM60.4 million (2.7%) from the GEP/GEC of RM2,266.9 million in the preceding year.

The takaful business recorded an increase in GEC of RM92.0 million (10.3%) mainly due to the increase in family takaful business amounting to RM62.1 million and increase in general takaful business amounting to RM29.9 million. The increase is mainly due to the ongoing ATP initiatives.

Malaysian Re however, recorded a decrease in GEP of RM19.0 million (-1.4%) as compared to preceding financial year. This was mainly due to a business rationalisation exercise, named Transformation 2020 (T20), which was implemented by Malaysian Re effective from 1 January 2017 whereby our Group had reduced its underwriting in certain high risk business segments and territories.

The Group recorded a PBT of RM98.9 million as compared to LBT of RM31.0 million in the preceding year, mainly due to lower net claims.

After accounting for the income and expenses of the takaful funds, a deficit of RM12.7 million, attributable to takaful participants, was added back to the Group's income statement for the year, as compared to a deficit of RM99.4 million in the preceding year.

As a result of the above, the Group recorded an increase in PAT, amounting to RM71.2 million as compared to a LAT of RM38.8 million in the preceding year.

No dividend was paid in respect of the FYE 31 March 2017.

(iii) FYE 31 March 2018

For the FYE 31 March 2018, the Group recorded a GEP/GEC of RM2,251.7 million, representing a decrease of RM75.6 million (-3.2%) from GEP/GEC of RM2,327.3 million in the preceding year.

Malaysian Re recorded a decrease in GEP of RM34.1 million (-2.6%) as compared to preceding financial year. This was mainly due to the ongoing business rationalisation exercise under the T20 whereby our Group had reduced its underwriting in certain high risk business segments and territories.

Due to strong market competition, the takaful business also recorded a decrease in GEC of RM60.3 million (-6.1%) as compared to preceding financial year. GEC for the general takaful business declined by RM30.8 million to RM281.1 million and family takaful business declined by RM29.5 million to RM647.8 million for this period.

The Group's PBT of RM192.5 million was significantly higher than the PBT of RM98.9 million for the preceding year, representing an increase of 94.6% mainly due to lower net claims.

After accounting for the income and expenses of the takaful funds, a surplus of RM62.3 million, attributable to takaful participants, was deducted from the Group's income statement for the year.

As a result of the above, the Group recorded an increase in PAT by RM69.7 million (97.9%) to RM140.9 million as compared to RM71.2 million in the preceding year.

The directors did not recommend the payment of any dividend in respect of the FYE 31 March 2018.

(iv) FPE 30 June 2018

For the FPE 30 June 2018, the Group recorded GEP/GEC of RM472.8 million, lower by RM64.6 million (-12.0%) from the GEP/GEC of RM537.4 million in the same period last year.

The GEC from family and general takaful businesses amounted to RM128.2 million and RM61.6 million respectively, as compared to RM158.0 million and RM67.9 million respectively, recorded in the same period last year. During this period, the family takaful business had ceased writing Group Hospitalization and Surgical business due to poor underwriting results and high capital requirements. In addition, the de-tariffication of motor and fire business had resulted in a lower contribution for the general takaful business.

Malaysian Re's GEP for the period was RM283.1 million as compared to RM308.7 million in the same period last year. The lower GEP was due to the post implementation effect of the business rationalisation exercise undertaken since 2017.

In line with the decrease in revenue, the Group recorded a decrease in PBT by RM23.8 million (-35.6%) to RM43.0 million as compared to RM66.8 million in the same period last year. The decrease in PBT were also due to the RM7.7 million fair value loss on financial assets resulting from the adoption of MFRS 9 with effect from 1 April 2018, as well as higher share of losses of its associate of RM4.2 million.

After accounting for the income and expenses of the takaful funds, a surplus of RM29.4 million, attributable to takaful participants, was deducted from the Group's income statement for the period.

The Group's PAT reduced by RM22.1 million (-43.8%) to RM28.3 million as compared to RM50.4 million in the same period last year.

No dividend was declared in respect of the FPE 30 June 2018.

7. SHARE PRICES

The monthly high and low prices of our Shares as traded for the past 12 months up to August 2018 on the Main Market of Bursa Securities are as follows:

Month	High RM	Low RM
2017		
September	2.67	2.47
October	2.50	2.29
November	2.42	2.25
December	2.34	2.19
2018		
January	2.66	2.30
February	2.64	2.46
March	2.75	2.50
April	2.64	2.40
May	2.57	2.40
June	2.54	2.34
July	2.36	1.90
August	1.63	1.60

(Source: Bloomberg)

The last transacted price of our Shares on Bursa Securities on 17 July 2018, being the last transacted market price prior to the date of announcement of the Rights Issue was RM2.33 per MNRB Share.

The last transacted price of our Shares on Bursa Securities on 6 September 2018, being the last transacted market price on the LPD was RM1.54 per MNRB Share.

The last transacted price of our Shares on Bursa Securities on 27 September 2018, being the last transacted market price on the day prior to the ex-date on 28 September 2018 was RM1.56 per MNRB Share.

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REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Prepared for inclusion in the Abridged Prospectus to be dated 2 October 2018)

20 SEP 2018

The Board of Directors
MNRB Holdings Berhad
12th Floor, Bangunan Malaysian Re
No. 17, Lorong Dungun
Damansara Heights
50490 Kuala Lumpur

Dear Sirs

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION IN RELATION TO THE RENOUNCEABLE RIGHTS ISSUE OF 447,445,870 NEW ORDINARY SHARES IN MNRB HOLDINGS BERHAD ("RIGHTS SHARES") ON THE BASIS OF 7 RIGHTS SHARES FOR EVERY 5 EXISTING ORDINARY SHARES HELD IN MNRB HOLDINGS BERHAD BY THE ENTITLED SHAREHOLDERS AS AT 5.00 P.M. ON 2 OCTOBER 2018 AT AN ISSUE PRICE OF RM0.90 PER RIGHTS SHARE ("RIGHTS ISSUE")

We have completed our assurance engagement to report on the compilation of the pro forma consolidated statement of financial position of MNRB Holdings Berhad ("MNRB" or "the Company") and its subsidiaries ("the Group"), prepared by the Directors of MNRB. The pro forma consolidated statement of financial position consists of the pro forma consolidated statement of financial position of the Group as at 31 March 2018 and the related Notes as set out in the Appendix to this report and Section 8 of the Abridged Prospectus to be dated 2 October 2018.

The pro forma consolidated statement of financial position has been compiled by the Directors of MNRB for inclusion in the Abridged Prospectus to be dated 2 October 2018 in connection with the Rights Issue. The applicable criteria on which the Directors have compiled the pro forma consolidated statement of financial position are described in Note 1 of the Appendix to this report.

The pro forma consolidated statement of financial position has been compiled by the Directors of MNRB to illustrate the impact of the Rights Issue on the Group's financial position as at 31 March 2018 assuming the Rights Issue had been completed on 31 March 2018. As part of this process, information about the financial position has been extracted by the Directors from the relevant financial statements for the year ended 31 March 2018, on which an audit report has been published.

The Directors' Responsibility for the Pro Forma Consolidated Statement of Financial Position

The Directors of MNRB are responsible for compiling the pro forma consolidated statement of financial position on the basis of the applicable criteria as described in Note 1 of the Appendix to this report.

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Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the By-Laws (on Professional Ethics, Conduct and Practice) issued by the Malaysian Institute of Accountants and the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Malaysian Approved Standard on Quality Controls, ISQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements,* issued by the Malaysian Institute of Accountants and accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibilities

Our responsibility is to express an opinion, as required by the Securities Commission Malaysia, about whether the pro forma consolidated statement of financial position has been compiled, in all material respects, by the Directors of MNRB in accordance with the applicable criteria as described in Note 1 of the Appendix to this report.

We conducted our engagement in accordance with the Malaysian Approved Standard on Assurance Engagements, ISAE 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Directors of MNRB have compiled, in all material respects, the pro forma consolidated statement of financial position in accordance with the applicable criteria as described in Note 1 of the Appendix to this report.

For the purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma consolidated statement of financial position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma consolidated statement of financial position.

The purpose of the pro forma consolidated statement of financial position included in the Abridged Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

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Our Responsibilities (Cont'd.)

A reasonable assurance engagement to report on whether the pro forma consolidated statement of financial position has been compiled, in all material respects, on the basis of the applicable criteria as described in Note 1 of the Appendix to this report, involves performing procedures to assess whether the applicable criteria used by the Directors of MNRB in the compilation of the pro forma consolidated statement of financial position provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

(a) The related pro forma adjustments give appropriate effect to those criteria; and

(b) The pro forma consolidated statement of financial position reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regards to our understanding of the nature of the Group, the event or transaction in respect of which the pro forma consolidated statement of financial position has been compiled, and other relevant engagement circumstances. The engagement also involves evaluating the overall presentation of the pro forma consolidated statement of financial position.

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

Opinion

In our opinion, the pro forma consolidated statement of financial position has been compiled, in all material respects, on the basis as set out in the Note 1 of the Appendix to this report and Section 8 of the Abridged Prospectus.

Other matters

This letter is issued for the sole purpose of inclusion in the Abridged Prospectus in connection with the Rights Issue. Our work had been carried out in accordance with Malaysian Approved Standards on Assurance Engagements and accordingly should not be relied upon as if it had been carried out in accordance with standards and practices in other jurisdictions. Therefore, this report is not appropriate in other jurisdictions and should not be used or relied upon for any purpose other than the Rights Issue described above. We accept no duty or responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this letter in connection with any type of transaction, including the sale of securities other than the Rights Issue.

Ernst & Young	Brandon Bruce Sta Maria
AF: 0039	No. 02937/09/2019 J
Chartered Accountants	Chartered Accountant

A member firm of Ernst & Young Global Limited

APPENDIX

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

1. Basis of Preparation

The pro forma consolidated statement of financial position of MNRB Holdings Berhad ("MNRB") as at 31 March 2018, for which the Board of Directors of MNRB are solely responsible, have been prepared for illustration purposes only, for inclusion in the Abridged Prospectus to be dated 2 October 2018 in connection with the renounceable rights issue of 447,445,870 new ordinary shares in MNRB ("Rights share(s)") on the basis of 7 rights shares for every 5 existing ordinary shares in MNRB held by the entitled shareholders as at 5.00 p.m. on 2 October 2018 at an issue price of RM0.90 per rights share ("Rights Issue").

The pro forma consolidated statement of financial position illustrates the effects of the Rights Issue, assuming the Rights Issue had been implemented and completed on 31 March 2018. The pro forma consolidated statement of financial position of MNRB have been properly compiled in accordance with the Prospectus Guidelines - Abridged Prospectus issued by the Securities Commission, using the audited consolidated financial statements of MNRB for the year ended 31 March 2018 which was prepared in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards and in a manner consistent with both the format of the financial statements and the accounting policies of MNRB. Furthermore, such financial information does not purport to predict the future financial position of the MNRB.

The pro forma consolidated statement of financial position is presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000).

2. Pro forma Adjustments

The pro forma consolidated statement of financial position of MNRB has incorporated the effects of the following:

(a) Issuance of up to 447,445,870 Rights Shares which will result in an increase in the issued and paid-up share capital by RM402,701,283. The pro forma share capital of MNRB as at 31 March 2018 would amount to RM722,305,476.

Ernst & Young (AF: 0039)
Chartered Accountants, Kuala Lumpur
For identification purposes only

APPENDIX

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018 (CONT'D.)

2. Pro forma Adjustments (Cont'd.)

(b) The proceeds from the issuance of the Rights Shares of RM402,701,283 will be used for the following purposes:

(i) RM400,000,000 of the proceeds will be utilised for capital injection into the subsidiaries of MNRB, namely Malaysian Reinsurance Berhad, Takaful Ikhlas Berhad and Takaful Ikhlas General Berhad. These subsidiaries will invest the RM400,000,000 in fixed and call deposits with licensed financial institutions, which are classified as loans and receivables in the pro forma consolidated statement of financial position.

Accordingly, loans and receivables of MNRB will increase by RM400,000,000, resulting in a pro forma loans and receivables balance of RM2,337,264,000 as at 31 March 2018.

(ii) The remaining RM2,701,283 of the proceeds received from the Rights Issue will be held as cash and bank balances. Part of the RM2,701,283 will then be utilised to defray the estimated expenses relating to the Rights Issue of approximately RM1,500,000. This will be accounted for as a reduction of cash and bank balances and a reduction in reserves of RM1,500,000 respectively.

Accordingly, cash and bank balances of MNRB will increase by RM1,201,283 (being RM2,701,283 less RM1,500,000), resulting in a pro forma cash and bank balance of RM143,300,283 as at 31 March 2018. Reserves will decrease by RM1,500,000, resulting in a pro forma reserves balance of RM1,216,896,000.

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Ernst & Young (AF: 0039)
Chartered Accountants, Kuala Lumpur
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NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018 (CONT'D.)

3. Pro forma Consolidated Statement of Financial Position as at 31 March 2018

	Note	Audited as at 31 March 2018 RM'000	Pro forma Adjustments RM'000	Pro forma after Adjustments for Rights Issue RM'000
Assets				
Property, plant and equipment		240,744		240,744
Intangible assets		32,131		32,131
Deferred tax assets		18,343		18,343
Investments in associates		139,009		139,009
Financial assets at fair value through profit or loss ("FVTPL")		116,127		116,127
Held-to-maturity ("HTM") investments		644,254		644,254
Available for sale ("AFS") financial assets		3,741,196		3,741,196
Loans and receivables ("LAR")	2(b)(i)	1,937,263	400,000	2,337,264
Reinsurance/retakaful assets		478,253		478,253
Insurance/takaful receivables		418,304		418,304
Tax recoverable		27,277		27,277
Cash and bank balances	2(b)(ii)	142,099	1,201	143,300
Total assets		7,935,000		8,336,201
LIABILITIES AND PARTICIPANTS' FUNDS				
Participants' funds		247,862		247,862
Borrowings		320,000		320,000
Insurance/takaful contract liabilities		5,319,945		5,319,945
Insurance/takaful payables		270,444		270,444
Other payables		225,745		225,745
Deferred tax liabilities		10,684		10,684
Provision for taxation		1,709		1,709
Provision for zakat		610		610
Total liabilities and participants' funds		6,396,999		6,396,999
EQUITY				
Share capital	2(a)	319,605	402,701	722,306
Reserves	2(b)(ii)	1,218,396	(1,500)	1,216,896
Total equity		1,538,001		1,939,202
Total liabilities and shareholders' equity		7,935,000		8,336,201
No. of ordinary shares in issue ('000)		319,605		767,050
Net assets per share (RM)		4.81		2.53
Net tangible asset (RM'000)		1,505,870		1,907,071
Net tangible asset per share (RM)		4.71		2.49
Borrowings		320,000		320,000
Gearing ratio		0.21		0.17

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3

MNRB HOLDINGS BERHAD
(13487-A)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 March 2018

CERTIFIED TRUE COPY

Ernst & Young
Ernst & Young (AF: 0039)
Chartered Accountants

Brandon Bruce Sta Maria
No. 02937/09/2019 J
Chartered Accountant

MNRB Holdings Berhad
(Incorporated in Malaysia)

Contents **Page**

MNRB Holdings Berhad
(Incorporated in Malaysia)

Directors' Report

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 March 2018.

Principal Activities

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

The principal activities of the subsidiaries are as disclosed in Note 17 to the financial statements.

Results

	Group RM'000	Company RM'000
Net profit for the financial year	140,865	6,872

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

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

Dividend

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

Significant events

a) Transfer of general and family retakaful businesses

On 1 December 2017, the transfer of the general and family retakaful businesses between 2 subsidiaries, Malaysian Reinsurance Berhad and Sinar Seroja Berhad (formerly known as MNRB Retakaful Berhad) was completed.

b) Splitting of family and general takaful business licences

In accordance with the requirements of the Islamic Financial Service Act 2013 ("IFSA 2013") a takaful operator that carries on both classes of family and general takaful businesses required take steps to split the businesses into separate legal entities before 1 July 2018.

A new company was incorporated on 5 June 2017 as a wholly-owned subsidiary of Takaful Ikhlas Berhad ("TIB") to take over its general takaful business once the necessary approval has been obtained from BNM.

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MNRB Holdings Berhad
(Incorporated in Malaysia)

Significant events (cont'd.)

Further details of the above significant events are disclosed in Note 40 to the financial statements.

Directors

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

Dato Sharkawi bin Alis
Mohd Din bin Merican
Hijah Arifakh binti Othman
Mustaffa bin Ahmad
Rosinah binti Mohd Salleh
Arul Sothy Mylvaganam
Noor Rida binti Hamzah
Datuk Johar bin Che Mat (Appointed with effect from 1 October 2017)
George Oommen (Appointed with effect from 1 January 2018)
Megat Dziauddin bin Megat Mahmud (Resigned with effect from 30 June 2017)
Paisol bin Ahmad (Retired with effect from 24 August 2017)

The names of the Directors of the Company's subsidiaries in office since the beginning of the financial year to the date of this report (not including those Directors listed above) are:

Directors	Subsidiaries
Zainudin bin Ishak (resigned to be a Director of MRE effective from effective from 2 March 2018)	Malaysian Reinsurance Berhad ("MRE"), Malaysian Re (Dubai) Ltd. ("MRDL") and MMIP Services Sdn. Bhd. ("MSSB")
Md Adnan bin Md Zain	MRE and Takaful Ikhlas Berhad ("TIB")
Datin Zaimah binti Zakaria	MRE and Sinar Seroja Berhad ("SSB") *(formerly known as MNRB Retakaful Berhad)*
Datuk Nik Moustpha bin Nik Hassan	TIB and SSB
Norazman bin Hashim	MSSB
Yahaya bin Besah (resigned effective from 3 July 2017)	SSB
Dr. Syed Musa bin Syed Jaafar Alhabshi (resigned effective from 22 July 2017)	SSB
Datuk Ab Latiff bin Abu Bakar (resigned to be a Director effective from 7 January 2018)	TIB

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MNRB Holdings Berhad
(Incorporated in Malaysia)

Directors' Benefits

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

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors from the Company or the fixed salary and benefits receivable as a full-time employee of the Company as disclosed in Notes 9, 10 and 32 to the financial statements or benefits receivable from related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest to be disclosed under Fifth Schedule, Part I Section 3 of the Companies Act, 2016.

During the financial year, the Company purchased a Directors and Officers Liability Insurance cover to provide indemnity to all directors of the MNRB Group for a limit of RM50,000,000 at a premium of RM67,000.

Other Statutory Information

(a) Prior to issuance of income statements and statements of financial position of the Group and the Company , the Directors took reasonable steps:

  (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no known bad debts and that adequate allowance had been made for doubtful debts; and

  (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

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

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

(c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

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MNRB Holdings Berhad
(Incorporated in Malaysia)

Other Statutory Information (cont'd.)

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

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

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

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

(f) In the opinion of the Directors:

(i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

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

Auditors

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 29 June 2018.

Dato Sharkawi bin Alis

Mohd Din bin Merican

Kuala Lumpur, Malaysia

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MNRB Holdings Berhad
(Incorporated in Malaysia)

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

We, Dato Sharkawi bin Alis and Mohd Din bin Merican, being two of the Directors of MNRB Holdings Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 14 to 179 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia, so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2018 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 29 June 2018.

Dato Sharkawi bin Alis

Mohd Din bin Merican

Kuala Lumpur, Malaysia

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

I, Norazman bin Hashim, being the officer primarily responsible for the financial management of MNRB Holdings Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 14 to 179 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed Norazman bin Hashim)
at Kuala Lumpur in Wilayah Persekutuan)
on 29 June 2018.)

Norazman bin Hashim

Before me,

Commissioner of Oaths

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

PESURUHJAYA SUMPAH
No. W 530
TAN SEOK KETT
MALAYSIA

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Independent auditors' report to the members of MNRB Holdings Berhad (Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of MNRB Holdings Berhad, which comprise the statements of financial position as at 31 March 2018 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 14 to 179.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 March 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for opinion

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

Independence and other ethical responsibilities

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

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Independent auditors' report to the members of
MNRB Holdings Berhad (cont'd.)
(Incorporated in Malaysia)

Key audit matters

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

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

1. Insurance/takaful contract liabilities of the Group

The Group's insurance/takaful contract liabilities as at 31 March 2018 amounted to RM5.3 billion (as disclosed in Note 20 to the financial statements) or approximately 83% of its total liabilities. The insurance/takaful contract liabilities include the following liabilities of the reinsurance/retakaful subsidiary, Malaysian Reinsurance Berhad and the takaful subsidiary,Takaful Ikhlas Berhad:

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

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

(c) Investment-linked participants' account of the family takaful business; and

(d) Expense liabilities in respect of the shareholder's fund of the takaful and retakaful businesses.

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Independent auditors' report to the members of MNRB Holdings Berhad (cont'd.)
(Incorporated in Malaysia)

Key audit matters (cont'd.)

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

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

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

Our audit procedures were focused on the following key areas:

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

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Independent auditors' report to the members of MNRB Holdings Berhad (cont'd.) (Incorporated in Malaysia)

Key audit matters (cont'd.)

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

- Testing the completeness and sufficiency of data used in the valuation of insurance/takaful contract liabilities including reviewing the data extraction process and reconciliations carried out by the Group. These tests also included control tests performed on selected samples of claims reserves, claims paid and reinsurance policies and retakaful and takaful certificates issued by the Group to ascertain effectiveness of operating controls over quality and accuracy of the underlying data;
- Performing audit tests on the model review process applied by management in respect of the family takaful business and independently reviewing the results thereon;
- Performing independent analyses and re-computation of the general reinsurance/retakaful/takaful contract liabilities for selected classes of business, focusing on the most significant business portfolio and those which may potentially result in significant deviations in estimates. We compared our independent analyses and re-computations to those performed by management to ascertain if the reserves were sufficient and within range of our independent analyses;
- Performing tests on the UPR/UCR calculations produced by management and thereafter, comparing the UPR/UCR against the URR valuation performed by the Appointed Actuaries to ascertain if adequate reserves have been established for the general reinsurance, retakaful and takaful business;
- Performing tests on the UWF calculations produced by management and thereafter, comparing the UWF against the UER valuation performed by the Appointed Actuaries to ascertain if adequate reserves have been established for the shareholder's fund of the retakaful and takaful business;
- Reviewing the Liability Adequacy Test results performed by the reinsurance, retakaful and takaful subsidiaries;
- Auditing the fair value of financial assets and adequacy of liabilities of the investment-linked funds of the family takaful business;
- Performing control tests over the creation and cancellation of units of the investment-linked funds as well as calculation of Net Asset Values; and
- Assessing the adequacy of disclosures made in the financial statements in respect of the insurance/takaful contract liabilities of the Group.

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Independent auditors' report to the members of MNRB Holdings Berhad (cont'd.) (Incorporated in Malaysia)

Key audit matters (cont'd.)

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

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

2. Tax recoverable

As disclosed in Note 22 to the financial statements, the Company is currently appealing against additional tax assessments and penalties raised by the Inland Revenue Board of Malaysia ("IRB"), amounting to approximately RM19.7 million. These additional tax assessments and penalties were paid by the Company and were recorded as tax recoverable. The outcome of the appeal can only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company and the appeal could develop in ways not initially expected. Therefore, the Company continuously assesses the development of this matter to determine whether outflows of resources embodying economic benefits could be probable. Such assessment involves significant judgement and estimates which are highly subjective. Accordingly, we consider this area to be an area of audit focus.

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

Information other than the financial statements and auditors' report thereon

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

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

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Independent auditors' report to the members of
MNRB Holdings Berhad (cont'd.)
(Incorporated in Malaysia)

Information other than the financial statements and auditors' report thereon

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

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

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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Independent auditors' report to the members of
MNRB Holdings 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 Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

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Independent auditors' report to the members of MNRB Holdings Berhad (cont'd.)
(Incorporated in Malaysia)

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

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Other matters

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

Ernst & Young	Dato' Abdul Rauf Bin Rashid
AF: 0039	No. 02305/05/2020 J
Chartered Accountants	Chartered Accountant

Kuala Lumpur, Malaysia
29 June 2018

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MNRB Holdings Berhad
(Incorporated in Malaysia)

Income statements
for the year ended 31 March 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Gross earned premiums/ contributions	4(a)	2,251,663	2,327,336	-	-
Premiums/contributions ceded to reinsurers/retakaful operators	4(b)	(322,799)	(348,832)	-	-
Net earned premiums/ contributions		1,928,864	1,978,504	-	-
Investment income	5	245,931	227,158	3,222	3,889
Net realised gains	6	1,957	1,350	-	6
Net fair value gains/(losses)	7	11,440	(74)	-	-
Fee and commission income	8	40,142	55,381	35,025	31,728
Other operating revenue	11	38,071	64,617	20,923	184
Other revenue		337,541	348,432	59,170	35,807
Gross claims and benefits paid		(1,201,819)	(1,256,115)	-	-
Claims ceded to reinsurers/ retakaful operators		112,195	107,727	-	-
Gross change in contract liabilities		(187,575)	(372,965)	-	-
Change in contract liabilities ceded to reinsurers/retakaful operators		(31,046)	18,070	-	-
Net claims and benefits		(1,308,245)	(1,503,283)	-	-
Fee and commission expenses	8	(427,525)	(443,307)	-	-
Management expenses	9	(237,989)	(252,469)	(35,545)	(35,187)
Finance costs		(15,841)	(18,120)	(15,841)	(18,120)
Other operating expenses	11	(22,894)	(10,870)	(208)	(295)
Change in expense liabilities		3,848	(2,884)	-	-
Tax borne by participants	12	(12,673)	(15,411)	-	-
Other expenses		(713,074)	(743,061)	(51,594)	(53,602)
Share of results of associates		9,712	5,628	-	-

MNRB Holdings Berhad
(Incorporated in Malaysia)

Income statements
for the year ended 31 March 2018 (cont'd.)

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Operating profit/(loss) before surplus/(deficit) attributable to takaful and retakaful participants and taxation		254,798	86,220	7,576	(17,795)
Surplus attributable to takaful and retakaful participants	23(a)	(62,274)	12,708	-	-
Operating profit/(loss) before taxation		192,524	98,928	7,576	(17,795)
Zakat		(563)	-	-	-
Taxation	12	(51,096)	(27,758)	(704)	(405)
Net profit/(loss) for the year attributable to equity holders of the Holding Company		140,865	71,170	6,872	(18,200)
Basic and diluted earnings per share attributable to equity holders of the Holding Company (sen)	29	44.1	27.6		

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

MNRB Holdings Berhad
(Incorporated in Malaysia)

Statements of comprehensive income
for the year ended 31 March 2018

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Net profit/(loss) for the year	140,865	71,170	6,872	(18,200)
<u>Other comprehensive (loss)/income</u>				
Other comprehensive (loss)/income to be reclassified to income statement in subsequent periods:				
Effects of post-acquisition foreign exchange translation reserve on investment in associate	(19,329)	15,220	-	-
Effects of foreign exchange translation reserve on investment in subsidiary	(1,469)	1,700	-	-
Net losses on Available-for-sale ("AFS") financial assets:				
Losses on fair value changes	(10,158)	(3,871)	-	-
Realised losses transferred to income statement (Note 6)	3,092	946	-	-
Deferred tax relating to net losses on AFS financial assets	1,306	316	-	-
Other comprehensive (losses)/income attributable to participants (Note 23(b))	3,306	2,741	-	-
Other comprehensive income/(loss) not to be reclassified to income statement in subsequent periods:				
Revaluation of land and buildings	3,950	3,905	-	-
Deferred tax relating to revaluation of land and buildings	(509)	(305)	-	-
Other comprehensive income attributable to participants (Note 23(c))	(2,519)	(2,536)	-	-
Total comprehensive income/(loss) for the year	118,535	89,286	6,872	(18,200)

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

Ernst & Young (AF: 0039)
Chartered Accountants, Kuala Lumpur
For identification purposes only

MNRB Holdings Berhad
(Incorporated in Malaysia)

Statements of financial position as at 31 March 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Assets					
Property, plant and equipment	13	240,744	243,732	1,251	1,467
Investment property	14	-	7,400	-	-
Intangible assets	15	32,131	23,040	1,630	1,924
Deferred tax assets	16	18,343	19,518	2,811	3,333
Investments in subsidiaries	17	-	-	904,476	843,705
Investments in associates	18	139,009	145,420	1,957	1,957
Financial assets at fair value through profit or loss ("FVTPL")	19(a)	116,127	123,467	-	-
Held-to-maturity ("HTM") investments	19(b)	644,254	695,426	1,000	1,000
AFS financial assets	19(c)	3,741,196	3,384,744	50	50
Loans and receivables ("LAR")	19(d)	1,937,263	1,934,933	29,796	105,388
Reinsurance/retakaful assets	20	478,253	514,230	-	-
Insurance/takaful receivables	21	418,304	336,190	-	-
Tax recoverable	22	27,277	28,575	17,630	-
Cash and bank balances		142,099	99,905	408	3,416
Total assets		7,935,000	7,556,580	961,009	962,240
Liabilities and Participants' funds					
Participants' funds	23	247,862	201,196	-	-
Borrowings	24	320,000	320,000	320,000	320,000
Insurance/takaful contract liabilities	20	5,319,945	5,171,178	-	-
Insurance/takaful payables	25	270,444	210,174	-	-
Other payables	26	225,745	212,186	8,975	14,486
Deferred tax liabilities	16	10,684	10,780	-	-
Provision for taxation		1,709	11,536	-	2,592
Provision for zakat		610	64	-	-
Total liabilities and participants' funds		6,396,999	6,137,114	328,975	337,078

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MNRB Holdings Berhad
(Incorporated in Malaysia)

Statements of financial position
as at 31 March 2018 (cont'd)

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Equity					
Share capital	27	319,605	319,605	319,605	319,605
Reserves		1,218,396	1,099,861	312,429	305,557
Total equity attributable to equity holders of the Holding Company		1,538,001	1,419,466	632,034	625,162
Total liabilities, participants' funds and equity		7,935,000	7,556,580	961,009	962,240

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

MNRB Holdings Berhad
(Incorporated in Malaysia)

Statements of changes in equity
for the year ended 31 March 2018

	Attributable to equity holders of the Holding Company						
		Reserves					
		Non-distributable				Distributable	
Group	**Share capital RM'000**	**Share premium RM'000**	**Foreign exchange translation reserve RM'000**	**AFS reserve RM'000**	**Revaluation reserve RM'000**	**Retained profits RM'000**	**Total RM'000**
At 1 April 2016	213,070	105,051	38,776	3,527	41,666	928,090	1,330,180
Net profit for the year	-	-	-	-	-	71,170	71,170
Other comprehensive income for the year	-	-	16,920	132	1,064	-	18,116
Total comprehensive income/(loss) for the year	-	-	16,920	132	1,064	71,170	89,286
Issuance of bonus shares (Note 27)	106,535	(105,051)	-	-	-	(1,484)	-
At 31 March 2017	319,605	-	55,696	3,659	42,730	997,776	1,419,466
Net profit for the year	-	-	-	-	-	140,865	140,865
Other comprehensive (loss)/income for the year	-	-	(20,798)	(2,454)	922	-	(22,330)
Total comprehensive (loss)/income for the year	-	-	(20,798)	(2,454)	922	140,865	118,535
At 31 March 2018	319,605	-	34,898	1,205	43,652	1,138,641	1,538,001

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

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MNRB Holdings Berhad
(Incorporated in Malaysia)

Statements of changes in equity
for the year ended 31 March 2018 (cont'd.)

	< - Attributable to equity holders of the Company - >			
	< -------Reserves-------- >			
	< -Non-distributable- >		Distributable	
	Share capital RM'000	**Share premium RM'000**	**Retained profits RM'000**	**Total RM'000**
Company				
At 1 April 2016	213,070	105,051	325,241	643,362
Issuance of bonus shares (Note 27)	106,535	(105,051)	(1,484)	-
Total comprehensive loss for the year	-	-	(18,200)	(18,200)
At 31 March 2017	319,605	-	305,557	625,162
Total comprehensive income for the year	-	-	6,872	6,872
At 31 March 2018	319,605	-	312,429	632,034

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

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MNRB Holdings Berhad
(Incorporated in Malaysia)

Statements of cash flows
for the year ended 31 March 2018

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Cash flows from operating activities				
Profit/(loss) before zakat and taxation	192,524	98,928	7,576	(17,795)
Adjustments for:				
Net fair value (gains)/losses on financial assets at FVTPL	487	(2,987)	-	-
Net impairment losses on AFS financial assets	(12,178)	3,147	-	-
(Reversal of revaluation deficits)/ revaluation deficits on properties	-	(86)	-	-
Reversal of impairment loss on other receivables	254	(62)	-	-
Net impairment/(Reversal of impairment loss) on insurance/ takaful receivables	(20,565)	9,558	-	-
Insurance/takaful receivables written off	-	-	-	-
Depreciation of property, plant and equipment	7,272	8,069	499	644
Amortisation of intangible assets	4,312	3,260	355	290
Net gains on investment property	(100)	-	-	-
Net losses/(gains) on disposals of property, plant and equipment	-	9	-	(6)
Decrease in gross premium/contribution liabilities	(34,960)	(33,782)	-	-
Intangible assets written off	613	-	38	-
Reversal impairment loss on investment in subsidiary	-	-	(20,771)	-
Interest/profit income	(238,502)	(205,737)	(2,772)	(3,889)
Dividend income	(8,597)	(20,038)	(400)	-
Rental income	(3,954)	(5,887)	-	-
Finance cost	15,841	18,120	15,841	18,120
Realised gains on disposals of investments	(1,857)	(1,359)	-	-
Revaluation deficits on properties				
Net amortisation of premiums on investments	5,094	4,470	-	-
Balance carried forward	(94,316)	(124,377)	366	(2,636)

MNRB Holdings Berhad
(Incorporated in Malaysia)

Statements of cash flows
for the year ended 31 March 2018 (cont'd.)

	Group		Company	
	2018	**2017**	**2018**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash flows from operating activities (cont'd.)				
Balance brought forward	(94,316)	(124,377)	366	(2,636)
Share of results of associates	(9,712)	(5,628)	-	-
Loss from operations before changes in operating assets and liabilities	(104,028)	(130,005)	366	(2,636)
Decrease/(increase) in placements with licensed financial institutions, Islamic investment accounts and marketable securities	(19,431)	127,613	71,748	14,143
Net purchase of investments	(299,671)	(635,218)	-	-
Increase in placements in				
Decrease/(increase) in staff loans	1,674	1,303	(76)	582
(Increase)/decrease in insurance/takaful receivables	(61,549)	11,264	-	-
Decrease/(Increase) in other receivables	32,412	(5,445)	142	1,383
Net change in balances with subsidiaries	-	-	(745)	(893)
Increase in gross claim liabilities, actuarial liabilities and unallocated surplus	187,575	356,193	-	-
(Decrease)/increase in expense liabilities	(3,848)	2,884	-	-
Increase/(decrease) in participants' funds	47,453	4,064	-	-
Decrease/(increase) in reinsurance/ retakaful assets	35,977	(17,050)	-	-
Increase in insurance/takaful payables	60,270	10,889	-	-
Increase/(decrease) in other payables	13,123	18,510	(1,488)	1,501
Taxes and zakat (paid)/refunded	(58,404)	(25,033)	(20,404)	(92)
Interest/profit received	220,720	207,654	2,835	3,819
Dividends received	8,868	20,410	400	-
Rental received	4,228	6,161	-	-
Net cash (used in)/generated from operating activities	65,369	(45,806)	52,778	17,807

MNRB Holdings Berhad
(Incorporated in Malaysia)

Statements of cash flows
for the year ended 31 March 2018 (cont'd.)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows from investing activities				
Subscription of shares in subsidiary	-	-	(40,000)	-
Purchase of property, plant and equipment	(1,255)	(1,197)	(283)	(94)
Purchase of intangible assets	(14,016)	(11,476)	(99)	(324)
Proceeds from disposal in subsidiaries			-	
Proceeds from disposal of investment properties	7,500	-	-	-
Proceeds from disposal of property, plant and equipment	-	9	-	6
Transfers of intangible assets to subsidiary	-	-	-	1,351
Net cash (used in)/generated from investing activities	(7,771)	(12,664)	(40,382)	939
Cash flows from financing activities				
Profit paid	(15,404)	(18,938)	(15,404)	(18,938)
Net cash used in financing activities	(15,404)	(18,938)	(15,404)	(18,938)
Cash and bank balances				
Net (decrease)/increase during the year	42,194	(77,408)	(3,008)	(192)
At beginning of the year	99,905	177,313	3,416	3,608
At end of the year	142,099	99,905	408	3,416

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

MNRB Holdings Berhad
(Incorporated in Malaysia)

Notes to the financial statement - 31 March 2018

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at 12th Floor, Bangunan Malaysian Re, No. 17, Lorong Dungun, Damansara Heights, 50490 Kuala Lumpur, Malaysia.

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

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

The number of employees in the Group and in the Company at the end of the financial year were 885 and 178 (2017: 909 and 171) respectively.

The financial statements were authorised for issue by the Board in accordance with a resolution on 29 June 2018.

2. Significant accounting policies

2.1 Basis of preparation

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

At the beginning of the current financial year, the Group and the Company had adopted the amended MFRSs and new MFRSs applicable for annual financial periods beginning on or after 1 January 2017, as fully described in Note 2.29.

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

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

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

2. Significant accounting policies (cont'd.)

2.2 Accounting period

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

Underwriting income and outgo in respect of other businesses and all other income and expenditure are for the 12 months period ended 31 March 2018.

2.3 Subsidiaries, associates and basis of consolidation

(a) Subsidiaries

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

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

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

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

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

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

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

(ii) rights arising from other contractual arrangements; and

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

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

2. Significant accounting policies (cont'd.)

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

(b) Basis of consolidation

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

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

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

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

(c) Takaful and retakaful operations and funds

Under the concept of takaful/retakaful, participants/cedants make contributions to a pool which is managed by a third party with the overall aim of using the monies to aid fellow participants in times of need. Accordingly, TIB and MRE's Retakaful Division ("MRRD") manage the general and family takaful and retakaful funds in line with the principles of Wakalah (agency). Under the Wakalah model, TIB/MRRD is not a participant in the fund but manages the funds (including the relevant assets and liabilities) towards the purpose outlined above.

2. Significant accounting policies (cont'd.)

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

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

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

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

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

(d) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

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

2. Significant accounting policies (cont'd.)

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

(d) Associates (cont'd.)

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

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

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

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

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

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

2. Significant accounting policies (cont'd.)

2.4 General reinsurance, takaful and retakaful underwriting results

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

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

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

(a) Premium and contribution recognition

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

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

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

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

2. Significant accounting policies (cont'd.)

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

(b) Premium and contribution liabilities

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

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

(i) Unexpired risk reserves

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

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

(ii) Unearned premium and contribution reserves

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

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

2. Significant accounting policies (cont'd.)

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

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

(ii) Unearned premium and contribution reserves (cont'd.)

- For inwards facultative reinsurance/retakaful business, UPR/UCR is computed on the 1/8th method commencing from the date of inception;
- Time apportionment method for all classes of general takaful business within Malaysia except Marine and Aviation Cargo; and
- 25% method for Marine and Aviation Cargo.

(c) Claim liabilities

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

(d) Liability adequacy test

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

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

(e) Acquisition costs and commission expenses

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

2. Significant accounting policies (cont'd.)

2.5 Family takaful and retakaful underwriting results

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

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

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

(a) Contribution recognition

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

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

(b) Contract liabilities

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

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

2. Significant accounting policies (cont'd.)

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

(b) Contract liabilities (cont'd.)

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

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

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

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

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

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

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

2. Significant accounting policies (cont'd.)

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

(d) Liability adequacy test

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

2.6 Shareholder's fund relating to takaful and retakaful business

(a) Commission expenses

Commission expenses, which are costs directly incurred in securing contributions on takaful contracts, are recognised as incurred and properly allocated to the periods in which it is probable they give rise to income. Commission expenses are recognised in the income statement at an agreed percentage for each contract underwritten. This is in accordance with the principles of Wakalah as approved by the Group Shariah Committee and as agreed between the participants and TIB/MRRD.

(b) Expense liabilities

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

(i) Expense liabilities of general takaful and retakaful funds

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

2. Significant accounting policies (cont'd.)

2.6 Shareholder's fund of takaful and retakaful subsidiaries (cont'd.)

(b) Expense liabilities (cont'd.)

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

Unexpired expense reserves

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

Reserves for unearned wakalah fees

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

(ii) Expense liabilities of family takaful and retakaful funds

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

2. Significant accounting policies (cont'd.)

2.6 Shareholder's fund of takaful and retakaful subsidiaries (cont'd.)

(b) Expense liabilities (cont'd.)

(iii) Liability adequacy test

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

2.7 Product classification

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

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

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

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

2.8 Reinsurance and retakaful

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

MNRB Holdings Berhad
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

2.8 Reinsurance and retakaful (cont'd.)

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

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

At each reporting date, the reinsurance and takaful subsidiaries assess whether objective evidence exists that reinsurance and retakaful assets are impaired. Objective evidence of impairment for reinsurance and retakaful assets are similar to those noted for insurance and takaful receivables. If any such evidence exists, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest/profit rate. The impairment loss is recognised in the income statement. Reinsurance and retakaful assets are derecognised when the contractual rights expire or are extinguished or when the contract is transferred to another party.

2.9 Property, plant and equipment and depreciation

(a) Recognition and measurement

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

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

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

MNRB Holdings Berhad
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

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

(a) Recognition and measurement (cont'd.)

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

(b) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

(c) Depreciation

Freehold land has an unlimited useful life and therefore is not depreciated. Leased properties are depreciated over the shorter of the lease term and their useful lives.
Work in progress is also not depreciated as it is not available for use. When work in progress is completed and the asset is available for use, it is reclassified to the relevant category of property, plant and equipment and depreciation of the asset begins. During the period in which the asset is not yet available for use, it is tested for impairment annually.

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

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

The residual values, useful lives and depreciation method are reviewed at the end of each financial year to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

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MNRB Holdings Berhad
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

2.10 Investment properties

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

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

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

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

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

2.11 Intangible assets

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

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

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed annually at the end of each reporting period. Amortisation is charged to the income statement.

2. Significant accounting policies (cont'd.)

2.11 Intangible assets (cont'd.)

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

(a) Software development in progress

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

(b) Computer software and licences

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

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

2.12 Financial assets

(a) Initial recognition and measurement

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

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

MNRB Holdings Berhad
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

2.12 Financial assets (cont'd.)

(a) Initial recognition and measurement (cont'd.)

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

(b) Classification and subsequent measurement

The Group and the Company determine the classification of its financial assets at initial recognition and this depends on the purpose for which the investments were acquired or originated. The following classifications are used by the Group and the Company in categorising its financial assets:

(i) Financial assets at FVTPL

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

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

(ii) HTM investments

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

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

MNRB Holdings Berhad
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

2.12 Financial assets (cont'd.)

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

(iii) Loans and receivables

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

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

(iv) AFS financial assets

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

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

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

(c) Derecognition

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

2. Significant accounting policies (cont'd.)

2.12 Financial assets (cont'd.)

(d) Offsetting of financial instruments

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

2.13 Fair value measurement

The Group and the Company measure financial instruments such as financial assets at FVTPL and non-financial assets such as investment properties and self-occupied properties at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in Notes 19 and 39.

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

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

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

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

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

2. Significant accounting policies (cont'd.)

2.13 Fair value measurement (cont'd.)

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

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

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

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

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

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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The fair value hierarchy of assets that are measured at fair value and/or for which fair value are disclosed is presented in Note 39.

2. Significant accounting policies (cont'd.)

2.14 Impairment of assets

(a) Financial assets

The Group and the Company assess at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

(i) Financial assets carried at amortised cost

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

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

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

2. Significant accounting policies (cont'd.)

2.14 Impairment of assets (cont'd.)

(a) Financial assets (cont'd.)

(ii) AFS financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as AFS financial assets are impaired.
If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement.

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

(b) Non-financial assets

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

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

MNRB Holdings Berhad
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

2.14 Impairment of assets (cont'd.)

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

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

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

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

2.15 Non-current assets held for sale

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

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

2.16 Measurement and impairment of Qard

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

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

2. Significant accounting policies (cont'd.)

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

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

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

2.17 Share capital and dividend expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.18 Cash and cash equivalents

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

2.19 Insurance and takaful receivables

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

Insurance/takaful receivables are assessed at each reporting date for objective evidence of impairment. If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the insurance/takaful receivable's original effective interest/yield rate. The impairment loss is recognised in the income statement. The basis for recognition of such impairment loss is as described in Note 2.14(a)(i).

2. Significant accounting policies (cont'd.)

2.19 Insurance and takaful receivables (cont'd.)

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

2.20 Borrowings

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

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

2.21 Leases

(a) Classification

A lease is recognised as a finance lease if it substantially transfers to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets. The land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not substantially transfer all risks and rewards are classified as operating leases, with the following exceptions:

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

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

2. Significant accounting policies (cont'd.)

2.21 Leases (cont'd.)

(b) Finance leases - the Group as lessee

Assets acquired by way of hire purchase or finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. The corresponding liability is included in the statements of financial position as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest/profit rate implicit in the lease, when it is impracticable to determine; otherwise, the Group and the Company's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2.9(c).

(c) Operating leases - the Group as lessee

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

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

(d) Operating leases - the Group as lessor

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

2. Significant accounting policies (cont'd.)

2.22 Financial liabilities

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

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

(a) Financial liabilities at FVTPL

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

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in the income statement. Net gains or losses on derivatives include exchange differences.

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

(b) Other financial liabilities

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

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

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

2. Significant accounting policies (cont'd.)

2.22 Financial liabilities (cont'd.)

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

2.23 Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of provision is the present value of the expenditure expected to be required to settle the obligation.

2.24 Income tax

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

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

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

2. Significant accounting policies (cont'd.)

2.25 Employee benefits

(a) Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated balances. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(b) Defined contribution plan

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

(c) Employees' terminal benefits

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

2.26 Foreign currencies

(a) Functional and presentation currency

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

2. Significant accounting policies (cont'd.)

2.26 Foreign currencies (cont'd.)

(b) Foreign currency transactions

In preparing the financial statements, transactions in currencies other than the functional currency ("foreign currencies") are recorded in the functional currency using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

(c) Foreign operations

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

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

(ii) Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions;

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

2. Significant accounting policies (cont'd.)

2.26 Foreign currencies (cont'd.)

(c) Foreign operations (cont'd.)

(iv) The results of an associate, Labuan Reinsurance (L) Limited, are translated at the closing rate prevailing at the reporting date with respect to the carrying amount of the investment in associate, and at the exchange rate at the date of the transactions with respect to the share of profits or losses. All resulting translation differences are included in the foreign exchange translation reserve in shareholders' equity.

2.27 Revenue recognition

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

(a) Interest and profit income

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

(b) Rental income

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

(c) Dividend income

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

(d) Management fees

Management fees are recognised when services are rendered.

(e) Wakalah fees

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

(f) Premiums and contributions income

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

MNRB Holdings Berhad
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

2.28 Zakat

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

2.29 Changes in Accounting Policies

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

Adoption of MFRS and amendments/improvements to MFRSs

At the beginning of the current financial year, the Group and the Company adopted the following amendments/improvements to MFRSs mandatory for annual periods beginning on or after 1 January 2017 as follows:

Description	**Effective for annual periods beginning on or after**
MFRS 107 *Statement of Cash Flows - Disclosures Initiatives* (Amendments to MFRS 107)	1 January 2017
MFRS 112 *Income Taxes - Recognition of Deferred Tax for Unrealised Losses* (Amendments to MFRS 112)	1 January 2017
Amendment to MFRS 12 *Disclosure of Interests in Other Entities* (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)	1 January 2017

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

2. Significant accounting policies (cont'd.)

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

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

Description	Effective for annual periods beginning on or after
Amendment to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)	1 January 2018
Amendments to MFRS 2 *Classification and Measurement Payment Transactions*	1 January 2018
MFRS 9 *Financial Instruments*	1 January 2018
MFRS 15 *Revenue from Contracts with Customers*	1 January 2018
Amendments to MFRS 140 *Transfers of Investment Property*	1 January 2018
Amendments to MFRS 4 *Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*	1 January 2018
Amendments to *MFRS 128 Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*	1 January 2018
IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
IC Interpretation 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Annual improvements to MFRS Standards 2015-2017 Cycle	1 January 2019
MFRS 16 *Leases*	1 January 2019
Amendments to MFRS 119 *(Plan Amendment, Curtailment or Settlement)*	1 January 2019
Amendments to MFRS 128 *(Long-term Interests in Associates and Joint Ventures)*	1 January 2019
Amendments to MFRS 9 *Prepayment Features with Negative Compensations*	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
MFRS 17 *Insurance Contracts*	1 January 2021
Amendments to MFRS 10 *Consolidated Financial Statements* and MFRS 128 *Investment in Associates and Joint Ventures*	To be announced by MASB

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Chartered Accountants, Kuala Lumpur
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2. Significant accounting policies (cont'd.)

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

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

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

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

MFRS 9 was issued by the MASB in respect of its application in Malaysia. It is equivalent to IFRS 9 as issued by IASB, including the effective and issuance dates.

The Group and Company has adopted the new standard on the required effective date, being 1 April 2018. The Group and Company has performed a gap assessment on the three main aspects of MFRS 9.

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

(i) Classification and measurement

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

- The held-to-maturity ("HTM") and available-for-sale ("AFS") asset categories will be removed;
- Financial assets will be measured at amortised cost ("AC") if the assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows which represent solely payments of principal and interest;
- A new asset category measured at fair value through other comprehensive income ("FVOCI") is introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principle and interest and held in a model whose objective is achieved by both collecting contractual cash flows and selling financial assets;

2. Significant accounting policies (cont'd.)

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

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

(i) Classification and measurement (cont'd.)

- A new asset category for non-traded equity investments measured at FVOCI is introduced. Equity instruments where an election has not been made to measure those assets at FVOCI, will be measured at FVTPL;

- Financial assets will be measured at FVTPL if the assets are held for trading or financial assets do not qualify to be measured at AC or at FVOCI; and

- Classification of financial liabilities will remain largely unchanged, other than the fair value gains and losses attributable to changes in 'own credit risk' for financial liabilities designated and measured at FVTPL to be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.

Under the business model test, the Company's debt instruments would be classified under FVOCI or FVTPL while all equities would be classified under FVTPL.

The total equity of the Group is expected to increase by approximately 2% by applying the classification and measurement requirements.

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

The total equity of the Group is expected to increase by approximately 2% by applying the classification and measurement requirements.

MNRB Holdings Berhad
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

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

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

(ii) Impairment of financial assets

The MFRS 9 impairment requirements are based on an expected credit loss ("ECL") model that replaces the Incurred Loss model under the current accounting standard. The ECL model applies to financial assets measured at AC or at FVOCI, irrevocable loan commitments and financial guarantee contracts, which will include loans, advances and financing and debt instruments held by the Company. The ECL model also applies to contract assets under MFRS 15 *Revenue from Contracts with Customers* and lease receivables under MFRS 117 *Leases*.

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

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

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

- Mapping of external credit rating models

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

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

2. Significant accounting policies (cont'd.)

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

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

(ii) Impairment of financial assets (cont'd.)

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

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

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

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

- Derivation of probability of default

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

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

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

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

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

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

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

2. Significant accounting policies (cont'd.)

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

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

(ii) Impairment of financial assets (cont'd.)

- ECL measurement

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

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

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

Impairment of insurance/takaful receivables

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

The total equity of the Group is expected to decrease by approximately 1% by applying the ECL on financial assets and insurance/takaful receivables of the Group.

(iii) Hedge accounting

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

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

2. Significant accounting policies (cont'd.)

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

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

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

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

MFRS 16 *Leases* ("MFRS 16")

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

(i) Lessee

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

(ii) Lessor

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

2. Significant accounting policies (cont'd.)

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

MFRS 16 *Leases* ("MFRS 16") (cont'd.)

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

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

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

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

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

2. Significant accounting policies (cont'd.)

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

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

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

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

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

MFRS 17 *Insurance Contracts*

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

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

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

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

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

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

2. Significant accounting policies (cont'd.)

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

Applying MFRS 9 *Financial Instruments* with MFRS 4 *Insurance Contracts* (Amendments to MFRS 4) (cont'd.)

- The presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period;
- Amounts that the participants will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the Income statements, but are recognised directly on the Statements of financial position;
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense; and
- Extensive disclosures to provide information on the recognised amounts from insurance/takaful contracts and the nature and extent of risks arising from these contracts.

The Group and the Company has established a project team with assistance from consultants to plan and manage the implementation of MFRS 17 and is in the process of assessing the gaps and the financial implications for adopting the new standard.

3. Significant accounting estimates and judgements

The preparation of the Group and the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Critical judgements made in applying accounting policies

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

Impairment of AFS financial assets

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

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3. Significant accounting estimates and judgements (cont'd.)

3.1 Critical judgements made in applying accounting policies (cont'd.)

Impairment of AFS financial assets (cont'd.)

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

3.2 Key sources of estimation uncertainty

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

(a) General reinsurance, takaful and retakaful businesses

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

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

The estimates of premium/contribution and claim liabilities are therefore sensitive to various factors and uncertainties. The establishment of technical provisions is an inherently uncertain process and, as a consequence of this uncertainty, the eventual settlement of premium/contribution and claim liabilities may vary from the initial estimates. The sensitivity of these assumptions and their impact to results and the equity position of the businesses are disclosed in Note 35(a)(iv), 35(b)(iv) and 35(d)(iv).

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

MNRB Holdings Berhad
(Incorporated in Malaysia)

3. Significant accounting estimates and judgements (cont'd.)

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

(b) Family takaful and retakaful businesses

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

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

For those contracts that cover risks related to disability, estimates are made based on recent past experience and emerging trends. However, epidemics as well as wide ranging changes to lifestyle, could result in significant changes to the expected future exposures.

All of these will give rise to estimation uncertainties of the projected ultimate liabilities of the family takaful and retakaful funds. The sensitivity of the actuarial liabilities of the family takaful and retakaful funds to changes in assumptions are detailed in Note 35(c)(iii) and 35(e)(iii).

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

(c) Expense Liabilities

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

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

MNRB Holdings Berhad
(Incorporated in Malaysia)

4. Net earned premiums/contributions

	Group 2018 RM'000	Group 2017 RM'000
(a) Gross earned premiums/contributions		
Insurance and takaful contracts	2,216,703	2,293,554
Change in premium/contribution liabilities	34,960	33,782
	2,251,663	2,327,336
(b) Premiums/contributions ceded to reinsurers/retakaful operators		
Insurance and takaful contracts	(317,868)	(347,812)
Change in premium/contribution liabilities	(4,931)	(1,020)
	(322,799)	(348,832)
Net earned premiums/contributions	1,928,864	1,978,504

5. Investment income

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Financial assets at FVTPL				
Dividend income:				
- quoted shares in Malaysia	61	63	-	-
- Shariah approved unit trust funds	1,702	2,409	-	-
HTM investments				
Interest/profit income	27,546	27,722	50	50
AFS financial assets				
Interest/profit income	148,623	113,851	-	-
Dividend income:				
- quoted shares in Malaysia	6,731	9,255	-	-
- unquoted shares in Malaysia	103	123	-	-
- real estate investment trusts in Malaysia	-	8,188	-	-
Loans and receivables				
Interest/profit income	62,333	64,164	2,772	3,839
Dividend income from associate	-	-	400	-
Rental income	3,954	5,887	-	-
Net amortisation of premiums on investments	(5,094)	(4,470)	-	-
Investment expenses	(28)	(34)	-	-
	245,931	227,158	3,222	3,889

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For identification purposes only

MNRB Holdings Berhad
(Incorporated in Malaysia)

6. Net realised gains/(losses)

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment				
Net realised (losses)/gains	-	(9)	-	6
Investment properties				
Net realised gains	100	-	-	-
Financial assets at FVTPL				
Quoted shares in Malaysia	-	(269)	-	-
Shariah approved unit trust funds	4,949	2,574	-	-
Net realised gains	4,949	2,305		
AFS financial assets				
Quoted shares in Malaysia	(4,473)	(5,327)	-	-
Real estate investment trusts in Malaysia	-	126	-	-
Unquoted corporate debt securities	630	3,173	-	-
Government investment issues	751	1,082	-	-
Net realised losses	(3,092)	(946)	-	-
	1,957	1,350	-	6

7. Net fair value gains/(losses)

	Group	
	2018	2017
	RM'000	RM'000
Net fair value (losses)/gains on financial assets at FVTPL	(487)	2,987
(Impairment losses)/writeback of impairment losses on properties	(251)	86
Writeback of impairment losses/ (impairment losses) on AFS financial assets	12,178	(3,147)
	-	
	11,440	(74)

MNRB Holdings Berhad
(Incorporated in Malaysia)

8. Fee and commission income/(expenses)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Fee and commission income				
Management fees	7,601	7,501	35,025	31,728
Commission income	32,541	47,880	-	-
	40,142	55,381	35,025	31,728
Fee and commission expenses				
Commission expenses	(427,469)	(442,668)		
Brokerage	(56)	(639)		
	(427,525)	(443,307)		

9. Management expenses

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Salaries, bonus and other related costs	99,376	91,115	23,746	22,819
Short term accumulating compensated absences	85	-	93	-
Directors' remuneration and Group Shariah Committee ("GSC") members' remuneration (Note 10)	9,048	8,150	3,720	3,284
Pension costs - EPF	12,027	11,963	2,630	2,699
Social security costs	1,239	640	130	123
Retirement benefits	335	315	139	151
Auditors' remuneration:				
Statutory auditors of the Group				
- statutory audit	1,400	1,170	115	75
- audit-related	80	87	8	5
- other services	501	223	5	8
Component auditors of a foreign subsidiary	48	42	-	-

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For identification purposes only

MNRB Holdings Berhad
(Incorporated in Malaysia)

9. Management expenses (cont'd.)

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment	7,272	8,069	499	644
Amortisation of intangible assets	4,312	3,260	355	290
Intangible asset written off	613	-	38	-
Agency expenses	10,710	6,843	-	-
Marketing and promotional costs	10,981	26,940	399	377
Electronic data processing costs	13,276	12,131	-	-
Office rental	3,975	4,208	1,067	1,392
Professional and legal fees	18,650	16,571	1,589	2,007
Contributions and donations	1,220	21	10	11
Tax on premium	1,488	-	-	-
Other management expenses	41,353	60,721	1,002	1,302
	237,989	252,469	35,545	35,187

10. Directors' and Group Shariah Committee remuneration

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Number of non-executive directors	17	17	8	10
Executive directors:				
Salaries and bonus	3,717	3,050	1,328	1,169
Pension costs - EPF and SOCSO	736	498	341	199
Benefits-in-kind	178	220	68	120
Fees	292	279	-	-
Others	91	95	4	6
	5,014	4,142	1,741	1,494
Non-executive directors:				
Fees	2,329	2,371	844	780
Others	593	562	174	146
Benefits-in-kind	-	38	-	38
	2,922	2,971	1,018	964
Group Shariah Committee members:				
Fees	192	232	-	-
Allowances	69	79	-	-
	261	311	-	-

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For identification purposes only

MNRB Holdings Berhad
(Incorporated in Malaysia)

10. Directors' and Group Shariah Committee remuneration (cont'd.)

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Total executive directors' and GSC members' remuneration excluding benefits-in-kind	5,097	4,233	1,673	1,374
Total directors' and GSC members' remuneration excluding benefits-in-kind	9,048	8,150	3,720	3,284
Director of a subsidiary *:				
Salaries and bonus	834	837	834	837
Pension costs - EPF	129	126	129	126
Social security costs	1	1	1	1
Other allowances	65	20	65	20
Benefits-in-kind	97	55	97	55
	1,126	1,039	1,126	1,039

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

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

	Number of Directors			
	Group		Company	
	2018	2017	2018	2017
Executive director:				
RM1,450,001 to RM1,500,000	1	1	1	1
Non-executive directors:				
RM1 to RM50,000	1	1	1	4
RM50,001 to RM100,000	1	1	1	-
RM100,001 to RM150,000	2	2	5	4
RM150,001 to RM200,000	1	1	1	2
RM200,001 to RM250,000	1	1	-	-
RM250,001 to RM300,000	2	2	-	-
RM300,001 to RM350,000	2	-	-	-
RM400,001 to RM450,000	1	1	-	-
RM450,001 to RM500,000	1	-	-	-
RM500,001 to RM550,000	-	1	-	-

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For identification purposes only

MNRB Holdings Berhad
(Incorporated in Malaysia)

10. Directors' remuneration (cont'd.)

	Salary and bonus RM'000	Fees RM'000	Pension costs RM'000	Benefits-in-kind RM'000	Others RM'000	Total RM'000
Company						
2018						
Executive director:						
Mohd Din bin Merican	1,328	-	341	68	4	1,741
	1,328	-	341	68	4	1,741
Non-executive directors:						
Dato Sharkawi bin Alis	-	142	-	-	16	158
Hijah Arifakh binti Othman	-	104	-	-	20	124
Mustaffa bin Ahmad	-	120	-	-	30	150
Rosinah binti Mohd Salleh	-	108	-	-	23	131
Arul Sothy A/L Mylvaganam	-	114	-	-	25	139
Noor Rida binti Hamzah	-	110	-	-	23	133
Johar bin Che Mat (Appointed with effect from 1 October 2017)	-	50	-	-	13	63
George Oommen (Appointed with effect from 1 January 2018)	-	21	-	-	5	26
Megat Dziauddin bin Megat Mahmud (Resigned with effect from 30 June 2017)	-	33	-	-	9	42
Paisol bin Ahmad (Retired with effect from 24 August 2017)	-	42	-	-	10	52
	-	844	-	-	174	1,018
Total Directors' remuneration	1,328	844	341	68	178	2,759

MNRB Holdings Berhad
(Incorporated in Malaysia)

10. Directors' remuneration (cont'd.)

	Salary and bonus RM'000	Fees RM'000	Pension costs RM'000	Benefits-in-kind RM'000	Others RM'000	Total RM'000
Company						
2017						
Executive director:						
Mohd Din bin Merican	1,169	-	199	120	6	1,494
	1,169	-	199	120	6	1,494
Non-executive directors:						
Dato Sharkawi bin Alis	-	142	-	38	13	193
Megat Dziauddin bin Megat Mahmud	-	133	-	-	30	163
Paisol bin Ahmad	-	104	-	-	23	127
Hijah Arifakh binti Othman	-	99	-	-	18	117
Mustaffa bin Ahmad (Appointed with effect from 1 April 2016)	-	105	-	-	20	125
Rosinah binti Mohd Salleh (Appointed with effect from 1 January 2017)	-	24	-	-	4	28
Arul Sothy A/L Mylvaganam (Appointed with effect from 1 January 2017)	-	24	-	-	5	29
Noor Rida binti Hamzah (Appointed with effect from 1 January 2017)	-	24	-	-	6	30
Yusoff bin Yaacob (Resigned with effect from 1 January 2017)	-	100	-	-	21	121
P. Raveenderen(Resigned with effect from 1 July 2016)	-	25	-	-	6	31
	-	780	-	38	146	964
Total Directors' remuneration	1,169	780	199	158	152	2,458

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For identification purposes only

MNRB Holdings Berhad
(Incorporated in Malaysia)

11. Other operating revenue/(expenses)

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Other operating revenue				
Gains on foreign exchange	269	15,392	-	-
Reversal of impairment loss on other receivables	-	62	-	-
Reversal of impairment losses on insurance/takaful receivables	20,565	-	-	-
Non-operating interest income	675	399	8	18
Miscellaneous income	16,562	48,764	144	166
Net reversal of impairment loss on subsidiary (Note 17(ii))	-	-	20,771	-
	38,071	64,617	20,923	184
Other operating expenses				
Losses on foreign exchange	(21,750)	-	-	(24)
Impairment losses on insurance/ takaful receivables	-	(9,558)	-	-
Allowance for impairment of other receivables	(254)	-	-	-
Miscellaneous expenses	(890)	(1,312)	(208)	(271)
	(22,894)	(10,870)	(208)	(295)

12. Taxation

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Malaysian income tax:				
Tax expense for the year	47,596	27,986	564	700
Under/(over) provision in prior years	2,261	1,908	(382)	-
	49,857	29,894	182	700
Deferred tax:				
Relating to origination and reversal of temporary differences (Note 16)	1,239	(2,136)	522	(295)
	1,239	(2,136)	522	(295)
	51,096	27,758	704	405

MNRB Holdings Berhad
(Incorporated in Malaysia)

12. Taxation (cont'd.)

Domestic income tax for general business and shareholders' fund is calculated at the Malaysian statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the year. Income tax on the Group's family takaful business is calculated at a preferential tax rate of 8% (2017: 8%). Income tax on the Group's offshore insurance/takaful business is calculated at a tax rate of 5% (2017: 5%) of the estimated assessable profit on the Group's offshore insurance/takaful business for the year. A reconciliation of income tax expenses applicable to profit/(loss) before zakat and tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Company and of the Group is as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit/(loss) before zakat and tax	192,524	98,928	7,576	(17,795)
Taxation at Malaysian statutory tax rate of 24%	46,206	23,743	1,818	(4,271)
Effects of different tax rate in respect of offshore insurance	(70)	(932)	-	-
Income not subject to tax	(51,942)	(60,091)	-	-
Expenses not deductible for tax purposes	56,972	64,413	(732)	4,676
Utilisation of prior years losses of the general and family retakaful funds	-	(283)	-	-
Over provision of deferred tax in prior year	-	(224)		
Deferred tax assets not recognised	-	575	-	-
Under/(over) provision of tax in prior years	2,261	1,908	(382)	-
Share of results of associates	(2,331)	(1,351)	-	-
Tax expense/(income) for the year	51,096	27,758	704	405

Tax borne by participants

	Group	
	2018 RM'000	2017 RM'000
Current year's provision	13,459	17,168
Under provision of tax expense in prior years	(1,531)	74
Deferred tax relating to origination and reversal of temporary differences	745	(1,831)
Tax expense for the year	12,673	15,411

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MNRB Holdings Berhad
(Incorporated in Malaysia)

13. Property, plant and equipment

Group	Freehold land RM'000	Buildings RM'000	Computer equipment RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Valuation/Cost						
At 1 April 2016	36,000	203,151	11,477	39,108	2,680	292,416
Additions	-	683	366	121	27	1,197
Disposals	-	-	(492)	(96)	(19)	(607)
Adjustments	-	(488)	(382)	-	-	(870)
Net revaluation surplus	800	3,195	-	-	-	3,995
Elimination of accumulated depreciation on revaluation	-	(5,122)	-	-	-	(5,122)
At 31 March 2017	36,800	201,419	10,969	39,133	2,688	291,009
Additions	-	91	347	445	372	1,255
Disposals	-	-	(22)	-	-	(22)
Net revaluation surplus	-	3,285	11	(11)	(5)	3,280
Elimination of accumulated depreciation on revaluation	-	(5,110)	-	-	-	(5,110)
Write-offs	-	-	-	(13)	-	(13)
At 31 March 2018	36,800	199,685	11,305	39,554	3,055	290,399

MNRB Holdings Berhad
(Incorporated in Malaysia)

13. Property, plant and equipment (cont'd.)

Group (cont'd.)	Freehold land RM'000	Buildings RM'000	Computer equipment RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Accumulated depreciation and impairment loss						
At 1 April 2016	-	-	10,517	32,242	2,160	44,919
Depreciation charge for the year	-	5,122	279	2,341	327	8,069
Disposals	-	-	(492)	(79)	(18)	(589)
Elimination of accumulated depreciation on revaluation	-	(5,122)	-	-	-	(5,122)
At 31 March 2017	-	-	10,304	34,504	2,469	47,277
Depreciation charge for the year	-	5,269	535	1,241	227	7,272
Disposals	-	-	(20)	-	-	(20)
Write-offs	-	-	-	(13)	-	(13)
Elimination of accumulated depreciation on revaluation	-	(5,110)	-	-	-	(5,110)
Transfer from MRT		-	-	-	-	-
Impairment loss during the year	-	249	-	-	-	249
At 31 March 2018	-	408	10,819	35,732	2,696	49,655
Net carrying amount						
At 31 March 2018	36,800	199,277	486	3,822	359	240,744
At 31 March 2017	36,800	201,419	665	4,629	219	243,732

MNRB Holdings Berhad
(Incorporated in Malaysia)

13. Property, plant and equipment (cont'd.)

Revaluation of freehold land and buildings

Freehold land and buildings in Malaysia have been revalued based on valuations performed by accredited independent valuers having appropriate recognised professional qualification. The valuations are based on the income and comparison approaches and are effective on 31 March 2018.

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

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

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

Freehold buildings outside Malaysia have been revalued based on their value-in-use and a discount rate of 7% (2017: 7%) is applied, being the prevailing rental yield in the country where the buildings are located.

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

	Freehold land RM'000	Buildings RM'000	Total RM'000
Group			
Cost			
At 1 April 2016	15,596	175,289	190,885
Additions	-	225	225
Adjustments	-	(488)	(488)
At 31 March 2017	15,596	175,026	190,622
Additions	-	87	87
Adjustments	-	-	-
At 31 March 2018	15,596	175,113	190,709

MNRB Holdings Berhad
(Incorporated in Malaysia)

13. Property, plant and equipment (cont'd.)

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

	Freehold land RM'000	Buildings RM'000	Total RM'000
Group (cont'd.)			
Accumulated depreciation			
At 1 April 2016	-	39,192	39,192
Depreciation charge for the year	-	5,122	5,122
Reversal of impairment losses during the year	-	(86)	(86)
At 31 March 2017	-	44,228	44,228
Depreciation charge for the year	-	5,183	5,183
Disposals			-
Impairment losses during the year	-	247	247
At 31 March 2018	-	49,658	49,658
Net carrying amount			
At 31 March 2018	15,596	125,455	141,051
At 31 March 2017	15,596	130,798	146,394

	Computer equipment RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Company				
Cost				
At 1 April 2016	3,307	3,129	1,222	7,658
Additions	94	-	-	94
Disposals	(294)	-	(11)	(305)
At 31 March 2017	3,107	3,129	1,211	7,447
Additions	279	4	-	283
At 31 March 2018	3,386	3,133	1,211	7,730

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For identification purposes only

MNRB Holdings Berhad
(Incorporated in Malaysia)

13. Property, plant and equipment (cont'd.)

	Computer equipment RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Company (cont'd.)				
Accumulated depreciation				
At 1 April 2016	2,769	1,816	1,056	5,641
Charge for the year	318	189	137	644
Disposals	(294)	-	(11)	(305)
At 31 March 2017	2,793	2,005	1,182	5,980
Charge for the year	291	183	25	499
At 31 March 2018	3,084	2,188	1,207	6,479
Net carrying amount				
At 31 March 2018	302	945	4	1,251
At 31 March 2017	314	1,124	29	1,467

14. Investment property

	Group 2018 RM'000	Group 2017 RM'000
At beginning of the year	7,400	7,400
Disposal during the year	(7,400)	-
At end of the year	-	7,400

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

	2018 RM'000	2017 RM'000
Rental income	277	280
Operating expenses	(70)	(31)
	207	249

MNRB Holdings Berhad
(Incorporated in Malaysia)

15. Intangible assets

	Software development in progress RM'000	Computer software and licences RM'000	Total RM'000
Group			
Cost			
At 1 April 2016	3,358	45,460	48,818
Additions	3,562	7,914	11,476
Disposal	-	(204)	(204)
Reclassification	(601)	601	-
At 31 March 2017	6,319	53,771	60,090
Additions	5,093	8,923	14,016
Write off	(137)	(476)	(613)
Reclassification	(1,301)	1,301	-
At 31 March 2018	9,974	63,519	73,493
Accumulated amortisation			
At 1 April 2016	-	33,994	33,994
Amortisation for the year	-	3,260	3,260
Disposal	-	(204)	(204)
At 31 March 2017	-	37,050	37,050
Amortisation for the year	-	4,312	4,312
At 31 March 2018	-	41,362	41,362
Net carrying amount			
At 31 March 2018	9,974	22,157	32,131
At 31 March 2017	6,319	16,721	23,040

MNRB Holdings Berhad
(Incorporated in Malaysia)

15. Intangible assets (cont'd.)

	Software development in progress RM'000	Computer software and licences RM'000	Total RM'000
Company			
Cost			
At 1 April 2016	1,952	7,995	9,947
Additions	123	201	324
Disposal	-	(201)	(201)
Reclassification	(601)	601	-
Transfers to subsidiary	(1,351)	-	(1,351)
At 31 March 2017	123	8,596	8,719
Additions	36	63	99
Reclassification	(74)	74	-
Write-off	(38)	-	(38)
Transfers to subsidiary	-	-	-
At 31 March 2018	47	8,733	8,780
Accumulated amortisation			
At 1 April 2016	-	6,706	6,706
Amortisation for the year	-	290	290
Disposal	-	(201)	(201)
At 31 March 2017	-	6,795	6,795
Amortisation for the year	-	355	355
At 31 March 2018	-	7,150	7,150
Net carrying amount			
At 31 March 2018	47	1,583	1,630
At 31 March 2017	123	1,801	1,924

MNRB Holdings Berhad
(Incorporated in Malaysia)

16. Deferred taxation

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
At beginning of year	8,738	4,760	3,333	3,038
Recognised in:				
Income statement (Note 12)	(1,239)	2,136	(522)	295
Participants' funds	(305)	1,747	-	-
Recognised in other comprehensive income	465	95	-	-
At end of year	7,659	8,738	2,811	3,333

These comprise the following:

Deferred tax assets	18,343	19,518	2,811	3,333
Deferred tax liabilities	(10,684)	(10,780)	-	-
	7,659	8,738	2,811	3,333

MNRB Holdings Berhad
(Incorporated in Malaysia)

16. Deferred taxation (cont'd.)

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

Group	Provisions and payables RM'000	Unabsorbed/ accelerated capital allowances RM'000	Impairment losses on loans and receivables RM'000	Premium/ contribution/ expense liabilities RM'000	Impairment losses on investments RM'000	AFS financial assets RM'000	Revaluation of land and buildings RM'000	Others RM'000	Total RM'000
2018									
At 1 April 2017	979	467	2,402	5,135	3,755	(605)	(10,175)	6,780	8,738
Recognised in:									
Income statement (Note 12)	309	(242)	-	700	(1,686)	(4)	-	(316)	(1,239)
Participants' fund	-	-	(535)	(318)	-	555	(219)	212	(305)
Other comprehensive income	-	-	-	-	-	755	(290)	-	465
At 31 March 2018	1,288	225	1,867	5,517	2,069	701	(10,684)	6,676	7,659
2017									
At 1 April 2016	472	437	3,157	2,631	3,467	(921)	(9,870)	5,387	4,760
Recognised in:									
Income statement (Note 12)	507	30	-	648	288	-	-	663	2,136
Participants' fund	-	-	(755)	1,856	-	137	(221)	730	1,747
Other comprehensive income	-	-	-	-	-	179	(84)	-	95
At 31 March 2017	979	467	2,402	5,135	3,755	(605)	(10,175)	6,780	8,738

MNRB Holdings Berhad
(Incorporated in Malaysia)

16. Deferred taxation (cont'd.)

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

	Unabsorbed capital allowances RM'000	Accelerated capital allowances RM'000	Impairment losses on loans and receivables RM'000	Others RM'000	Total RM'000
Company					
2018					
At 1 April 2017	967	536	4	1,826	3,333
Recognised in income statement (Note 12)	(162)	(166)	-	(194)	(522)
At 31 March 2018	805	370	4	1,632	2,811
2017					
At 1 April 2016	850	566	4	1,618	3,038
Recognised in income statement (Note 12)	117	(30)	-	208	295
At 31 March 2017	967	536	4	1,826	3,333

MNRB Holdings Berhad
(Incorporated in Malaysia)

16. Deferred taxation (cont'd.)

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

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Unutilised business losses	14,290	14,290	6,168	6,168
Other temporary differences:				
- net contribution and expense liabilities	1,151	1,151	-	-
- others	298	298	-	-
	15,739	15,739	6,168	6,168

17. Investments in subsidiaries

	Note	Company 2018 RM'000	Company 2017 RM'000
Unquoted shares, at cost:			
In Malaysia			
At the beginning of the year		907,000	907,000
Additional investment during the year	40(c)	93,106	-
		1,000,106	907,000
Less:			
Redemption of investment in SSB	17(ii) , 40(d)	(102,000)	-
Accumulated impairment losses		-	(69,665)
At the end of the year		898,106	837,335
Outside Malaysia			
At the beginning and end of the year		6,370	6,370
		904,476	843,705

MNRB Holdings Berhad
(Incorporated in Malaysia)

17. Investments in subsidiaries (cont'd.)

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Effective ownership interest 2018 %	Effective ownership interest 2017 %
Malaysian Reinsurance Berhad ("MRE")	Malaysia	Underwriting of all classes of general reinsurance business and management of family and general retakaful business	100	100
Takaful Ikhlas [(i)] Berhad ("TIB")	Malaysia	Management of family, general and investment-linked takaful business	100	100
Sinar Seroja [(ii)] Berhad *(previously known as MNRB Retakaful Berhad)*	Malaysia	Dormant company	100	100
MMIP Services Sdn. Bhd.	Malaysia	Management of the Malaysian Motor Insurance Pool which provides motor insurance to vehicle owners who are unable to obtain insurance protection for their vehicles	100	100
Malaysian Re (Dubai) Ltd.	Dubai, United Arab Emirates	Marketing and promotional activities and servicing of clients on behalf of MRE	100	100

(i) The Company is required to split its general takaful licence in accordance with the Islamic Financial Services Act ("IFSA 2013") before 1 July 2018. A new company was incorporated on 5 June 2017 as a wholly-owned subsidiary of TIB with a paid-up capital of RM 2. The subsidiary would be the transferee of TIB's general takaful business assets and liabilities as part of the business transfer.

MNRB Holdings Berhad
(Incorporated in Malaysia)

17. Investments in subsidiaries (cont'd.)

(ii) The Company was principally engaged in the managing of general and family retakaful business until 30 November 2017. On 1 December 2017, the Company completed the transfer of its general and family retakaful business to MRE and surrendered its licence on the same date.Subsequently a capital redemption exercise was carried out, resulting in a net reversal of impairment losses of approximately RM21million as disclosed in Note 11.

18. Investments in associates

	Group 2018 RM'000	Group 2017 RM'000
Unquoted shares in Malaysia, at cost	77,615	77,615
Share of post-acquisition retained profits	23,288	12,095
Share of post-acquisition AFS reserve	1,880	155
Post-acquisition foreign exchange translation reserve*	36,226	55,555
	139,009	145,420
Represented by share of net assets	139,009	145,420

	Company 2018 RM'000	Company 2017 RM'000
Unquoted shares in Malaysia, at cost	1,957	1,957

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

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

Name of associates	Year end	Principal activities	Proportion of ownership interest and voting power 2018 %	Proportion of ownership interest and voting power 2017 %
Held by the Company:				
Motordata Research Consortium Sdn. Bhd.	31 December	Development and provision of a centralised motor parts price database for the Malaysian insurance industry	40	40

MNRB Holdings Berhad
(Incorporated in Malaysia)

18. Investments in associates (cont'd.)

Details of the associates which are all incorporated in Malaysia are as follows: (cont'd.)

Name of associates	Year end	Principal activities	Proportion of ownership interest and voting power 2018 %	2017 %
Held by Malaysian Re:				
Labuan Reinsurance (L) Ltd ("Labuan Re")	31 December	Underwriting of all classes of general reinsurance business	20	20

The financial statements of the above associates are not co-terminous with those of the Group. For the purpose of applying the equity method of accounting, the audited financial statements of the associates for the year ended 31 December 2017 and management financial statements to the end of the accounting period of 31 March 2018 have been used.

The summarised financial information of the associates are as follows:

	2018 RM'000	2017 RM'000
Assets and liabilities:		
Current assets	2,060,606	2,279,708
Non-current assets	63,284	62,894
Total assets	2,123,890	2,342,602
Current liabilities	282,421	69,881
Non-current liabilities	1,149,341	1,541,411
Total liabilities	1,431,762	1,611,292
Equity	692,128	731,310
Results:		
Revenue	588,241	710,716
Profit for the year	36,403	39,877

19. Financial assets

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

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
At carrying value:				
Financial assets at FVTPL	116,127	123,467	-	-
HTM investments	644,254	695,426	1,000	1,000
AFS financial assets	3,741,196	3,384,744	50	50
Loans and receivables	1,937,263	1,934,933	29,796	105,388
	6,438,840	6,138,570	30,846	106,438
Malaysian government securities	209,245	206,314	-	-
Government investment issues	1,673,892	1,229,944	-	-
Debt securities	2,317,789	2,333,312	1,000	1,000
Equity securities	126,501	249,462	-	-
Unquoted shares	44,796	44,796	50	50
Shariah approved unit trust funds	116,127	119,592	-	-
Real estate investment trusts	13,227	20,217	-	-
Fixed and call deposits	91,318	79,648	-	-
Islamic investment accounts	1,735,485	1,727,724	25,885	97,633
Other loans and receivables	110,460	127,561	3,911	7,755
	6,438,840	6,138,570	30,846	106,438

(a) Financial assets at FVTPL

	Group	
	2018	2017
	RM'000	RM'000
At fair value:		
Quoted shares in Malaysia		
Others	-	3,790
Warrants	-	85
Shariah approved unit trust funds	116,127	119,592
	116,127	123,467

MNRB Holdings Berhad
(Incorporated in Malaysia)

19. Financial assets (cont'd.)

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
(b) HTM investments				
At amortised cost/cost:				
Malaysian government securities	78,083	78,308	-	-
Unquoted corporate debt securities	25,249	75,274	1,000	1,000
Government investment issues	540,922	541,844	-	-
	644,254	695,426	1,000	1,000
At fair value:				
Malaysian government securities	77,404	76,109	-	-
Unquoted corporate debt securities	25,723	75,987	1,009	1,008
Government investment issues	539,508	537,417	-	-
	642,635	689,513	1,009	1,008
(c) AFS financial assets				
At cost:				
Unquoted shares in Malaysia (i)	44,796	44,796	50	50
At fair value:				
Malaysian government securities	131,162	128,006	-	-
Unquoted corporate debt securities	2,292,540	2,258,038	-	-
Quoted shares in Malaysia	126,228	245,241	-	-
Warrants	273	346	-	-
Real estate investment trusts	13,227	20,217	-	-
Government investment issues	1,132,970	688,100	-	-
	3,741,196	3,384,744	50	50

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MNRB Holdings Berhad
(Incorporated in Malaysia)

19. Financial assets (cont'd.)

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
(d) Loans and receivables				
At amortised cost/fair value:				
Fixed and call deposits with licensed:				
Commercial banks	11,388	79,648	-	-
Foreign banks	79,930	-	-	-
Islamic investment accounts with licensed:				
Co-operative bank	-	129,611	-	-
Islamic banks	1,154,572	1,266,063	17,672	25,207
Investment banks	114,090	51,627	-	-
Development bank	466,823	280,423	8,213	72,426
Secured staff loans	8,010	9,684	1,914	1,838
Amounts due from subsidiaries[(ii)]	-	-	1,780	5,494
Income due and accrued	68,821	51,039	41	104
Amount due from Insurance Pool accounts	7,845	4,406	-	-
Other receivables and deposits	25,784	62,432	176	319
	1,937,263	1,934,933	29,796	105,388

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

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MNRB Holdings Berhad
(Incorporated in Malaysia)

19. Financial assets (cont'd.)

(d) Loans and receivables (cont'd.)

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

	Group 2018 RM'000	Group 2017 RM'000
- 27,500,000 ordinary shares of RM1.00 each of Financial Park (Labuan) Sdn. Bhd. ("FPL"), representing an equity shareholding of 9%.	28,283	28,283
Less: Impairment loss	(4,759)	(4,759)
	23,524	23,524
20,000,000 redeemable preference shares of RM1.00 each of FPL	20,569	20,569
	44,093	44,093
- 820,000 ordinary shares of Malaysian Rating Corporation Berhad ("MARC") of RM1.00 each, representing an equity shareholding of 4%.	410	410
- Others	293	293
	44,796	44,796

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

MNRB Holdings Berhad
(Incorporated in Malaysia)

20. Insurance/takaful contract liabilities

	2018 Gross RM'000	2018 Reinsurance/ retakaful RM'000	2018 Net RM'000	2017 Gross RM'000	2017 Reinsurance/ retakaful RM'000	2017 Net RM'000
General reinsurance/takaful/ retakaful funds (Note (a))	2,537,293	(427,090)	2,110,203	2,527,853	(462,804)	2,065,049
Family takaful/retakaful funds (Note (b))	2,723,297	(51,163)	2,672,134	2,580,122	(51,426)	2,528,696
Shareholder's funds (Note (c))	59,355	-	59,355	63,203	-	63,203
Total	5,319,945	(478,253)	4,841,692	5,171,178	(514,230)	4,656,948

(a) General reinsurance/ takaful/retakaful funds

	2018 Gross RM'000	2018 Reinsurance/ retakaful RM'000	2018 Net RM'000	2017 Gross RM'000	2017 Reinsurance/ retakaful RM'000	2017 Net RM'000
Claim liabilities (Note (i))	2,181,919	(371,072)	1,810,847	2,137,519	(401,855)	1,735,664
Premium/contribution liabilities (Note (ii))	355,374	(56,018)	299,356	390,334	(60,949)	329,385
	2,537,293	(427,090)	2,110,203	2,527,853	(462,804)	2,065,049

(i) Claim liabilities

	2018 Gross RM'000	2018 Reinsurance/ retakaful RM'000	2018 Net RM'000	2017 Gross RM'000	2017 Reinsurance/ retakaful RM'000	2017 Net RM'000
At beginning of the year	2,137,519	(401,855)	1,735,664	2,078,963	(395,315)	1,683,648
Claims incurred in the current underwriting/accident year	315,400	(94,787)	220,613	318,535	(92,267)	226,268
Adjustment to claims incurred in prior underwriting/accident years due to changes in IBNR and PRAD	54,845	21,908	76,753	(25,381)	22,759	(2,622)
Movements in claims incurred in prior underwriting/accident years	590,427	(3,115)	587,312	750,488	(43,060)	707,428
Claims paid during the year	(916,272)	106,777	(809,495)	(985,086)	106,028	(879,058)
At end of the year	2,181,919	(371,072)	1,810,847	2,137,519	(401,855)	1,735,664

MNRB Holdings Berhad
(Incorporated in Malaysia)

20. Insurance/takaful contract liabilities (cont'd.)

	2018 Gross RM'000	2018 Reinsurance/ retakaful RM'000	2018 Net RM'000	2017 Gross RM'000	2017 Reinsurance/ retakaful RM'000	2017 Net RM'000
(a) General reinsurance/ takaful/retakaful funds (cont'd.)						
(ii) Premium/contribution liabilities						
At beginning of the year	390,334	(60,949)	329,385	424,116	(61,969)	362,147
Premiums/contributions written in the year	1,560,267	(236,025)	1,324,242	1,611,081	(266,909)	1,344,172
Premiums/contributions earned during the year	(1,595,227)	240,956	(1,354,271)	(1,644,863)	267,929	(1,376,934)
At end of the year	355,374	(56,018)	299,356	390,334	(60,949)	329,385
(b) Family takaful/retakaful funds						
Provision for claims reported by contract holders	91,177	(14,516)	76,661	97,193	(12,161)	85,032
Participants' Investment Fund ("PIF")	2,366,126	-	2,366,126	2,203,749	-	2,203,749
Participants' Risk Fund ("PRF")	152,609	(36,647)	115,962	182,473	(39,265)	143,208
Net asset value attributable to unitholders	113,385	-	113,385	96,707	-	96,707
	2,723,297	(51,163)	2,672,134	2,580,122	(51,426)	2,528,696

MNRB Holdings Berhad
(Incorporated in Malaysia)

20. Insurance/takaful contract liabilities (cont'd.)

	2018			2017		
	Gross RM'000	Reinsurance/ retakaful RM'000	Net RM'000	Gross RM'000	Reinsurance/ retakaful RM'000	Net RM'000
(b) Family takaful/retakaful fund (cont'd.)						
At beginning of the year	2,580,122	(51,426)	2,528,696	2,265,713	(39,896)	2,225,817
Net earned contributions	611,303	(74,328)	536,975	665,707	(74,735)	590,972
Net creation of units	36,473	-	36,473	11,526	-	11,526
Liabilities paid for death, maturities, surrenders, benefits and claims	(285,547)	5,418	(280,129)	(271,029)	1,699	(269,330)
Net cancellation of units	(23,120)	-	(23,120)	(27,183)	-	(27,183)
Benefits and claims experience variation	(6,016)	(2,355)	(8,371)	34,044	(8,693)	25,351
Fees deducted	(214,541)	-	(214,541)	(188,311)	-	(188,311)
Other revenue and expenses	3,325	-	3,325	1,357	-	1,357
Transfer to shareholder's fund	(16,850)	-	(16,850)	(13,405)	-	(13,405)
Increase in reserve	38,148	71,528	109,676	101,703	70,199	171,902
At end of the year	2,723,297	(51,163)	2,672,134	2,580,122	(51,426)	2,528,696

MNRB Holdings Berhad
(Incorporated in Malaysia)

20. Insurance/takaful contract liabilities (cont'd.)

	2018 Gross/net RM'000	2017 Gross/net RM'000
(c) Shareholder's funds		
At beginning of the year	63,203	60,319
General takaful and retakaful funds:		
- Wakalah fee received during the year	97,700	98,456
- Wakalah fee earned during the year	(103,815)	(94,972)
- Movement in unearned wakalah fees	(6,115)	3,484
- Movement in provision for expense deficiency	1,912	1,912
Family takaful and retakaful funds:		
- Movement in provision for UER	(2,926)	(2,512)
Novation of SSB	3,281	-
At end of the year	59,355	63,203

21. Insurance/takaful receivables

	Group 2018 RM'000	Group 2017 RM'000
Due contributions including agents' balances	76,182	106,450
Amounts due from brokers and ceding companies	355,875	264,058
Less: Allowance for impairment	(13,753)	(34,318)
	418,304	336,190

Offsetting insurance/takaful receivables and insurance/takaful payables

	2018 RM'000	2017 RM'000
Gross amounts of recognised insurance/takaful receivables	690,299	502,549
Less: Gross amounts of recognised insurance/takaful payables set off in the statements of financial position	(258,242)	(132,041)
Net amounts of insurance/takaful receivables presented in the statements of financial position	432,057	370,508

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MNRB Holdings Berhad
(Incorporated in Malaysia)

21. Insurance/takaful receivables (cont'd.)

Included in amounts due from brokers and ceding companies is an amount of RM533,027 (2017: RM221,660) due from an associate, Labuan Reinsurance (L) Ltd. The amount receivable is subject to settlement terms stipulated in the reinsurance contracts.

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

22. Tax Recoverable

	Company	
	2018	2017
	RM'000	RM'000
Tax recoverable	19,685	-
Tax payable	(2,055)	(2,592)
	17,630	(2,592)

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

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

The Company disagrees with the additional assessment imposed by IRB for the above years of assessment and had submitted a notice of appeal by filing Form Q with the Special Commissioner of Income Tax on 6 October 2017.

Notwithstanding the appeal, the Company has paid the total amount payable of RM19,684,794.

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

MNRB Holdings Berhad
(Incorporated in Malaysia)

23. Participants' funds

	Group 2018 RM'000	Group 2017 RM'000
Participants' funds comprise the following:		
Accumulated surplus (Note (a))	209,939	162,486
AFS reserves (Note (b))	(3,412)	(106)
Revaluation surplus (Note (c))	41,335	38,816
	247,862	201,196

(a) Accumulated surplus

	2018 RM'000	2017 RM'000
At beginning of the year	162,486	180,678
Net surplus/(deficit) of the general and family takaful and retakaful funds	62,274	(12,708)
Hibah paid and payable to participants during the year	(14,821)	(5,484)
At end of the year	209,939	162,486

(b) AFS reserves

	2018 RM'000	2017 RM'000
At beginning of the year	(106)	2,635
Net (loss)/gain on fair value changes	(5,075)	(3,101)
Realised loss transferred to income statements	1,201	223
Deferred tax on fair value changes	568	137
Net change in AFS reserves attributable to participants	(3,306)	(2,741)
At end of the year	(3,412)	(106)

MNRB Holdings Berhad
(Incorporated in Malaysia)

23. Participants' funds (cont'd.)

	Group 2018 RM'000	Group 2017 RM'000
(c) Revaluation surplus		
At beginning of the year	38,816	36,280
Recognised in other comprehensive income	2,738	2,757
Deferred tax on revaluation surplus	(219)	(221)
Net change in revaluation surplus attributable to participants	2,519	2,536
At end of the year	41,335	38,816

24. Borrowings

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Revolving Credit Facility	320,000	200,000	320,000	200,000
Sukuk Mudharabah Programme	-	120,000	-	120,000
	320,000	320,000	320,000	320,000

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

(a) Revolving Credit Facility

On 17 March 2017, the Company entered into a RM320 million revolving credit facility ("said facility") agreement with AmBank (M) Berhad ("AmBank"). On 22 March 2017, the Company made a drawdown of RM200 million from the said facility. The facility carries a floating interest rate that is reviewed quarterly and has a tenure of 18 months, with the option of 6 months' extension at the discretion of the bank. The interest rate for the financial year ended 31 March 2018 was 4.82% (2017: 4.52%) per annum.

The proceeds from the drawdown were utilised towards redeeming the Islamic Commodity Murabahah Facility of the same amount from Standard Chartered Saadiq Berhad.

24. Borrowings (cont'd.)

(b) Sukuk Mudharabah Programme

MNRB Holdings Berhad issued RM120 million of Sukuk to MIDF Amanah Investment Bank Berhad on 10 December 2012. It carries a fixed profit rate of 5.4% per annum, with final redemption date on 11 December 2017. This facility has been repaid off on 9 June 2017 by utilising the remaining RM120 million RC facilities entered into with AmBank Berhad.

25. Insurance/takaful payables

	Group 2018 RM'000	Group 2017 RM'000
Due to agents, brokers, retrocessionaires and retakaful operators	270,444	210,174

Offsetting insurance/takaful receivables and insurance/takaful payables

	Group 2018 RM'000	Group 2017 RM'000
Gross amounts of recognised insurance/takaful payables	683,928	379,361
Less: Gross amounts of recognised insurance/takaful receivables set off in the statements of financial position	(413,484)	(169,187)
Net amounts of insurance/takaful payables presented in the statements of financial position	270,444	210,174

Included in amounts due to brokers and retrocessionaires is an amount of RM231,382 (2017: RM216,664) due to an associate, Labuan Reinsurance (L) Ltd. The amount payable is subject to settlement terms stipulated in the reinsurance contracts.

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

MNRB Holdings Berhad
(Incorporated in Malaysia)

26. Other payables

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Deposit contributions	42,283	53,399	-	-
Outstanding commissions	2,921	5,173	-	-
Provisions	35,717	36,483	6,791	7,603
Amount due to subsidiaries [(i)]	-	-	157	4,616
Sundry payables and accruals	144,824	117,131	2,027	2,267
	225,745	212,186	8,975	14,486

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

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

27. Share capital

	Number of ordinary shares		Amount	
	2018	2017	2018	2017
	'000	'000	RM'000	RM'000
Issued and fully paid:				
At beginning of the year	319,605	213,070	319,605	213,070
Issuance of bonus shares	-	106,535	-	106,535
At end of the year	319,605	319,605	319,605	319,605

28. Dividend

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

29. Earnings/(loss) per share

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
Net profit/(loss) for the year (RM'000)	140,865	71,170	6,872	(18,200)
Number/weighted average number of ordinary shares in issue ('000)	319,605	257,460	319,605	257,460
Basic and diluted earnings/ (loss) per share (sen)	44.1	27.6	2.2	(7.1)

30. Operating lease arrangements

(a) The Group as lessee

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

The future aggregate minimum lease payments under non-cancellable operating leases contracted for as at the reporting date but not recognised as liabilities, are as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Future minimum rental payments:				
Not later than 1 year	1,151	3,815	1,248	1,248
Later than 1 year and not later than 5 years	929	6,166	1,248	-
	2,080	9,981	2,496	1,248

MNRB Holdings Berhad
(Incorporated in Malaysia)

30. Operating lease arrangements (cont'd.)

(b) The Group as lessor

The Group has entered into non-cancellable operating lease agreements on its portfolio of self-occupied properties and investment property. These leases have remaining non-cancellable lease terms of between 5 and 10 years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions and certain contracts include contingent rental arrangements computed based on sales achieved by tenants.

The future minimum lease payments receivable under non-cancellable operating leases contracted for as at the reporting date but not recognised as receivables, are as follows:

	Group	
	2018	2017
	RM'000	RM'000
Future minimum rental receipts:		
Not later than 1 year	3,078	3,895
Later than 1 year and not later than 5 years	1,407	1,658
	4,485	5,553

31. Commitments

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

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Authorised and contracted for:				
- Intangible assets*	11,869	22,409	2	-
	11,869	22,409	2	-
Authorised but not contracted for:				
- Property, plant and equipment	787	1,850		
- Intangible assets*	12,775	-		
	13,562	1,850		

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

MNRB Holdings Berhad
(Incorporated in Malaysia)

32. Related party disclosures

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

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel include all the Directors of the Group and the Company, and certain members of senior management of the Group and the Company.

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Income/(expenses):				
Transactions with subsidiaries:				
Management fees received	-	-	35,025	31,728
Rental paid	-	-	(1,067)	(1,392)
Interest income	-	-	50	50
Transactions with takaful funds of a subsidiary:				
Takaful contributions paid	-	-	-	(320)
Transactions with an associate, Labuan Reinsurance (L) Ltd:				
Net reinsurance inwards	391	361	-	-
Gross contributions	6	10	-	-
Retakaful outward contributions	(3,139)	(5,983)	-	-
Retakaful commission	232	87	-	-
Net dividend received	-	2,692	-	-
Claims recoveries	3,400	2,092	-	-

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MNRB Holdings Berhad
(Incorporated in Malaysia)

32. Related party disclosures (cont'd.)

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

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

Outstanding balances arising from the transactions above as at the reporting date have been disclosed in Notes 19(d), 21, 25 and 26 of the financial statements as well as on the face of the statements of financial position.

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-executive directors:				
Fees	2,506	2,650	844	780
Others	601	644	174	146
Benefits-in-kind	-	38	-	38
Executive directors:				
Salaries and bonus	3,717	3,050	1,328	1,169
Pension costs - EPF	747	498	341	199
Social security costs	-	-	-	-
Allowances	110	-	-	-
Retirement benefits	-	-	-	-
Benefits-in-kind	178	220	68	120
Others	77	13	4	6

MNRB Holdings Berhad
(Incorporated in Malaysia)

32. Related party disclosures (cont'd.)

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

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Director of a subsidiary:				
Salaries and bonus	834	837	834	837
Pension costs - EPF	129	126	129	126
Social security costs	1	1	1	1
Other allowances	65	20	65	20
Benefits-in-kind	97	55	97	55
Shariah Committee members:				
Fees	192	232	-	-
Meeting allowances	69	79	-	-
Other key management personnel's remuneration:				
Salaries and bonus	11,978	12,176	4,140	4,779
Pension costs - EPF	2,366	1,799	668	717
Social security costs	15	14	8	7
Allowances	672	511	275	51
Benefits-in-kind	815	509	376	442
	25,169	23,472	9,352	9,493

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Chartered Accountants, Kuala Lumpur
For identification purposes only

MNRB Holdings Berhad
(Incorporated in Malaysia)

33. Segment information

Group	Investment holding RM'000	Reinsurance business RM'000	Takaful operator RM'000	Retakaful operator RM'000	Adjustments and eliminations RM'000	Consolidated RM'000
2018						
Results						
Net earned premiums/contributions	-	1,168,951	735,490	24,423	-	1,928,864
Interest/profit income	3,675	98,827	130,974	5,076	(50)	238,502
Other revenue	57,959	32,343	69,644	163	(61,070)	99,039
Net claims	-	(760,720)	(514,684)	(32,841)	-	(1,308,245)
Other expenses (i)	(36,780)	(418,406)	(287,773)	(3,305)	60,615	(685,649)
Depreciation	(499)	(3,022)	(3,751)	-	-	(7,272)
Amortisation	(439)	(1,018)	(2,855)	-	-	(4,312)
Finance costs	(15,841)	(50)	-	-	50	(15,841)
Share of results of associates	592	9,120	-	-	-	9,712
Operating (loss)/profit before deficit attributable to takaful participants, taxation	8,667	126,025	127,045	(6,484)	(455)	254,798
Deficit attributable to takaful participants	-	-	(77,662)	15,388	-	(62,274)
Operating (loss)/profit before taxation	8,667	126,025	49,383	8,904	(455)	192,524
Zakat	-	-	(563)	-	-	(563)
Taxation	(704)	(39,908)	(11,056)	572	-	(51,096)
Net (loss)/profit for the year	7,963	86,117	37,764	9,476	(455)	140,865

MNRB Holdings Berhad
(Incorporated in Malaysia)

33. Segment information (cont'd.)

Group (cont'd.)	Investment holding RM'000	Reinsurance business RM'000	Takaful operator RM'000	Retakaful operator RM'000	Adjustments and eliminations RM'000	Consolidated RM'000
2017						
Results						
Net earned premiums/contributions	-	1,188,736	779,581	10,910	(723)	1,978,504
Interest/profit income	3,889	86,811	110,023	5,064	(50)	205,737
Other revenue	31,892	60,720	81,304	1,637	(32,597)	142,956
Net claims	-	(832,318)	(658,512)	(11,019)	(1,434)	(1,503,283)
Other expenses [i]	(34,522)	(397,707)	(301,400)	(12,306)	32,062	(713,873)
Depreciation	(644)	(3,070)	(4,352)	(3)	-	(8,069)
Amortisation	(290)	(830)	(2,019)	(121)	-	(3,260)
Finance costs	(18,120)	(50)	-	-	50	(18,120)
Share of results of associates	369	5,259	-	-	-	5,628
Operating profit/(loss) before surplus attributable to takaful participants, zakat and taxation	(17,426)	107,551	4,625	(5,838)	(2,692)	86,220
Surplus attributable to takaful participants	-	-	(4,064)	16,772	-	12,708
Operating profit/(loss) before zakat and taxation	(17,426)	107,551	561	10,934	(2,692)	98,928
Taxation	(405)	(18,241)	(9,148)	36	-	(27,758)
Net profit/(loss) for the year	(17,831)	89,310	(8,587)	10,970	(2,692)	71,170

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MNRB Holdings Berhad
(Incorporated in Malaysia)

33. Segment information (cont'd.)

Group (cont'd.)	Investment holding RM'000	Reinsurance business RM'000	Takaful operator RM'000	Retakaful operator RM'000	Adjustments and eliminations RM'000	Consolidated RM'000
2018						
Assets						
Segment assets [i]	961,225	3,599,570	4,030,584	120,729	(916,116)	7,795,992
Investments in associates	1,957	129,876	-	-	7,176	139,009
	963,182	3,729,446	4,030,584	120,729	(908,940)	7,935,001
Liabilities and Participants' funds						
Segment liabilities						
Participants' funds	-	-	260,866	(13,004)	-	247,862
Borrowings	320,000	1,000	-	-	(1,000)	320,000
Insurance and takaful contract liabilities	-	2,037,525	3,168,225	114,195	-	5,319,945
Other liabilities	10,641	237,330	244,559	26,944	(10,281)	509,193
	330,641	2,275,855	3,673,650	128,135	(11,281)	6,397,000
Equities						
Segment equities [i]	632,541	1,453,591	356,934	(7,406)	(897,659)	1,538,001
Total liabilities, participants' funds and equity	963,182	3,729,446	4,030,584	120,729	(908,940)	7,935,001

Ernst & Young (AF: 0039)
Chartered Accountants, Kuala Lumpur
For identification purposes only

MNRB Holdings Berhad
(Incorporated in Malaysia)

33. Segment information (cont'd.)

Group (cont'd.)	Investment holding RM'000	Reinsurance business RM'000	Takaful operator RM'000	Retakaful operator RM'000	Adjustments and eliminations RM'000	Consolidated RM'000
2017						
Assets						
Segment assets [(i)]	960,283	3,368,223	3,769,156	165,013	(851,515)	7,411,160
Investments in associates	1,957	75,968	-	-	67,495	145,420
	962,240	3,444,191	3,769,156	165,013	(784,020)	7,556,580
Liabilities and Participants' funds						
Segment liabilities						
Participants' funds	-	-	199,561	-	-	199,561
Borrowings	320,000	1,000	-	-	(1,000)	320,000
Insurance and takaful contract liabilities	-	2,041,209	3,028,299	103,305	-	5,172,813
Other liabilities	17,078	154,738	261,429	19,064	(7,569)	444,740
	337,078	2,196,947	3,489,289	122,369	(8,569)	6,137,114
Equities						
Segment equities [(i)]	625,162	1,247,244	279,867	42,644	(775,451)	1,419,466
Total liabilities, participants' funds and equity	962,240	3,444,191	3,769,156	165,013	(784,020)	7,556,580

Ernst & Young (AF: 0039)
Chartered Accountants, Kuala Lumpur
For identification purposes only

MNRB Holdings Berhad
(Incorporated in Malaysia)

33. Segment information (cont'd.)

(i) Included in segment assets is a Qard granted to the general and family retakaful funds by the shareholder's fund of the retakaful division of reinsurance subsidiary, amounting to RM84.6 million (2017: RM84.6 million). Qard represents a loan to the general and family retakaful funds to make good any underwriting deficit experienced during a financial period. These balances, including the impairment losses recognised thereon amounting to RM72.1 million (2017: RM72.1 million), have been eliminated in full upon consolidation.

34. Risk management framework

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

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

The primary objectives of the Group ERM Framework are as follows:

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

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

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

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

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

34. Risk management framework (cont'd.)

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

(a) Risk management governance

The Risk Management Governance structure is as follows:

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

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

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

(iv) The Group Chief Risk Officer ("GCRO") and Risk Management Department established the infrastructure and facilitate the risk management processes in the Company and across the subsidiaries through the adoption of the Group ERM Framework;

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

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

34. Risk management framework (cont'd.)

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

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

Further, each main operating subsidiary had put in place the following policies to ensure proper risk management:

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

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

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

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

(b) Capital management objectives, policies and approach

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

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

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

34. Risk management framework (cont'd.)

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

Capital management objectives

The main objective of capital management is to monitor and maintain, at all times, an appropriate level of capital to commensurate with the main operating subsidiaries' business operations and the resultant risk profile. The key objective of the CMP is to trigger appropriate action plans to be taken by the Board and the management of the main operating subsidiaries in the event of internal capital levels falling below the internal target requirement. This includes remedial actions that must be undertaken by the main operating subsidiaries' Board and management to improve the capital position.

Capital management policies

The key capital management policies are as follows:

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

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

Approach to capital management

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

(c) Regulatory framework

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

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

34. Risk management framework (cont'd.)

(c) Regulatory framework (cont'd.)

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

35. Underwriting risk

(a) General reinsurance/retakaful

(i) Nature of risk

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

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

The reinsurance/retakaful subsidiary also manages its risk exposure through the use of retrocession programmes which are reviewed annually by the ORMC and RMCB, and subsequently approved by the Board. Prudent standards are applied in placement of the reinsurance subsidiary's key retrocessionaires.

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

35. Underwriting risk (cont'd.)

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

(ii) Concentration of risk by type of business

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

	Gross RM'000	Retro-cession RM'000	Net RM'000
2018			
Fire	916,854	(112,884)	803,970
Motor	371,547	(5,207)	366,340
Marine	319,134	(74,869)	244,265
Miscellaneous	526,092	(84,505)	441,587
	2,133,627	(277,465)	1,856,162
Local	1,205,811	(241,041)	964,770
Overseas	927,816	(36,424)	891,392
	2,133,627	(277,465)	1,856,162
2017			
Fire	866,098	(72,905)	793,193
Motor	337,655	(4,679)	332,976
Marine	434,137	(176,269)	257,868
Miscellaneous	403,319	(38,116)	365,203
	2,041,209	(291,969)	1,749,240
Local	1,107,680	(229,377)	878,303
Overseas	933,529	(62,592)	870,937
	2,041,209	(291,969)	1,749,240

35. Underwriting risk (cont'd.)

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

(iii) Reserving risk

The reinsurance/retakaful subsidiary's claim liabilities, and consequently some of the inputs used in determining its premium/contribution liabilities, are based upon previous claims experience, existing knowledge of events, the terms and conditions of relevant policies and interpretation of circumstances. Upon notification of a claim by its cedants or receipt of market loss event, the reinsurance subsidiary sets aside reserves to meet the expected ultimate loss arising from this claim. These claim reserves are updated periodically for further developments via advice from cedants.

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

(iv) Impact on liabilities, profit and equity

Key assumptions

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

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

Sensitivity analysis

The insurance/takaful contract liabilities are sensitive to various key factors which are both internal and external. External factors to which the reinsurance/retakaful subsidiary is sensitive to include:

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

35. Underwriting risk (cont'd.)

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

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

Sensitivity analysis (cont'd.)

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

	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
	<----------------	Increase/(decrease)	---------------->	
2018				
Fire	15,795	16,517	16,517	13,512
Marine	3,732	2,913	2,913	2,564
Motor	9,044	9,930	9,930	7,641
Miscellaneous	8,147	8,351	8,351	6,663
	36,718	37,711	37,711	30,380
2017				
Fire	16,082	16,082	(16,082)	(13,401)
Marine	4,054	3,130	(3,130)	(2,790)
Motor	8,273	8,273	(8,273)	(6,367)
Miscellaneous	9,308	9,308	(9,308)	(7,613)
	37,717	36,793	(36,793)	(30,171)

* The impact on equity reflects the after tax impact.

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

35. Underwriting risk (cont'd.)

(a) General reinsurance (cont'd.)

(v) Claims development table

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

In setting provisions for claims, the reinsurance subsidiary relies on advice by its cedants and exercises discretion where the claim may develop more adversely than advised. An estimate will be made in the absence of a reported figure or in the event the loss is still preliminary and has not been fully assessed.

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

The methodology used in the valuation of general reinsurance liabilities involves a more granular segregation of the business of the reinsurance subsidiary into specific portfolios with the intention of achieving greater accuracy in the estimation processs. For overseas business, the valuation of general reinsurance liabilities is performed based on territorial grouping of risks to better reflect the underwriting performance.

MNRB Holdings Berhad
(Incorporated in Malaysia)

35. Underwriting risk (cont'd.)

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

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

Gross general reinsurance/retakaful contract liabilities for 2018:

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

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

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MNRB Holdings Berhad
(Incorporated in Malaysia)

35. Underwriting risk (cont'd.)

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

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

Net general reinsurance/retakaful contract liabilities for 2018:

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

Other portfolios	(47,402)
Best estimate of claim liabilities	1,561,174
Claim handling expenses	8,236
Fund PRAD at 75% confidence interval	105,756
Less: Retrocession recoveries	(23,159)
Net general reinsurance/retakaful claim liabilities	1,652,007

MNRB Holdings Berhad
(Incorporated in Malaysia)

35. Underwriting risk (cont'd.)

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

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

Gross general reinsurance/retakaful contract liabilities for 2017:

Underwriting year	Before 2009 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	Sub Total RM'000
At the end of underwriting year		573,070	640,777	653,195	678,781	755,249	709,990	736,158	695,227	
One year later		570,029	631,766	755,795	699,168	778,872	738,302	776,819	-	
Two years later		594,903	706,692	831,359	703,132	810,844	744,827	-	-	
Three years later		652,329	716,067	884,511	741,350	923,036	-	-	-	
Four years later		652,493	716,766	918,231	755,438	-	-	-	-	
Five years later		646,338	727,701	924,282	-	-	-	-	-	
Six years later		650,358	723,129	-	-	-	-	-	-	
Seven years later		645,001	-	-	-	-	-	-	-	
Current estimate of booked ultimate claims incurred (a)	**2,599,226**	**644,541**	**721,966**	**920,226**	**748,781**	**867,554**	**722,921**	**711,208**	**410,483**	
At the end of underwriting year		92,156	78,371	74,108	48,231	66,414	50,464	48,141	50,779	
One year later		309,913	318,276	468,913	336,973	450,853	394,640	467,078	-	
Two years later		443,235	514,735	672,090	485,266	611,454	525,476	-	-	
Three years later		559,089	600,229	786,901	582,071	682,220	-	-	-	
Four years later		588,998	656,500	842,952	636,596	-	-	-	-	
Five years later		611,245	676,846	873,568	-	-	-	-	-	
Six years later		625,138	688,755	-	-	-	-	-	-	
Seven years later		627,433	-	-	-	-	-	-	-	
Cumulative payments to-date (b)	**2,572,668**	**627,433**	**688,755**	**873,568**	**636,596**	**682,220**	**525,476**	**467,078**	**50,779**	
Expected claim liabilities (a) - (b)	26,558	17,108	33,211	46,658	112,185	185,334	197,445	244,130	359,704	1,222,333
Other portfolios										516,095
Best estimate of claim liabilities										1,738,428
Claim handling expenses										7,923
Fund PRAD at 75% confidence interval										131,298
Gross general reinsurance/retakaful claim liabilities										1,877,649

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MNRB Holdings Berhad
(Incorporated in Malaysia)

35. Underwriting risk (cont'd.)

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

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

Net general reinsurance/retakaful contract liabilities for 2017:

Underwriting year	Before 2009 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	Sub Total RM'000
At the end of underwriting year		537,097	579,366	565,450	646,500	745,438	705,370	703,964	863,017	
One year later		546,681	585,767	740,800	679,991	763,552	712,346	877,687	-	
Two years later		571,196	661,334	816,057	674,963	794,351	763,018	-	-	
Three years later		612,397	669,267	870,177	709,217	844,810	-	-	-	
Four years later		616,692	676,120	901,715	753,532	-	-	-	-	
Five years later		618,874	686,321	925,335	-	-	-	-	-	
Six years later		627,928	684,243	-	-	-	-	-	-	
Seven years later		627,529	-	-	-	-	-	-	-	
Current estimate of booked ultimate claims incurred (a)	**2,462,471**	**627,031**	**682,022**	**907,762**	**717,403**	**806,576**	**690,916**	**698,038**	**405,295**	
At the end of underwriting year		90,646	67,655	73,515	47,742	66,414	50,464	48,141	50,779	
One year later		304,865	304,533	462,589	333,140	446,728	394,520	467,060	-	
Two years later		428,388	497,147	663,963	478,500	607,074	521,806	-	-	
Three years later		540,244	576,347	776,430	574,004	689,440	-	-	-	
Four years later		569,110	617,684	831,445	618,991	-	-	-	-	
Five years later		590,930	637,379	862,696	-	-	-	-	-	
Six years later		604,618	651,082	-	-	-	-	-	-	
Seven years later		611,042	-	-	-	-	-	-	-	
Cumulative payments to-date (b)	**2,441,365**	**611,042**	**651,082**	**862,696**	**618,991**	**689,440**	**521,806**	**467,060**	**50,779**	
Expected claim liabilities (a) - (b)	21,106	15,989	30,940	45,066	98,412	117,136	169,110	230,978	354,516	1,083,253

Other portfolios	426,799
Best estimate of claim liabilities	1,510,052
Claim handling expenses	7,923
Fund PRAD at 75% confidence interval	108,895
Less: Retrocession recoveries	(46,390)
Net general reinsurance/retakaful claim liabilities	1,580,480

35. Underwriting risk (cont'd.)

(b) General takaful fund

(i) Nature of risk

The takaful subsidiary principally issues the following types of general takaful contracts: Motor, Fire, Personal Accident, and other Miscellaneous classes. The contracts are all pooled under the same Participants' Risk Fund ("PRF"). All participants pay a portion of contributions on the basis of tabarru' ("donation") into the PRF for the purpose of meeting claims for events or risks covered under the takaful contracts.

The risks are mitigated by diversification across a large portfolio of business and careful selection of risks. The variability of risks is designed to improve the portfolio experience by implementation of underwriting strategies and claim management policies which attempt to minimise losses.

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

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

(ii) Reserving risk

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

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

35. Underwriting risk (cont'd.)

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

(iii) Concentration of risk by type of contracts

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

	Gross RM'000	Retakaful RM'000	Net RM'000
2018			
Fire	68,489	(13,642)	54,847
Motor	263,453	(117,780)	145,673
Personal Accident	18,068	(31)	18,037
Miscellaneous	53,656	(18,172)	35,484
	403,666	(149,625)	254,041
2017			
Fire	69,598	(15,623)	53,975
Motor	259,227	(109,304)	149,923
Personal Accident	15,122	39	15,161
Miscellaneous	57,065	(24,980)	32,085
	401,012	(149,868)	251,144

(iv) Impact on liabilities, profit and equity

Key assumptions

The principal assumption underlying the estimation of liabilities is that the general takaful future claims development will follow a pattern similar to the historical trend experience.

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

MNRB Holdings Berhad
(Incorporated in Malaysia)

35. Underwriting risk (cont'd.)

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

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

Key assumptions (cont'd.)

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

Sensitivity analysis

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

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

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

	Change in assumption of ultimate claims ratio	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on general takaful fund* RM'000
		<----------------	Increase/(decrease)		---------------->
2018					
Motor Act Average Severity	+10%	39,194	27,051	(27,051)	(20,559)
Motor Others Expected Loss Ratio	+10%	31,231	18,770	(18,770)	(14,265)
Fire Expected Loss Ratio	+10%	3,757	1,653	(1,653)	(1,256)

MNRB Holdings Berhad
(Incorporated in Malaysia)

35. Underwriting risk (cont'd.)

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

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

Sensitivity analysis (cont'd.)

	Change in assumption of ultimate claims ratio	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on general takaful fund* RM'000
		<--------------	Increase/(decrease)	--------------->	
2017					
Motor Act Average Severity	+10%	38,230	27,442	(27,442)	(20,856)
Motor Others Expected Loss Ratio	+10%	40,952	25,662	(25,662)	(19,503)
Fire Expected Loss Ratio	+10%	4,659	1,748	(1,748)	(1,328)

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

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

(v) Claims development table

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

In setting provisions for claims, the takaful subsidiary gives consideration to the probability and magnitude of future experience at best estimate level with a degree of caution in setting reserves when there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience for an accident year is greatest when the claim is at an early stage of development.

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MNRB Holdings Berhad
(Incorporated in Malaysia)

35. Underwriting risk (cont'd.)

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

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

Gross general takaful contract liabilities for 2018:

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

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For identification purposes only

MNRB Holdings Berhad
(Incorporated in Malaysia)

35. Underwriting risk (cont'd.)

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

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

Net general takaful contract liabilities for 2018:

Accident year	Prior 2012 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	Total RM'000
At the end of accident year	535,362	139,773	77,046	89,101	104,071	110,041	113,257	113,775	
One year later	529,210	126,239	74,561	80,459	102,643	100,341	113,434		
Two years later	511,605	119,387	66,794	77,240	97,354	96,034			
Three years later	486,268	111,481	65,723	73,895	94,702				
Four years later	477,899	108,094	64,087	73,044					
Five years later	481,396	107,016	61,523						
Six years later	404,527	103,742							
Seven years later	400,982								
Current estimate of cumulative claims incurred	**400,982**	**103,742**	**61,523**	**73,044**	**94,702**	**96,034**	**113,434**	**113,775**	
At the end of accident year	263,575	46,100	30,126	33,647	45,169	43,970	50,502	49,290	
One year later	338,047	81,315	50,073	56,856	71,475	69,156	79,164		
Two years later	371,266	96,004	57,352	64,848	82,078	80,147			
Three years later	379,463	100,812	59,537	68,204	86,274				
Four years later	388,271	102,091	58,440	69,343					
Five years later	390,340	102,298	59,117						
Six years later	389,265	102,716							
Seven years later	389,570								
Cumulative payments to-date	**389,570**	**102,716**	**59,117**	**69,343**	**86,274**	**80,147**	**79,164**	**49,290**	
Net general takaful contract liabilities:									
Best Estimate of Claims Liabilities (incl. ALAE)	**11,412**	**1,026**	**2,406**	**3,701**	**8,428**	**15,887**	**34,270**	**64,485**	**141,615**
Fund PRAD at 75%									**17,225**
Total									**158,840**

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MNRB Holdings Berhad
(Incorporated in Malaysia)

35. Underwriting risk (cont'd.)

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

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

Gross general takaful contract liabilities for 2017:

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

MNRB Holdings Berhad
(Incorporated in Malaysia)

35. Underwriting risk (cont'd.)

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

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

Net general takaful contract liabilities for 2017:

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

35. Underwriting risk (cont'd.)

(c) Family takaful fund

(i) Nature of risk

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

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

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

Family takaful underwriting risk exists from the anti-selection process and inadequacy of PRF to meet future claims arising from family takaful certificates. The risks arise when actual claims experience is different from the assumptions used in setting the prices for products and establishing the technical provisions and liabilities for claims. Other sources of risks include certificate lapses and certificate claims such as mortality and morbidity experience.

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

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

MNRB Holdings Berhad
(Incorporated in Malaysia)

35. Underwriting risk (cont'd.)

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

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

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

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

(ii) Concentration of risk by type of contracts

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

	Gross RM'000	Retakaful RM'000	Net RM'000
2018			
Family takaful plans	1,027,495	(6,453)	1,021,042
Investment-linked takaful plans	71,527	(6,654)	64,873
Mortgage takaful plans	1,136,960	-	1,136,960
Group credit takaful plans	187,928	(8,343)	179,585
Others	78,963	(7,161)	71,802
	2,502,873	(28,611)	2,474,262
2017			
Family takaful plans	936,971	(7,023)	929,948
Investment-linked takaful plans	157,678	(8,339)	149,339
Mortgage takaful plans	986,984	-	986,984
Group credit takaful plans	199,774	(8,072)	191,702
Others	93,543	(9,477)	84,066
	2,374,950	(32,911)	2,342,039

MNRB Holdings Berhad
(Incorporated in Malaysia)

35. Underwriting risk (cont'd.)

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

(iii) Impact on liabilities, profit and equity

Key assumptions

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

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

<u>Mortality and morbidity rates</u>

Assumptions are based on mortality rates as set out in the Product Documentation submitted to BNM. They reflect the historical experience and are adjusted, when appropriate, to reflect the participants' own experience. Assumptions are differentiated by gender, occupational class and product group.

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

<u>Discount rates</u>

Family takaful liabilities of credit-related products, for examples, Mortgage Reducing Term Takaful ("MRTT") and Group Credit Takaful ("GCT") are determined as the sum of the discounted value of the expected benefits less the discounted value of the expected tabarru' (risk charge) that would be required to meet these future cash outflows. The valuation of liabilities will be discounted to valuation date using the government investment issues zero coupon spot yields which are obtained from the Bond Pricing Agency Malaysia as prescribed in the valuation guidelines.

MNRB Holdings Berhad
(Incorporated in Malaysia)

35. Underwriting risk (cont'd.)

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

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

Key assumptions (cont'd.)

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

Type of business	Mortality and morbidity rates	2018 Discount rates	2017 Discount rates
Credit related products and individual regular contribution plans	Base mortality [1], adjusted for retakaful rates [2]	GII discount rate	GII discount rate
Others	Base mortality [1]	N/A	N/A

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

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

Sensitivity analysis

The analysis below is performed on possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and financial results of the family takaful fund. Correlations of assumptions will have significant effects in determining the ultimate family takaful liabilities. However, to demonstrate the impact due to changes in assumptions, only individual assumptions are changed, while other assumptions are held constant. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions.

MNRB Holdings Berhad
(Incorporated in Malaysia)

35. Underwriting risk (cont'd.)

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

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

Sensitivity analysis (cont'd.)

	Change in assumptions %	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on (loss)/profit before tax RM'000	Impact on family takaful fund* RM'000
		<-------------- Increase/(decrease)			--------------->
2018					
Mortality/morbidity	+ 10%	54,662	21,126	(21,126)	(21,126)
Discount rates	+ 1%	(10,876)	(11,675)	11,675	11,675
2017					
Mortality/morbidity	+ 10%	44,687	13,007	(13,007)	(13,007)
Discount rates	+ 1%	(13,433)	(11,998)	11,998	11,998

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

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

(d) Family retakaful fund

(i) Nature of risk

The family retakaful business principally consists of Individual Family Retakaful Plans, Group Family Retakaful Plans and Retakaful Individual Facultative.

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

35. Underwriting risk (cont'd.)

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

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

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

Mortality and morbidity risks are further managed through retrotakaful arrangement.

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

(ii) Concentration of takaful contract liabilities

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

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

	Gross RM'000	Retakaful RM'000	Net RM'000
2018			
Local	11,280	(8,036)	3,244
Overseas	4,582	-	4,582
	15,862	(8,036)	7,826
2017			
Local	8,932	(5,564)	3,368
Overseas	2,340	(790)	1,550
	11,272	(6,354)	4,918

35. Underwriting risk (cont'd.)

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

(iii) Impact on liabilities, profit and equity

Key assumptions

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

Sensitivity analysis

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

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

	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit/(loss) before tax RM'000	Impact on family retakaful fund* RM'000
		<------------ Increase/(decrease)			------------>
2018					
Loss ratio	-20%	6,805	1,947	1,947	1,667
Loss ratio	+20%	(41,609)	(26,791)	(26,791)	(20,746)
2017					
Loss ratio	-20%	(4,415)	(2,603)	2,603	2,603
Loss ratio	+20%	18,710	13,017	(13,017)	(13,017)

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

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

MNRB Holdings Berhad
(Incorporated in Malaysia)

36. Financial risk

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

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

Group	2018 Carrying value RM'000	2018 Fair value RM'000	2017 Carrying value RM'000	2017 Fair value RM'000
Financial and insurance/takaful assets				
Financial assets at FVTPL (Note 19)	116,127	116,127	123,467	123,467
HTM investments (Note 19)	644,254	642,635	695,426	689,513
AFS financial assets (Note 19)	3,741,196	3,741,196	3,384,744	3,384,744
Loans and receivables:				
Loans and receivables * (Note 19)	1,937,263	1,937,263	1,934,933	1,934,933
Insurance/takaful receivables *	418,304	418,304	336,190	336,190
Reinsurance/retakaful assets	478,253	478,253	514,230	514,230
Cash and bank balances	142,099	142,099	99,905	99,905
	7,477,496	7,475,877	7,088,895	7,082,982
Financial and insurance/takaful liabilities				
Insurance/takaful contract liabilities	5,319,945	5,319,945	5,171,178	5,171,178
Other liabilities:				
Borrowings *	320,000	320,000	320,000	320,000
Insurance/takaful payables *	270,444	270,444	210,174	210,174
Other payables *	190,028	190,028	175,703	175,703
	6,100,417	6,100,417	5,877,055	5,877,055

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MNRB Holdings Berhad
(Incorporated in Malaysia)

36. Financial risk (cont'd.)

	2018		2017	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
Company				
Financial assets				
HTM investments (Note 19)	1,000	1,009	1,000	1,008
AFS financial assets (Note 19)	50	50	50	50
Loans and receivables * (Note 19)	29,796	29,796	105,388	105,388
Cash and bank balances	408	408	3,416	3,416
	31,254	31,263	109,854	109,862
Financial liabilities				
Borrowings *	320,000	320,000	320,000	320,000
Other payables * (Note 26)	2,184	2,184	6,883	6,883
	322,184	322,184	326,883	326,883

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

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36. Financial risk (cont'd.)

(a) Credit Risk

Credit risk is the risk of financial loss resulting from the failure of counterparties to meet their contractual obligations.

Credit risk includes the following major elements:

(i) An investment credit risk which is the risk of financial loss arising from a change in the value of an investment due to a rating downgrade, default, or widening of credit spreads. Changes in credit spreads are largely driven by the different economic cycles and operating cycles while the less liquid securities tend to be priced at a wider spread. The liquidity of the securities is directly determined by its bid-to-ask spread.

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

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

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

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

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

(ii) from amounts due from ceding companies; and

(iii) as a result of reserves held by the counterparties which would have to be met by the reinsurance/retakaful and takaful subsidiaries in the event of default.

36. Financial risk (cont'd.)

(a) Credit Risk (cont'd.)

Management of credit risk

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

(i) Investment policies prescribe the minimum credit rating for bonds that may be held. In addition, the policies are further aimed at investing in a diverse portfolio of bonds in order to reduce the potential impact that may arise from individual companies defaulting;

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

(iii) The Group's investment portfolio is managed to ensure diversification and focuses on high quality investment grade bonds with good fundamentals. For the financial year ended 31 March 2018, the credit rating of the Group's fixed income portfolio was dominated by securities rated AAA as determined by Rating Agency Malaysia ("RAM") and/or Malaysian Rating Corporation Berhad ("MARC"); and

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

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

MNRB Holdings Berhad
(Incorporated in Malaysia)

36. Financial risk (cont'd.)

(a) Credit Risk (cont'd.)

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

Credit exposure by credit rating for 2018

Group	Government guaranteed RM'000	AAA to BBB RM'000	BB to C RM'000	Not subject to credit risk RM'000	Not rated RM'000	Total RM'000
Financial assets at FVTPL						
Shariah approved equities	-	-	-	116,127	-	116,127
HTM investments						
Malaysian government securities	78,083	-	-	-	-	78,083
Unquoted corporate debt securities	25,003	-	246	-	-	25,249
Government investment issues	540,922	-	-	-	-	540,922
AFS financial assets						
Unquoted shares in Malaysia	-	-	-	44,796	-	44,796
Malaysian government securities	131,162	-	-	-	-	131,162
Unquoted corporate debt securities	967,535	1,325,005	-	-	-	2,292,540
Quoted shares in Malaysia	-	-	-	126,501	-	126,501
Real estate investment trusts	-	-	-	13,227	-	13,227
Government investment issues	1,132,970	-	-	-	-	1,132,970

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For identification purposes only

MNRB Holdings Berhad
(Incorporated in Malaysia)

36. Financial risk (cont'd.)

(a) Credit Risk (cont'd.)

Credit exposure by credit rating for 2018 (cont'd.)

Group (cont'd.)	Government guaranteed RM'000	AAA to BBB RM'000	BB to C RM'000	Not subject to credit risk RM'000	Not rated RM'000	Total RM'000
Loans and receivables						
Fixed and call deposits with licensed:						
Commercial banks	-	91,318	-	-	-	91,318
Islamic investment accounts with licensed:						
Islamic banks	17,672	1,126,128	-	-	10,772	1,154,572
Investment banks	-	114,090	-	-	-	114,090
Development bank	8,213	321,319	-	-	137,291	466,823
Secured staff loans	-	-	-	-	8,010	8,010
Income due and accrued	-	-	-	-	68,821	68,821
Amount due from Insurance Pool accounts	-	-	-	-	7,845	7,845
Other receivables and deposits	-	-	-	-	25,784	25,784
Reinsurance/retakaful assets	-	183,603	-	-	238,633	422,236
Insurance/takaful receivables	-	47,679	-	-	370,625	418,304
Cash and bank balances	-	130,331	-	-	11,767	142,098
	2,901,560	3,339,473	246	300,651	879,548	7,421,478

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For identification purposes only

MNRB Holdings Berhad
(Incorporated in Malaysia)

36. Financial risk (cont'd.)

(a) Credit Risk (cont'd.)

Credit exposure by credit rating for 2018 (cont'd.)

Company	Government guaranteed RM'000	AAA to BBB RM'000	BB to C RM'000	Not subject to credit risk RM'000	Not rated RM'000	Total RM'000
HTM investments						
Unquoted corporate debt securities	-	1,000	-	-	-	1,000
AFS financial assets						
Unquoted shares in Malaysia	-	-	-	50	-	50
Loans and receivables						
Islamic investment accounts with licensed						
Islamic banks	17,672	-	-	-	-	17,672
Development banks	8,213	-	-	-	-	8,213
Secured staff loans	-	-	-	-	1,914	1,914
Amounts due from subsidiaries	-	-	-	-	1,780	1,780
Income due and accrued	-	-	-	-	41	41
Other receivables and deposits	-	-	-	-	176	176
Cash and bank balances	-	408	-	-	-	408
	25,885	1,408	-	50	3,911	31,254

MNRB Holdings Berhad
(Incorporated in Malaysia)

36. Financial risk (cont'd.)

(a) Credit Risk (cont'd.)

Credit exposure by credit rating for 2017

Group	Government guaranteed RM'000	AAA to BBB RM'000	BB to C RM'000	Not subject to credit risk RM'000	Not rated RM'000	Total RM'000
Financial assets at FVTPL						
Quoted shares in Malaysia	-	-	-	3,790	-	3,790
Warrants	-	-	-	85	-	85
Shariah approved unit trust funds	-	-	-	119,592	-	119,592
HTM investments						
Malaysian government securities	78,308	-	-	-	-	78,308
Unquoted corporate debt securities	75,028	-	246	-	-	75,274
Government investment issues	541,844	-	-	-	-	541,844

MNRB Holdings Berhad
(Incorporated in Malaysia)

36. Financial risk (cont'd.)

(a) Credit Risk (cont'd.)

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

Group (cont'd.)	Government guaranteed RM'000	AAA to BBB RM'000	BB to C RM'000	Not subject to credit risk RM'000	Not rated RM'000	Total RM'000
AFS financial assets						
Unquoted shares in Malaysia	-	-	-	44,796	-	44,796
Malaysian government securities	128,006	-	-	-	-	128,006
Unquoted corporate debt securities	824,238	1,433,800	-	-	-	2,258,038
Quoted shares in Malaysia	-	-	-	245,241	-	245,241
Warrants	-	-	-	346	-	346
Real estate investment trusts	-	-	-	20,217	-	20,217
Government investment issues	688,100	-	-	-	-	688,100
Loans and receivables						
Fixed and call deposits with licensed:						
Commercial banks	-	79,648	-	-	-	79,648

MNRB Holdings Berhad
(Incorporated in Malaysia)

36. Financial risk (cont'd.)

(a) Credit Risk (cont'd.)

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

Group (cont'd.)	Government guaranteed RM'000	AAA to BBB RM'000	BB to C RM'000	Not subject to credit risk RM'000	Not rated RM'000	Total RM'000
Loans and receivables (cont'd.)						
Islamic investment accounts with licensed:						
Co-operative bank	-	129,611	-	-	-	129,611
Islamic banks	-	1,189,835	-	-	76,228	1,266,063
Investment banks	-	51,627	-	-	-	51,627
Development bank	-	162,497	-	-	117,926	280,423
Secured staff loans	-	-	-	-	9,684	9,684
Income due and accrued	-	-	-	-	51,039	51,039
Amount due from Insurance Pool accounts	-	-	-	-	4,406	4,406
Other receivables and deposits	-	-	-	-	62,432	62,432
Reinsurance/retakaful assets	-	240,768	3,989	-	208,524	453,281
Insurance/takaful receivables	-	81,269	3,486	-	251,435	336,190
Cash and bank balances	-	94,965	-	-	4,940	99,905
	2,335,524	3,464,020	7,721	434,067	786,614	7,027,946

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MNRB Holdings Berhad
(Incorporated in Malaysia)

36. Financial risk (cont'd.)

(a) Credit Risk (cont'd.)

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

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

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36. Financial risk (cont'd.)

(a) Credit Risk (cont'd.)

Movement of allowance for impairment losses on receivables

	Group		
	Individually impaired RM'000	**Collectively impaired RM'000**	**Total RM'000**
2018			
At beginning of the year	8,222	26,096	34,318
(Reversal of impairment losses)/ impairment losses for the year for the year	(1,009)	(19,556)	(20,565)
At end of the year	7,213	6,540	13,753
2017			
At beginning of the year	14,525	10,235	24,760
(Reversal of impairment losses)/ impairment losses for the year	(6,303)	15,861	9,558
At end of the year	8,222	26,096	34,318

36. Financial risk (cont'd.)

(b) Liquidity Risk

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

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

(i) daily cash flows;

(ii) minimum liquidity holdings;

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

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

In order to manage the liquidity of the reinsurance/retakaful/takaful funds, the investment mandate requires that a certain proportion of the fund is maintained as liquid assets. Accordingly, the Group is required to maintain a minimum holding of low risk assets between 10% and 15% and no maximum limit on its placements in fixed and call deposits.

Maturity Profiles

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

MNRB Holdings Berhad
(Incorporated in Malaysia)

36. Financial risk (cont'd.)

(b) Liquidity Risk (cont'd.)

Maturity profiles for 2018

Group	Carrying value RM'000	Up to 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
Financial assets at FVTPL						
Shariah approved unit trust funds	116,127	-	-	-	116,127	116,127
HTM investments						
Malaysian government securities	78,083	3,277	13,115	93,014	-	109,406
Unquoted corporate debt securities	25,249	6,070	3,744	22,914	-	32,728
Government investment issues	540,922	21,248	515,990	81,656	-	618,894
AFS financial assets						
Unquoted shares in Malaysia	44,796	-	-	-	44,796	44,796
Malaysian government securities	131,162	5,202	29,816	138,337	-	173,355
Unquoted corporate debt securities	2,292,540	278,746	1,128,124	1,806,760	-	3,213,630
Quoted shares in Malaysia	126,501	-	-	-	110,826	110,826
Real estate investment trusts	13,227	-	-	-	13,227	13,227
Government investment issues	1,132,970	49,773	261,969	1,446,444	-	1,758,186

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For identification purposes only

MNRB Holdings Berhad
(Incorporated in Malaysia)

36. Financial risk (cont'd.)

(b) Liquidity Risk (cont'd.)

Maturity profiles for 2018 (cont'd.)

Group (cont'd.)	Carrying value RM'000	Up to 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
Loans and receivables						
Fixed and call deposits with licensed commercial banks	91,318	35,951	43,446	-	-	79,397
Islamic investment accounts with licensed:						
Islamic banks	1,154,572	1,201,808	-	-	-	1,201,808
Investment banks	114,090	114,198	-	-	-	114,198
Development bank	466,823	474,867	-	-	-	474,867
Secured staff loans	8,010	3,548	4,462	-	-	8,010
Income due and accrued	68,821	68,821	-	-	-	68,821
Amount due from Insurance Pool accounts	7,845	7,845	-	-	-	7,845
Other receivables and deposits	25,784	25,784	-	-	-	25,784
Reinsurance/retakaful assets	422,236	141,188	190,457	67,042	23,549	422,236
Insurance/takaful receivables	418,304	417,880	424	-	-	418,304
Cash and bank balances	142,098	141,842	-	-	-	141,842
Total financial and insurance assets	7,421,478	2,998,048	2,191,547	3,656,167	308,525	9,154,287
Borrowings	(320,000)	(329,881)	-	-	-	(329,881)
Insurance/takaful contract liabilities	(4,905,216)	(824,466)	(1,303,117)	(2,664,579)	(123,056)	(4,915,218)
Insurance/takaful payables	(270,444)	(244,710)	(10,629)	(1,944)	(3,283)	(260,566)
Other payables	(190,282)	(190,282)	-	-	-	(190,282)
Total financial and insurance liabilities	(5,685,942)	(1,589,339)	(1,313,746)	(2,666,523)	(126,339)	(5,695,947)
Surplus/(deficit)	1,735,536	1,408,709	877,801	989,644	182,186	3,458,340

MNRB Holdings Berhad
(Incorporated in Malaysia)

36. Financial risk (cont'd.)

(b) Liquidity Risk (cont'd.)

Maturity profiles for 2018 (cont'd.)

Company	Carrying value RM'000	Up to 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
HTM investments						
Unquoted corporate debt securities	1,000	50	198	1,120	-	1,367
AFS financial assets						
Unquoted shares in Malaysia	50	-	-	-	50	50
Loans and receivables						
Islamic investment accounts with licensed:						
Islamic banks	17,672	17,708	-	-	-	17,708
Development banks	8,213	8,220	-	-	-	8,220
Secured staff loans	1,914	1,914	-	-	-	1,914
Amounts due from subsidiaries	1,780	1,780	-	-	-	1,780
Income due and accrued	41	41	-	-	-	41
Other receivables and deposits	176	176	-	-	-	176
Cash and bank balances	408	408	-	-	-	408
Total financial assets	31,254	30,297	198	1,120	50	31,664
Borrowings	(320,000)	(329,880)	-	-	-	(329,880)
Other payables	(8,975)	(8,975)	-	-	-	(8,975)
Total financial liabilities	(328,975)	(338,855)	-	-	-	(338,855)
(Deficit)/surplus	(297,721)	(308,558)	198	1,120	50	(307,192)

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For identification purposes only

MNRB Holdings Berhad
(Incorporated in Malaysia)

36. Financial risk (cont'd.)

(b) Liquidity Risk (cont'd.)

Maturity profiles for 2017

Group	Carrying value RM'000	Up to 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
Financial assets at FVTPL						
Quoted shares in Malaysia	3,790	-	-	-	3,790	3,790
Warrants	85	-	-	-	85	85
Shariah approved unit trust funds	119,592	-	-	-	119,592	119,592
HTM investments						
Malaysian government securities	78,308	3,277	13,115	96,516	-	112,908
Unquoted corporate debt securities	75,274	47,979	8,865	28,785	-	85,629
Government investment issues	541,844	21,246	290,406	329,392	-	641,044
AFS financial assets						
Unquoted shares in Malaysia	44,796	-	-	-	44,796	44,796
Malaysian government securities	128,006	5,142	19,885	151,808	-	176,835
Unquoted corporate debt securities	2,258,038	117,497	586,122	2,416,767	-	3,120,386
Quoted shares in Malaysia	245,241	-	-	-	245,241	245,241
Warrants	346	-	-	-	346	346
Real estate investment trusts	20,217	-	-	-	20,217	20,217
Government investment issues	688,100	29,296	198,135	781,579	-	1,009,010

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MNRB Holdings Berhad
(Incorporated in Malaysia)

36. Financial risk (cont'd.)

(b) Liquidity Risk (cont'd.)

Maturity profiles for 2017 (cont'd.)

Group (cont'd.)	Carrying value RM'000	Up to 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
Loans and receivables						
Fixed and call deposits with licensed:						
Commercial banks	79,648	79,886	-	-	-	79,886
Islamic investment accounts with licensed:						
Co-operative bank	129,611	130,261	-	-	-	130,261
Islamic banks	1,266,063	1,272,229	-	-	-	1,272,229
Investment banks	51,627	51,701	-	-	-	51,701
Development bank	280,423	284,395	-	-	-	284,395
Secured staff loans	9,684	3,650	6,034	-	-	9,684
Income due and accrued	51,039	51,039	-	-	-	51,039
Amount due from Insurance Pool accounts	4,406	4,406	-	-	-	4,406
Other receivables and deposits	62,432	62,432	-	-	-	62,432
Reinsurance/retakaful assets	453,281	173,368	197,703	61,727	20,483	453,281
Insurance/takaful receivables	336,190	329,136	7,054	-	-	336,190
Cash and bank balances	99,905	99,905	-	-	-	99,905
Total financial and insurance assets	7,027,946	2,766,845	1,327,319	3,866,574	454,550	8,415,288
Borrowings	(320,000)	(133,572)	(204,557)	-	-	(338,129)
Insurance/takaful contract liabilities	(4,719,276)	(897,078)	(1,202,595)	(2,488,304)	(131,299)	(4,719,276)
Insurance/takaful payables	(210,174)	(182,766)	(25,382)	(2,026)	-	(210,174)
Other payables	(175,703)	(175,703)	-	-	-	(175,703)
Total financial and insurance liabilities	(5,425,153)	(1,389,119)	(1,432,534)	(2,490,330)	(131,299)	(5,443,282)
Surplus	1,602,793	1,377,726	(105,215)	1,376,244	323,251	2,972,006

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MNRB Holdings Berhad
(Incorporated in Malaysia)

36. Financial risk (cont'd.)

(b) Liquidity Risk (cont'd.)

Maturity profiles for 2017 (cont'd.)

Company	Carrying value RM'000	Up to 1 year RM'000	1 - 5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
HTM investments						
Unquoted corporate debt securities	1,000	50	198	1,169	-	1,417
AFS financial assets						
Unquoted shares in Malaysia	50	-	-	-	50	50
Loans and receivables						
Islamic investment accounts with licensed:						
Islamic banks	25,207	25,334	-	-	-	25,334
Investment banks	72,426	72,657				72,657
Secured staff loans	1,838	1,838	-	-	-	1,838
Amounts due from subsidiaries	5,494	5,494	-	-	-	5,494
Income due and accrued	104	104	-	-	-	104
Other receivables and deposits	319	319	-	-	-	319
Cash and bank balances	3,416	3,416	-	-	-	3,416
Total financial assets	109,854	109,212	198	1,169	50	110,629
Borrowings	(320,000)	(133,572)	(204,557)	-	-	(338,129)
Other payables	(6,883)	(6,883)	-	-	-	(6,883)
Total financial liabilities	(326,883)	(140,455)	(204,557)	-	-	(345,012)
(Deficit)/surplus	(217,029)	(31,243)	(204,359)	1,169	50	(234,383)

36. Financial risk (cont'd.)

(c) Market Risk

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

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

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

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

Equity price risk

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

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

The equity price risk policy requires the Group and its main operating subsidiaries to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each sector, market and issuer, having regard also to such limits as stipulated by BNM. The Group complied with such limits as stipulated by BNM during the financial year and had no significant concentration of equity price risk.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity (inclusive of the impact on other comprehensive income). The correlation of variables have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, changes in variables are considered individually. It should be noted that movements in these variables are non-linear.

MNRB Holdings Berhad
(Incorporated in Malaysia)

36. Financial risk (cont'd.)

(c) Market Risk (cont'd.)

Equity risk (cont'd.)

The equities under the investment-linked fund were excluded from the sensitivity analysis as the risks associated with the fluctuations in market prices of the equities are borne by the participants.

Sensitivity analysis

	Changes in market indices	Impact on profit before tax RM'000	Impact on equity* RM'000
2018			
Group			
Price	+ 5%	-	5,993
Price	- 5%	(7,494)	(9,352)
2017			
Group			
Price	+ 5%	194	11,410
Price	- 5%	(2,789)	(11,410)

* The impact on equity reflects the after tax impact.

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

Foreign exchange risk/currency risk

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

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

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

MNRB Holdings Berhad
(Incorporated in Malaysia)

36. Financial risk (cont'd.)

(c) Market Risk (cont'd.)

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

Sensitivity analysis

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

	Changes in variable	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity * RM'000
		<-------------	Increase/(decrease)		------------->
2018					
Foreign currency	+5%	30,482	30,482	(13,902)	(13,207)
2017					
Foreign currency	+5%	44,969	44,969	(33,207)	(31,659)

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

Interest/profit rate risk

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

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

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

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

36. Financial risk (cont'd.)

(c) Market Risk (cont'd.)

Interest/profit rate risk (cont'd.)

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

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

Sensitivity analysis

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

	Changes in variable	Impact on equity * RM'000
2018		
Group		
Interest/profit rates	+25 bp	(42,962)
Interest/profit rates	-25 bp	42,962
2017		
Group		
Interest/profit rates	+25 bp	(43,881)
Interest/profit rates	-25 bp	43,881

* The impact on equity reflects the after tax impact.

37. Other risks

(a) Property Investment Risk

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

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

(b) Operational Risk

Operational risk is the risk of loss resulting from inadequate or ineffective or failed internal resources (people, processes and systems), or from external events. Operational risk is inherent in all activities of the Group, and can encompass transverse multiple activities. It includes a wide spectrum of heterogeneous risks such as fraud, physical damage, business disruption, transaction failures, legal and regulatory breaches, as well as employee health and safety hazards. Operational risk may result in direct financial losses and indirect financial losses due to reputational damage. The Group cannot expect to eliminate all operational risks, but by initiating a rigorous control framework, and by monitoring and responding to potential risks, the Group is able to minimise risks to an acceptable level. Controls include effective segregation of duties, effective access controls, authorisation and reconciliation procedures, continuous staff education and appropriate assessment processes, including the use of internal audit.

(c) Shariah Risk

Shariah risk is defined as potential Shariah non- compliance that contributes to adverse reputation, financial losses and opportunity costs resulting from ineffective governance, incompetent employees and improper transactional and operational execution. The Group mitigates such risk by initiating, monitoring and responding to a robust Shariah Risk Management Framework.

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

(d) Compliance Risk

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

The Group monitors all compliance aspects in observing regulatory requirements. In this respect, it has developed a Group Compliance Management Framework and other relevant internal policies and procedures to ensure compliance with all applicable laws and guidelines issued by the regulatory authorities.

MNRB Holdings Berhad
(Incorporated in Malaysia)

38. Shareholders', reinsurance, takaful and retakaful funds

(a) Consolidated income statement by fund for the year ended 31 March 2018

	General reinsurance and shareholders' fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	General retakaful fund RM'000	Family retakaful fund RM'000	Eliminations and adjustments RM'000	Consolidated RM'000
Gross earned premiums/contributions	1,288,445	281,073	647,776	25,709	9,896	(1,236)	2,251,663
Premiums/contributions ceded to reinsurers/retakaful operators	(119,494)	(118,031)	(74,328)	(3,431)	(7,751)	236	(322,799)
Net earned premiums/contributions	1,168,951	163,042	573,448	22,278	2,145	(1,000)	1,928,864
Investment income	119,735	16,609	112,903	2,629	885	(6,830)	245,931
Net realised (losses)/gains	(51,651)	(317)	5,031	-	-	48,894	1,957
Net fair value (losses)/gains	10,003	905	204	-	-	328	11,440
Fee and commission income	384,137	27,778	114	3	-	(371,890)	40,142
Other operating revenue	76,302	2,517	28,914	181	22	(69,865)	38,071
Other revenue	538,526	47,492	147,166	2,813	907	(399,363)	337,541
Gross claims and benefit paid	(737,182)	(169,673)	(274,242)	(13,203)	(11,305)	3,786	(1,201,819)
Claims ceded to reinsurers/ retakaful operators	37,193	73,995	(578)	(625)	5,996	(3,786)	112,195
Gross change in contract liabilities	(29,203)	(5,326)	(138,585)	(19,769)	(10,079)	15,387	(187,575)
Change in contract liabilities ceded to reinsurers/retakaful operators	(31,527)	1,670	(1,945)	(926)	1,682	-	(31,046)
Net claims and benefits	(760,719)	(99,334)	(415,350)	(34,523)	(13,706)	15,387	(1,308,245)

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For identification purposes only

MNRB Holdings Berhad
(Incorporated in Malaysia)

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

(a) Consolidated income statement by fund (cont'd.) for the year ended 31 March 2018 (cont'd)

	General reinsurance and shareholders' fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	General retakaful fund RM'000	Family retakaful fund RM'000	Eliminations and adjustments RM'000	Consolidated RM'000
Fee and commission expenses	(427,358)	(91,683)	(231,391)	(10,026)	(322)	333,255	(427,525)
Management expenses	(281,507)	-	-	-	-	43,518	(237,989)
Finance costs	(15,891)	-	-	-	-	50	(15,841)
Other operating expenses	(42,586)	-	(253)	(412)	7	20,350	(22,894)
Changes in expense liabilities	3,848	-	-	-	-	-	3,848
Tax borne by participants	-	(2,826)	(9,914)	75	(11)	3	(12,673)
Other expenses	(763,494)	(94,509)	(241,558)	(10,363)	(326)	397,176	(713,074)
Share of results of associates	-	-	-	-	-	9,712	9,712
Operating profit/(loss) before (surplus)/deficit attributable to takaful participants and taxation	183,264	16,691	63,706	(19,795)	(10,980)	21,912	254,798
(Surplus)/deficit attributable to takaful participants	-	(16,691)	(63,706)	19,795	10,980	(12,652)	(62,274)
Operating profit before taxation	183,264	-	-	-	-	9,260	192,524
Zakat	(563)	-	-	-	-	-	(563)
Taxation	(51,096)	-	-	-	-	-	(51,096)
Net profit for the year attributable to equity holders of the Parent	131,605	-	-	-	-	9,260	140,865

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Chartered Accountants, Kuala Lumpur
For identification purposes only

MNRB Holdings Berhad
(Incorporated in Malaysia)

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

(a) Consolidated Income statement by fund (cont'd.) for the year ended 31 March 2017

	General reinsurance and shareholders' fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	General retakaful fund RM'000	Family retakaful fund RM'000	Eliminations and adjustments RM'000	Consolidated RM'000
Gross earned premiums/contributions	1,322,565	311,870	677,233	10,428	11,102	(5,862)	2,327,336
Premiums/contributions ceded to reinsurers/retakaful operators	(133,829)	(131,354)	(74,735)	(2,746)	(7,874)	1,706	(348,832)
Net earned premiums/contributions	1,188,736	180,516	602,498	7,682	3,228	(4,156)	1,978,504
Investment income	120,133	14,739	97,665	2,908	1,165	(9,452)	227,158
Net realised gains	(740)	(171)	2,522	(217)	(44)	-	1,350
Net fair value (losses)/gains	(260)	(200)	73	322	111	(120)	(74)
Fee and commission income	365,960	28,541	3,735	485	-	(343,340)	55,381
Other operating revenue	36,049	-	36,666	615	4	(8,717)	64,617
Other revenue	521,142	42,909	140,661	4,113	1,236	(361,629)	348,432
Gross claims and benefit paid	(826,405)	(149,197)	(259,980)	(9,923)	(11,049)	439	(1,256,115)
Claims ceded to reinsurers/ retakaful operators	46,946	59,707	(5,938)	1,248	7,637	(1,873)	107,727
Gross change in contract liabilities	(42,693)	(19,613)	(315,536)	(13,022)	1,127	16,772	(372,965)
Change in contract liabilities ceded to reinsurers/retakaful operators	(10,166)	20,071	11,974	(3,365)	(444)	-	18,070
Net claims and benefits	(832,318)	(89,032)	(569,480)	(25,062)	(2,729)	15,338	(1,503,283)

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For identification purposes only

MNRB Holdings Berhad
(Incorporated in Malaysia)

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

(a) Consolidated income statement by fund (cont'd.) for the year ended 31 March 2017 (cont'd)

	General reinsurance and shareholders' fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	General retakaful fund RM'000	Family retakaful fund RM'000	Eliminations and adjustments RM'000	Consolidated RM'000
Fee and commission expenses	(442,282)	(102,694)	(201,716)	(3,512)	(459)	307,356	(443,307)
Management expenses	(315,518)	6,905	11,930	-	-	44,214	(252,469)
Finance costs	(18,170)	-	-	-	-	50	(18,120)
Other operating expenses	(2,715)	(250)	-	(615)	(1,434)	(5,856)	(10,870)
Changes in expense liabilities	(2,884)	-	-	-	-	-	(2,884)
Tax borne by participants	-	(8,055)	(7,381)	15	-	10	(15,411)
Other expenses	(781,569)	(104,094)	(197,167)	(4,112)	(1,893)	345,774	(743,061)
Share of results of associates	-	-	-	-	-	5,628	5,628
Operating profit/(loss) before (surplus)/ deficit attributable to takaful participants, zakat and taxation	95,991	30,299	(23,488)	(17,379)	(158)	955	86,220
(Surplus)/deficit attributable to takaful participants	-	(30,299)	23,488	17,379	158	1,982	12,708
Operating profit/(loss) before zakat and taxation	95,991	-	-	-	-	2,937	98,928
Taxation	(27,758)	-	-	-	-	-	(27,758)
Net profit/(loss) for the year attributable to equity holders of the Parent	68,233	-	-	-	-	2,937	71,170

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MNRB Holdings Berhad
(Incorporated in Malaysia)

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

(b) Consolidated statement of financial position by fund as at 31 March 2018

	General reinsurance and shareholders' fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	General retakaful fund RM'000	Family retakaful fund RM'000	Eliminations and adjustments RM'000	Consolidated RM'000
Assets							
Property, plant and equipment	124,926	-	-	-	-	115,818	240,744
Investment properties	-	-	115,818	-	-	(115,818)	-
Intangible assets	32,131	-	-	-	-	-	32,131
Deferred tax assets	20,822	2,426	-	66	-	(4,971)	18,343
Investments in subsidiaries	904,477	-	-	-	-	(904,477)	-
Investments in associates	131,833	-	-	-	-	7,176	139,009
Financial assets at FVTPL	-	-	116,127	-	-	-	116,127
HTM investments	240,757	57,342	316,283	19,108	11,764	(1,000)	644,254
AFS financial assets	1,539,454	209,299	1,986,079	15,779	4,174	(13,589)	3,741,196
LAR	1,599,316	154,905	350,281	43,610	(1,550)	(209,299)	1,937,263
Reinsurance/retakaful assets	257,559	149,625	43,127	19,906	8,036	-	478,253
Insurance/takaful receivables	331,267	30,407	44,206	13,995	2,080	(3,651)	418,304
Tax recoverable	27,291	-	-	(21)	7	-	27,277
Cash and bank balances	43,132	27,589	70,175	203	1,000	-	142,099
Total assets	5,252,965	631,593	3,042,096	112,646	25,511	(1,129,811)	7,935,000

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MNRB Holdings Berhad
(Incorporated in Malaysia)

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

(b) Consolidated statement of financial position by fund (cont'd.) as at 31 March 2018 (cont'd.)

	General reinsurance and shareholders' fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	General retakaful fund RM'000	Family retakaful fund RM'000	Eliminations and adjustments RM'000	Consolidated RM'000
Liabilities and Participants' funds							
Participants' funds	-	120,253	129,131	-	-	(1,522)	247,862
Borrowings	321,000	-	-	-	-	(1,000)	320,000
Insurance/takaful contract liabilities	2,096,878	403,666	2,730,440	95,828	15,919	(22,786)	5,319,945
Insurance/takaful payables	207,529	18,105	33,287	10,971	4,203	(3,651)	270,444
Other payables	164,961	89,138	146,947	5,847	5,389	(186,537)	225,745
Deferred tax liabilities	13,981	-	1,013	-	-	(4,310)	10,684
Provision for taxation	-	431	1,278	-	-	-	1,709
Provision for zakat	610	-	-	-	-	-	610
Total liabilities and participants' funds	2,804,959	631,593	3,042,096	112,646	25,511	(219,806)	6,396,999
Equity							
Share capital	1,224,211	-	-	-	-	(904,606)	319,605
Reserves	1,223,795	-	-	-	-	(5,399)	1,218,396
Total equity attributable to equity holders of the Parent	2,448,006	-	-	-	-	(910,005)	1,538,001
Total liabilities, participants' funds and equity	5,252,965	631,593	3,042,096	112,646	25,511	(1,129,811)	7,935,000

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MNRB Holdings Berhad
(Incorporated in Malaysia)

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

(b) Consolidated statement of financial position by fund (cont'd.) as at 31 March 2017

	General reinsurance and shareholders' fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	General retakaful fund RM'000	Family retakaful fund RM'000	Eliminations and adjustments RM'000	Consolidated RM'000
Assets							
Property, plant and equipment	127,954	-	-	-	-	115,778	243,732
Investment properties	7,400	-	115,778	-	-	(115,778)	7,400
Intangible assets	23,040	-	-	-	-	-	23,040
Deferred tax assets	9,742	3,098	-	-	-	6,678	19,518
Investments in subsidiaries	843,705	-	-	-	-	(843,705)	-
Investments in associates	77,924	-	-	-	-	67,496	145,420
Financial assets at FVTPL	761	898	121,808	-	-	-	123,467
HTM investments	261,384	71,746	331,689	19,143	12,464	(1,000)	695,426
AFS financial assets	1,654,482	226,761	1,493,788	17,749	5,171	(13,207)	3,384,744
LAR	1,297,622	118,383	607,278	45,585	7,890	(141,825)	1,934,933
Reinsurance/retakaful assets	291,969	149,868	45,072	20,967	6,354	-	514,230
Insurance/takaful receivables	224,824	37,422	60,865	7,597	7,594	(2,112)	336,190
Tax recoverable	28,575	-	-	8	5	(13)	28,575
Cash and bank balances	39,837	10,519	49,364	146	39	-	99,905
Total assets	4,889,219	618,695	2,825,642	111,195	39,517	(927,688)	7,556,580

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MNRB Holdings Berhad
(Incorporated in Malaysia)

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

(b) Consolidated statement of financial position by fund (cont'd.) as at 31 March 2017 (cont'd.)

	General reinsurance and shareholders' fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	General retakaful fund RM'000	Family retakaful fund RM'000	Eliminations and adjustments RM'000	Consolidated RM'000
Liabilities and Participants' funds							
Participants' funds	-	119,327	81,541	3,900	3,008	(6,580)	201,196
Borrowings	321,000	-	-	-	-	(1,000)	320,000
Insurance/takaful contract liabilities	2,104,412	401,012	2,578,850	85,632	9,637	(8,365)	5,171,178
Insurance/takaful payables	124,969	30,710	42,780	8,203	5,624	(2,112)	210,174
Other payables	127,467	60,965	119,124	13,475	21,248	(130,093)	212,186
Deferred tax liabilities	2,169	-	1,412	(15)	-	7,214	10,780
Provision for taxation	2,933	6,681	1,935	-	-	(13)	11,536
Provision for zakat	64	-	-	-	-	-	64
Total liabilities and participants' funds	2,683,014	618,695	2,825,642	111,195	39,517	(140,949)	6,137,114
Equity							
Share capital	1,233,105	-	-	-	-	(913,500)	319,605
Reserves	973,100	-	-	-	-	126,761	1,099,861
Total equity attributable to equity holders of the Parent	2,206,205	-	-	-	-	(786,739)	1,419,466
Total liabilities, participants' funds and equity	4,889,219	618,695	2,825,642	111,195	39,517	(927,688)	7,556,580

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MNRB Holdings Berhad
(Incorporated in Malaysia)

39. Fair values of assets

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

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

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

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

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

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

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

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

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

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

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

Description of significant unobservable inputs:

	Valuation technique	Significant unobservable inputs	Range
2018			
Property, plant and equipment			
Office building	Income approach	Yield Rental per square foot	6.0% to 6.25% RM4.30 to RM4.96
	Comparison approach	Sales price per square feet for similar properties	RM512 to RM1,175
2017			
Property, plant and equipment			
Office building	Income approach	Yield Rental per square foot	6.0% to 6.25% RM4.60
	Comparison approach	Sales price per square feet for similar properties	RM641 to RM1,150
Investment property			
Shoplots	Income approach	Rental per square metre	RM2.00

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

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

MNRB Holdings Berhad
(Incorporated in Malaysia)

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

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group				
2018				
Assets measured at fair value:				
(a) Property, plant and equipment				
Freehold land	-	-	36,800	36,800
Buildings	-	-	199,277	199,277
	-	-	236,077	236,077
(b) Investment property	-	-	-	-
(c) Financial assets at FVTPL				
Quoted shares in Malaysia	-	-	-	-
Warrants	-	-	-	-
Shariah approved unit trust funds	116,127	-	-	116,127
	116,127	-	-	116,127
(d) AFS financial assets				
Malaysian government securities	-	131,162	-	131,162
Unquoted corporate debt securities	-	2,292,540	-	2,292,540
Quoted shares in Malaysia	126,228	-	-	126,228
Warrants	273	-	-	273
Real estate investment trusts	13,227	-	-	13,227
Government investment issues	-	1,132,970	-	1,132,970
	139,728	3,556,672	-	3,696,400

MNRB Holdings Berhad
(Incorporated in Malaysia)

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group (cont'd.)				
2018 (cont'd.)				
Assets for which fair values are disclosed:				
HTM investments				
Malaysian government securities	-	77,404	-	77,404
Unquoted corporate debt securities	-	25,723	-	25,723
Government investment issues	-	539,508	-	539,508
	-	642,635	-	642,635
2017				
Assets measured at fair value:				
(a) Property, plant and equipment				
Freehold land	-	-	36,800	36,800
Buildings	-	-	201,419	201,419
	-	-	238,219	238,219
(b) Investment property	-	-	7,400	7,400
(c) Financial assets at FVTPL				
Quoted shares in Malaysia	3,790	-	-	3,790
Warrants	85	-	-	85
Shariah approved unit trust funds	119,592	-	-	119,592
	123,467	-	-	123,467
(d) AFS financial assets				
Malaysian government securities	-	128,006	-	128,006
Unquoted corporate debt securities	-	2,258,038	-	2,258,038
Quoted shares in Malaysia	245,241	-	-	245,241
Warrants	346	-	-	346
Real estate investment trusts	20,217	-	-	20,217
Government investment issues	-	688,100	-	688,100
	265,804	3,074,144	-	3,339,948

MNRB Holdings Berhad
(Incorporated in Malaysia)

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group (cont'd.)				
2017 (cont'd.)				
Assets for which fair values are disclosed:				
HTM investments				
Malaysian government securities	-	76,109	-	76,109
Unquoted corporate debt securities	-	75,987	-	75,987
Government investment issues	-	537,417	-	537,417
	-	689,513	-	689,513
Company				
2018				
Assets for which fair values are disclosed:				
HTM investments				
Unquoted corporate debt securities	-	1,009	-	1,009
2017				
Assets for which fair values are disclosed:				
HTM investments				
Unquoted corporate debt securities	-	1,008	-	1,008

MNRB Holdings Berhad
(Incorporated in Malaysia)

40. Significant events

a) Transfer of general and family retakaful business

On 1 December 2017, the business transfer of the general and family retakaful businesses between 2 subsidiaries, Malaysian Reinsurance Berhad and Sinar Seroja Berhad (formerly known as MNRB Retakaful Berhad) was completed.

b) Splitting of family and general takaful business licences

In accordance with the requirements of the Islamic Financial Service Act 2013 ("IFSA 2013") a takaful operator that carries on both classes of family and general takaful businesses must take steps to split the businesses under separate legal entities before 1 July 2018.

A new company was incorporated on 5 June 2017 as a wholly-owned subsidiary of TIB to take over its general takaful business once the necessary approval has been obtained from BNM.

c) Subscription of additional shares in subsidiaries.

On 25 January and 12 February 2018, the Company subscribed for 40,000,000 and 53,106,421 additional ordinary shares in TIB and MRE respectively. Cash consideration of RM40,000,000 and RM53,106,421 was paid for the additional shares in TIB and MRE respectively.

d) Redemption of investment in Sinar Seroja Berhad

On 5 February 2018, MNRB received a capital repayment from SSB amounting to RM102million as further described in Note 17(ii). The reduction of share capital of SSB was confirmed by the Registrar of Companies on the same date.

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Lena Abd. Latif
Company Secretary
LS 0008766
MNRB HOLDINGS BERHAD

MNRB HOLDINGS BERHAD (13487-A)
INTERIM FINANCIAL STATEMENTS
(The figures have not been audited)

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

	GROUP			
	Individual period		Cumulative year	
	3 months ended 30 June 2018	3 months ended 30 June 2017	3 months ended 30 June 2018	3 months ended 30 June 2017
	RM'000	RM'000	RM'000	RM'000
Gross earned premiums/contributions	472,759	537,396	472,759	537,396
Premiums/contributions ceded to reinsurers and retakaful operators	(55,163)	(70,599)	(55,163)	(70,599)
Net earned premiums/contributions	417,596	466,797	417,596	466,797
Investment income	65,144	60,701	65,144	60,701
Realised gains/(losses)	1,084	(108)	1,084	(108)
Fair value (losses)/gains	(54,454)	13,218	(54,454)	13,218
Fee and commission income	6,144	18,997	6,144	18,997
Other operating revenue	14,701	3,237	14,701	3,237
Other revenue	32,619	96,045	32,619	96,045
Gross claims and benefits paid	(290,092)	(289,633)	(290,092)	(289,633)
Claims ceded to reinsurers/retakaful operators	16,076	27,909	16,076	27,909
Gross change in contract liabilities	52,024	(82,011)	52,024	(82,011)
Change in contract liabilities ceded to reinsurers/retakaful operators	(5,205)	13,740	(5,205)	13,740
Net claims and benefits	(227,197)	(329,995)	(227,197)	(329,995)
Fee and commission expense	(92,997)	(113,152)	(92,997)	(113,152)
Management expenses	(50,763)	(63,514)	(50,763)	(63,514)
Finance cost	(4,109)	(3,894)	(4,109)	(3,894)
Other operating expenses	(3,042)	(6,746)	(3,042)	(6,746)
Change in expenses liabilities	2,805	(6,266)	2,805	(6,266)
Tax borne by participants	1,749	(957)	1,749	(957)
Other expenses	(146,357)	(194,529)	(146,357)	(194,529)
Share of results of associates	(4,247)	5,683	(4,247)	5,683
Operating profit before (surplus)/deficit attributable to takaful participants, zakat and taxation	72,414	44,001	72,414	44,001
(Surplus)/deficit attributable to takaful participants	(29,372)	22,837	(29,372)	22,837
Operating profit before zakat and taxation	43,042	66,838	43,042	66,838
Zakat	(213)	-	(213)	-
Taxation	(14,551)	(16,403)	(14,551)	(16,403)
Net profit for the period attributable to equity holders of the Company	28,278	50,435	28,278	50,435
Basic and diluted earnings per share attributable to equity holders of the Company (sen):	8.8	15.8	8.8	15.8

The Condensed Financial Statements should be read in conjunction with the Annual Financial Statements for the year ended 31 March 2018

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MNRB HOLDINGS BERHAD (13487-A)
INTERIM FINANCIAL STATEMENTS
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

	GROUP			
	Individual period		Cumulative year	
	3 months ended 30 June 2018	3 months ended 30 June 2017	3 months ended 30 June 2018	3 months ended 30 June 2017
	RM'000	RM'000	RM'000	RM'000
Net profit for the period	28,278	50,435	28,278	50,435
Other comprehensive income/(losses):				
Other comprehensive income/(losses) to be reclassified to income statement in subsequent years:				
Effects of post acquisition foreign exchange translation reserve on investment in associate	20,105	(5,882)	20,105	(5,882)
Effects of foreign exchange translation reserve on investment in subsidiary	473	(315)	473	(315)
Net gain/(loss) on financial assets at FVOCI:				
Net gain/ (loss) on fair value changes	(11,875)	-	(11,875)	-
Realised (loss)/gain transferred to income statement	(142)	-	(142)	-
Deferred tax relating to net loss/(gain) on financial assets at FVOCI	91	-	91	-
Other comprehensive losses/(income) attributable to participants	(2,323)	-	(2,323)	-
Net gain/(loss) on AFS financial assets:				
Net gain/ (loss) on fair value changes	-	5,568	-	5,568
Realised (loss)/gain transferred to income statement	-	108	-	108
Deferred tax relating to net (gain)/loss on AFS financial assets	-	(42)	-	(42)
Other comprehensive losses/(income) attributable to participants	-	(3,361)	-	(3,361)
Other comprehensive income not to be reclassified to income statement in subsequent years:				
Revaluation of land and buildings	675	674	675	674
Deferred tax relating to revaluation of land and buildings	(54)	(54)	(54)	(54)
Other comprehensive income attributable to participants	(621)	(620)	(621)	(620)
Total comprehensive income for the period	**34,607**	**46,512**	**34,607**	**46,512**

The Condensed Financial Statements should be read in conjunction with the Annual Financial Statements for the year ended 31 March 2018

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MNRB HOLDINGS BERHAD (13487-A)
INTERIM FINANCIAL STATEMENTS
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	GROUP	
	Unaudited 30 June 2018 RM'000	Audited 31 March 2018 RM'000
Assets		
Property, plant and equipment	241,089	240,744
Intangible assets	33,745	32,131
Deferred tax assets	7,399	18,343
Investment in associates	154,527	139,009
Financial assets:		
Financial assets at fair value through profit or loss ("FVTPL")	2,590,749	116,127
Financial assets at fair value through other comprehensive income ("FVOCI")	2,021,671	-
Financial assets at amortised costs ("AC")	1,899,283	-
Held-to-maturity ("HTM") investments	-	644,254
Available-for-sale ("AFS") financial assets	-	3,741,196
Loans and receivables ("LAR")	-	1,937,263
Reinsurance/retakaful assets	472,193	478,253
Insurance/takaful receivables	427,299	418,304
Tax recoverable	25,014	27,277
Cash and bank balances	86,699	142,099
Total assets	7,959,668	7,935,000
Liabilities and Participants' funds		
Participants' funds	194,688	247,862
Borrowings	320,000	320,000
Insurance/takaful contract liabilities	5,318,330	5,319,945
Insurance/takaful payables	184,008	270,444
Other payables	321,277	225,745
Deferred tax liabilities	-	10,684
Provision for taxation	3,246	1,709
Provision for zakat	813	610
Total liabilities and participants' funds	6,342,362	6,396,998
Equity		
Share capital	319,605	319,605
Reserves	1,297,701	1,218,396
Total equity attributable to equity holders of the Company	1,617,306	1,538,001
Total liabilities, participants' funds and equity	7,959,668	7,935,000
Net assets per share (RM)	5.06	4.81

The Condensed Financial Statements should be read in conjunction with the Annual Financial Statements for the year ended 31 March 2018

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MNRB HOLDINGS BERHAD (13487-A)
INTERIM FINANCIAL STATEMENTS
(The figures have not been audited)

CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

	GROUP						
	Attributable to Equity Holders of the Company						
		Reserves					
		Non-distributable			Distributable		
	Share capital RM'000	Foreign exchange translation reserve RM'000	Fair value reserve RM'000	Revaluation reserve RM'000	Retained profits brought forward RM'000	Net profit RM'000	Total RM'000
At 1 April 2018, as previously stated	319,605	34,898	1,205	43,652	1,138,641	-	1,538,001
Impact of adopting MFRS 9	-	-	34,945	-	-	9,753	44,698
At 1 April 2018, as restated	319,605	34,898	36,150	43,652	1,138,641	9,753	1,582,699
Total comprehensive (loss)/income for the year	-	20,578	(14,249)	-	-	28,278	34,607
At 30 June 2018	319,605	55,476	21,901	43,652	1,138,641	38,031	1,617,306

CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

	GROUP						
	Attributable to Equity Holders of the Company						
		Reserves					
		Non-distributable			Distributable		
	Share capital RM'000	Foreign exchange translation reserve RM'000	AFS reserve RM'000	Revaluation reserve RM'000	Retained profits brought forward RM'000	Net loss RM'000	Total RM'000
At 1 April 2017	319,605	55,696	3,659	42,730	997,776	-	1,419,466
Total comprehensive (loss)/income for the year	-	(6,197)	2,275	-	-	50,439	46,517
At 30 June 2017	319,605	49,499	5,934	42,730	997,776	50,439	1,465,983

The Condensed Financial Statements should be read in conjunction with the Annual Financial Statements for the year ended 31 March 2018

MNRB HOLDINGS BERHAD (13487-A)
INTERIM FINANCIAL STATEMENTS
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

	GROUP	
	3 months ended 30 June 2018	3 months ended 30 June 2017
	RM'000	RM'000
Cash flows from operating activities		
Profit before surplus transfer, zakat and tax	43,042	66,838
Adjustments for:		
Net fair value losses on financial assets at FVTPL	53,701	101
Reversal of impairment losses on AFS financial assets	-	(13,320)
Impairment losses on financial assets at FVOCI	753	-
(Reversal of impairment losses)/impairment losses on other receivables	(89)	6,671
Depreciation of property, plant and equipment	4,398	2,044
Amortisation of intangible assets	1,150	628
Revaluation on investment	290	-
Gains on disposal of property, plant and equipment	(26)	-
Increase in gross premium and contribution liabilities	4,198	5,482
Increase/(decrease) in reinsurance and retakaful assets	6,060	(10,863)
Interest/profit income	(63,571)	(56,674)
Dividend income	(1,443)	(3,769)
Rental income	(1,633)	(1,683)
Finance cost	4,109	3,894
Net losses on disposal of investments	5,651	108
Net amortisation of premiums on investments	1,389	1,256
Share of results of associates	4,247	(5,683)
Profit/(loss) from operations before changes in operating assets and liabilities	62,226	(4,969)
Decrease/(increase) in placements with licensed financial institutions, Islamic investment accounts and marketable securities	46,555	(108,340)
Net proceeds/(purchase) from disposal of investments	(154,019)	33,042
Decrease in staff loans	425	648
Decrease/(Increase) in insurance/takaful receivables	(7,625)	(72,508)
Decrease/(increase) in other receivables	79,591	(30,957)
(Decrease)/increase in gross claim liabilities, actuarial liabilities and unallocated surplus	(46,926)	84,018
(Decrease)/increase in expense liabilities	(2,805)	1,191
Decrease in participants' funds	(71,398)	(24,034)
(Decrease)/increase in insurance/takaful payables	(30,796)	15,695
Increase in other payables	40,741	55,560
Taxes and zakat paid	(20,813)	(17,719)
Interest/profit received	55,655	55,706
Dividend received	1,383	3,823
Rental received	1,502	1,688
Net cash used in operating activities	(46,304)	(7,156)

MNRB

MNRB HOLDINGS BERHAD (13487-A)
INTERIM FINANCIAL STATEMENTS
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONT'D.)

	GROUP	
	3 months ended 30 June 2018	3 months ended 30 June 2017
	RM'000	RM'000
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,970)	(242)
Purchase of intangible assets	(3,005)	(431)
Net cash used in investing activities	(4,975)	(672)
Cash flows from financing activities		
Finance cost paid	(4,121)	(3,894)
Net cash used in financing activities	(4,121)	(3,894)
Cash and bank balances		
Net decrease during the period	(55,400)	(11,718)
At the beginning of the year	142,099	99,905
At the end of the period	**86,699**	**88,187**

The Condensed Financial Statements should be read in conjunction with the Annual Financial Statements for the year ended 31 March 2018

MNRB

MNRB HOLDINGS BERHAD (13487-A)
INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018
(The figures have not been audited)

PART A – NOTES TO THE INTERIM FINANCIAL STATEMENTS

A1. Basis of preparation

The interim financial statement report should be read in conjunction with the Group's most recent audited financial statements for the financial year ended 31 March 2018.

The significant accounting policies and methods of computation adopted in the unaudited condensed interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 March 2018 except for the adoption of the following accounting standards, IC Interpretations and amendments/improvements to Malaysian Financial Reporting Standards ("MFRSs") issued by the Malaysian Accounting Standards Board ("MASB") that are effective for the Group's financial year beginning 1 April 2018:

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

The adoption of the above accounting standards and amendments/improvements to MFRSs does not have any material impact on the financial statements of the Group except as discussed below:.

MFRS 9 *Financial Instruments*

The International Accounting Standards Board ("IASB") issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but restatement of comparative information is not compulsory.

MFRS 9 was issued by the MASB in respect of its application in Malaysia. It is equivalent to IFRS 9 as issued by IASB, including the effective and issuance dates.

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

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

(i) Classification and measurement

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

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

Loans and receivables ("LAR") are held to collect contractual cash flows and are representing solely payments of principal and interest. Thus, the Group will continue to measure these at amortised cost under MFRS 9.

MNRB

MNRB HOLDINGS BERHAD (13487-A)
INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018
(The figures have not been audited)

PART A – NOTES TO THE INTERIM FINANCIAL STATEMENTS

A1. Basis of preparation (cont'd.)

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

(ii) Impairment

The MFRS 9 impairment requirements are based on an Expected Credit Loss ("ECL") model that replaces the Incurred Loss model under the previous MFRS 139. The Group recognise either a 12-month (Stage 1) or lifetime ECL (Stage 2 and 3), depending on whether there has been a significant increase in credit risk since initial recognition. The ECL model applies to financial assets measured at amortised cost or at FVOCI, irrevocable loan commitments and financial guarantee contracts, which include loans, advances and financing and debt instruments held by the Group. The ECL model also applies to contract assets under MFRS 15 *Revenue from Contracts with Customers* and lease receivables under MFRS 117 *Leases*. Appropriate impairment methodology were adopted for calculating allowances for impairment losses.

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

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

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

- Mapping of external credit rating models

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

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

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

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

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

- Derivation of probability of default

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

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

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

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

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

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

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

MNRB

MNRB HOLDINGS BERHAD (13487-A)
INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018
(The figures have not been audited)

PART A – NOTES TO THE INTERIM FINANCIAL STATEMENTS

A1. Basis of preparation (cont'd.)

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

(ii) Impairment (cont'd.)

- ECL measurement

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

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

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

Impairment of insurance/takaful receivables

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

(iii) Hedge accounting

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

The Group does not have any significant impact to the financial statements on applying the hedge accounting.

The financial impact of the adoption of MFRS 9 on the statement of financial position of the Group were as follows:

	31 March 2018 RM '000	Classifications and measurement RM '000	Expected credit losses RM '000	1 April 2018 RM '000
Assets				
Property, plant and equipment	240,744	-	-	240,744
Intangible assets	32,131	-	-	32,131
Deferred tax assets	18,343	21	-	18,364
Investments in associates	139,009	-	-	139,009
Financial assets at fair value through profit or loss ("FVTPL")	116,127	2,497,950	-	2,614,077
Financial assets at fair value through other comprehensive income ("FVOCI")	-	1,933,198	(41)	1,933,157
Financial assets at amortised costs ("AC")	-	1,937,263	-	1,937,263
Held-to-maturity ("HTM") investments	644,254	(644,254)	-	-
Available-for-sale ("AFS") financial assets	3,741,196	(3,741,196)	-	-
Loans and receivables ("LAR")	1,937,263	(1,937,263)	-	-
Reinsurance/retakaful assets	478,253	-	-	478,253
Insurance/takaful receivables	418,304	-	(4,964)	413,340
Tax recoverable	27,277	-	-	27,277
Cash and bank balances	142,099	-	-	142,099
Total assets	7,935,000	45,719	(5,005)	7,975,714
Liabilities and Participants' funds				
Participants' funds	247,862	(1,136)	(2,848)	243,878
Borrowings	320,000	-	-	320,000
Insurance/takaful contract liabilities	5,319,945	-	-	5,319,945
Insurance/takaful payables	270,444	-	-	270,444
Other payables	225,745	-	-	225,745
Deferred tax liabilities	10,684	-	-	10,684
Provision for taxation	1,709	-	-	1,709
Provision for zakat	610	-	-	610
Total liabilities and participants' funds	6,396,999	(1,136)	(2,848)	6,393,015
Equity				
Share capital	319,605	-	-	319,605
Reserves	1,218,396	46,855	(2,157)	1,263,094
Total equity attributable to equity holders of the Holding Company	1,538,001	46,855	(2,157)	1,582,699
Total liabilities, participants' funds and equity	7,935,000	45,719	(5,005)	7,975,714

MNRB

MNRB HOLDINGS BERHAD (13487-A)
INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018
(The figures have not been audited)

PART A – NOTES TO THE INTERIM FINANCIAL STATEMENTS

A2. Auditors' Report on preceding annual financial statements

The auditors' report on the audited financial statements for the financial year ended 31 March 2018 was not subject to any qualification.

A3. Seasonal or cyclical factors

During the financial period ended 30 June 2018, the operations of the Group were not materially affected by any seasonal factors. With regard to cyclical factors, the performance of the Group is directly correlated with the industry cycle and the economic performance of the countries in which the Group has business dealings with.

A4. Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the financial period ended 30 June 2018.

A5. Changes in estimates

There were no material changes in estimates used in the preparation of this interim financial report.

A6. Issuances, cancellations, repurchase, resale and repayments of debt and equity securities

There was no issuance, cancellation, repurchase, resale or repayment of debt and equity securities during the current financial period under review.

A7. Dividend paid

No dividend was paid during the first quarter ended 30 June 2018.

A8. Segmental reporting

Financial period ended 30 June 2018

	Investment Holding RM'000	Reinsurance Business RM'000	Takaful Business RM'000	Retakaful Business RM'000	Intra-Group Adjustments RM'000	Consolidated RM'000
Revenue						
External	425	310,155	222,977	10,043	-	543,600
Inter-segment	9,974	405	723	-	(10,379)	723
	10,399	310,560	223,700	10,043	(10,379)	544,323
Results						
Segment results	**(850)**	**38,772**	**37,877**	**1,153**	**(291)**	**76,661**
Share of results of associates	91	(4,338)	-	-	-	(4,247)
Operating profit/(loss) before surplus/(deficit) attributable to takaful participants, zakat and taxation	**(759)**	**34,434**	**37,877**	**1,153**	**(291)**	**72,414**
Surplus attributable to takaful participants	-	-	(29,372)	-	-	(29,372)
Operating (loss)/profit before zakat and taxation	(759)	34,434	8,505	1,153	(291)	43,042
Zakat and taxation	(502)	(11,624)	(1,683)	(955)	-	(14,764)
Net (loss)/profit for the period attributable to equity holders of the Company	**(1,261)**	**22,810**	**6,822**	**198**	**(291)**	**28,278**

Financial year ended 30 June 2017

	Investment Holding RM'000	Reinsurance Business RM'000	Takaful Business RM'000	Retakaful Business RM'000	Intra-Group Adjustments RM'000	Consolidated RM'000
Revenue						
External	801	335,870	257,209	10,972	-	604,852
Inter-segment	8,302	288	723	49	(8,639)	723
	9,103	336,158	257,932	11,021	(8,639)	605,575
Results						
Segment results	**(2,685)**	**45,139**	**(4,106)**	**(30)**	**-**	**38,318**
Share of results of associates	94	5,589	-	-	-	5,683
Operating profit/(loss) before deficit attributable to takaful participants, zakat and taxation	**(2,591)**	**50,728**	**(4,106)**	**(30)**	**-**	**44,001**
Surplus attributable to takaful participants	-	-	22,837	-	-	22,837
Operating (loss)/profit before zakat and taxation	(2,591)	50,728	18,731	(30)	-	66,838
Zakat and taxation	(120)	(13,408)	(2,818)	(57)	-	(16,403)
Net (loss)/profit for the period attributable to equity holders of the Company	**(2,711)**	**37,320**	**15,913**	**(87)**	**-**	**50,435**

MNRB

MNRB HOLDINGS BERHAD (13487-A)
INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018
(The figures have not been audited)

PART A – NOTES TO THE INTERIM FINANCIAL STATEMENTS

A9. Carrying amount of revalued properties

The valuation of property, plant and equipment and investment properties have been brought forward, without any change, from the financial statements for the financial year ended 31 March 2018.

A10. Significant events

There were no significant events during the financial period ended 30 June 2018.

A11. Subsequent events

There were no significant subsequent events from 30 June 2018 to the date of this report.

A12. Changes in the composition of the Group

There were no significant changes in the composition of the Group during the financial period ended 30 June 2018.

A13. Capital Commitments

The amount of capital commitments of the Group as at 30 June 2018 is as follows:

	RM'000
Authorised and contracted for:	
- Intangible assets*	3,320
	3,320
Authorised but not contracted for:	
- Property, plant and equipment	646
- Intangible assets*	10,754
	11,400

* Relating to purchases and enhancement of computer systems.

A14. Condensed Consolidated Statement of Financial Position by Reinsurance, Takaful and Retakaful Funds

(i) Unaudited as at 30 June 2018

	General reinsurance and shareholders' fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	General retakaful fund RM'000	Family retakaful fund RM'000	Elimination and adjustment RM'000	Consolidated RM'000
Assets							
Property, plant and equipment	125,271	-	-	-	-	115,818	241,089
Investment properties	-	-	115,818	-	-	(115,818)	-
Intangible assets	33,745	-	-	-	-	-	33,745
Deferred tax assets	10,054	2,469	2,188	68	16	(7,396)	7,399
Investment in subsidiaries	904,477	-	-	-	-	(904,477)	-
Investment in associates	131,543	-	-	-	-	22,984	154,527
Financial assets:							
Financial assets at fair value through profit or loss ("FVTPL")	82,715	5,977	2,464,531	35,103	15,737	(13,314)	2,590,749
Financial assets at fair value through other comprehensive income ("FVOCI")	1,766,176	255,495	-	-	-	-	2,021,671
Amortised costs ("AC")	1,544,595	158,304	336,363	33,473	4,811	(178,263)	1,899,283
Reinsurance/retakaful assets	250,897	150,283	44,345	18,861	7,807	-	472,193
Insurance/takaful receivables	339,543	27,798	50,304	10,221	1,803	(2,370)	427,299
Tax recoverable	25,888	-	-	(1,249)	375	-	25,014
Cash and bank balances	52,454	10,952	21,950	969	374	-	86,699
Total assets	**5,267,358**	**611,278**	**3,035,499**	**97,446**	**30,923**	**(1,082,836)**	**7,959,668**
Liabilities and Participants' funds							
Participants' funds	-	117,347	179,687	(65,935)	(25,888)	(10,523)	194,688
Borrowings	321,000	-	-	-	-	(1,000)	320,000
Insurance/takaful contract liabilities	2,070,123	430,702	2,722,944	88,724	15,837	(10,000)	5,318,330
Insurance/takaful payables	173,314	-	-	8,240	4,824	(2,370)	184,008
Other payables	183,508	62,776	130,075	66,417	36,150	(157,649)	321,277
Deferred tax liabilities	6,615	-	-	-	-	(6,615)	-
Provision for taxation	-	453	2,793	-	-	-	3,246
Provision for zakat	813	-	-	-	-	-	813
Total liabilities and participants' funds	**2,755,373**	**611,278**	**3,035,499**	**97,446**	**30,923**	**(188,157)**	**6,342,362**
Equity							
Share capital	1,224,211	-	-	-	-	(904,606)	319,605
Reserves	1,287,774	-	-	-	-	9,927	1,297,701
Total equity attributable to equity holders of the Parent	**2,511,985**	**-**	**-**	**-**	**-**	**(894,679)**	**1,617,306**
Total liabilities, participants' funds and equity	**5,267,358**	**611,278**	**3,035,499**	**97,446**	**30,923**	**(1,082,836)**	**7,959,668**

A14. Condensed Consolidated Statement of Financial Position by Reinsurance, Takaful and Retakaful Funds (Cont'd.)

(ii) As at 31 March 2018

	General reinsurance and shareholders' fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	General retakaful fund RM'000	Family retakaful fund RM'000	Elimination and adjustment RM'000	Consolidated RM'000
Assets							
Property, plant and equipment	124,926	-	-	-	-	115,818	240,744
Investment properties	-	-	115,818	-	-	(115,818)	-
Intangible assets	32,131	-	-	-	-	-	32,131
Deferred tax assets	20,822	2,426	-	66	-	(4,971)	18,343
Investment in subsidiaries	904,477	-	-	-	-	(904,477)	-
Investment in associates	131,833	-	-	-	-	7,176	139,009
Financial assets:							
Financial assets at fair value through profit or loss ("FVTPL")	-	-	116,127	-	-	-	116,127
Held-to-maturity ("HTM") investments	240,757	57,342	316,283	19,108	11,764	(1,000)	644,254
Available-for-sale ("AFS") financial assets	1,539,454	209,299	1,986,079	15,779	4,174	(13,589)	3,741,196
Loans and receivables ("LAR")	1,599,316	154,905	350,281	43,610	(1,550)	(209,299)	1,937,263
Reinsurance/retakaful assets	257,559	149,625	43,127	19,906	8,036	-	478,253
Insurance/takaful receivables	331,267	30,407	44,206	13,995	2,080	(3,651)	418,304
Tax recoverable	27,291	-	-	(21)	7	-	27,277
Cash and bank balances	43,132	27,589	70,175	203	1,000	-	142,099
Total assets	**5,252,965**	**631,593**	**3,042,096**	**112,646**	**25,511**	**(1,129,811)**	**7,935,000**
Liabilities and Participants' funds							
Participants' funds	-	120,253	129,131	-	-	(1,522)	247,862
Borrowings	321,000	-	-	-	-	(1,000)	320,000
Insurance/takaful contract liabilities	2,096,878	403,666	2,730,440	95,828	15,919	(22,786)	5,319,945
Insurance/takaful payables	207,529	18,105	33,287	10,971	4,203	(3,651)	270,444
Other payables	164,961	89,138	146,947	5,847	5,389	(186,537)	225,745
Deferred tax liabilities	13,981	-	1,013	-	-	(4,310)	10,684
Provision for taxation	-	431	1,278	-	-	-	1,709
Provision for zakat	610	-	-	-	-	-	610
Total liabilities and participants' funds	**2,804,959**	**631,593**	**3,042,096**	**112,646**	**25,511**	**(219,806)**	**6,396,999**
Equity							
Share capital	1,224,211	-	-	-	-	(904,606)	319,605
Retained profit	1,223,795	-	-	-	-	(5,399)	1,218,396
Total equity attributable to equity holders of the Parent	**2,448,006**	**-**	**-**	**-**	**-**	**(910,005)**	**1,538,001**
Total liabilities, participants' funds and equity	**5,252,965**	**631,593**	**3,042,096**	**112,646**	**25,511**	**(1,129,811)**	**7,935,000**

A15. Unaudited Condensed Consolidated Income Statement by Reinsurance, Takaful and Retakaful Funds

(i) 3 months ended 30 June 2018

	General reinsurance and shareholders' fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	General retakaful fund RM'000	Family retakaful fund RM'000	Elimination and adjustment RM'000	Consolidated RM'000
Gross earned premiums/contributions	275,791	61,554	128,177	4,908	2,421	(92)	472,759
Premiums/contributions ceded to reinsurers and retakaful operators	(21,231)	(22,901)	(8,408)	(901)	(1,740)	18	(55,163)
Net earned premiums/contributions	**254,560**	**38,653**	**119,769**	**4,007**	**681**	**(74)**	**417,596**
Investment income	31,484	4,065	30,429	615	194	(1,643)	65,144
Realised gains/(losses)	2,581	314	(1,811)	-	-	-	1,084
Fair value losses	(12,837)	(1,245)	(35,109)	(1)	(152)	(5,110)	(54,454)
Fee and commission income	78,446	4,614	3	3	-	(76,922)	6,144
Other operating revenue	8,492	-	1,119	447	6	(182)	9,882
Other revenue	**108,166**	**7,748**	**(5,369)**	**1,064**	**48**	**(83,857)**	**27,800**
Gross claims and benefit paid	(182,768)	(33,584)	(66,699)	(4,743)	(3,665)	1,367	(290,092)
Claims ceded to reinsurers/retakaful operators	3,200	12,961	(847)	428	1,700	(1,366)	16,076
Gross change in contract liabilities	29,186	(11,111)	28,369	8,245	25	(2,690)	52,024
Change in contract liabilities ceded to reinsurers/retakaful operators	(8,772)	3,552	1,218	(973)	(230)	-	(5,205)
Net claims and benefits	**(159,154)**	**(28,182)**	**(37,959)**	**2,957**	**(2,170)**	**(2,689)**	**(227,197)**
Fee and commission expenses	(93,001)	(19,827)	(43,655)	(2,515)	(100)	66,101	(92,997)
Management expenses	(59,918)	-	-	-	-	9,155	(50,763)
Finance cost	(4,121)	-	-	-	-	12	(4,109)
Other operating expenses	(2,647)	(182)	-	(394)	(1)	5,001	1,777
Changes in expenses liabilities	2,805	-	-	-	-	-	2,805
Tax borne by participants	-	185	1,564	-	-	-	1,749
Other expenses	**(156,882)**	**(19,824)**	**(42,091)**	**(2,909)**	**(101)**	**80,269**	**(141,538)**
Share of results of associates	-	-	-	-	-	(4,247)	(4,247)
Operating profit before deficit/ surplus attributable to takaful participants, zakat and taxation	**46,690**	**(1,605)**	**34,350**	**5,119**	**(1,542)**	**(10,598)**	**72,414**
Deficit/(surplus) attributable to takaful participants	-	1,605	(34,350)	(3,839)	1,149	6,063	(29,372)
Operating profit/(loss) before zakat and taxation	**46,690**	**-**	**-**	**1,280**	**(393)**	**(4,535)**	**43,042**
Zakat	(213)	-	-	-	-	-	(213)
Taxation	(13,664)	-	-	(1,280)	393	-	(14,551)
Net profit/(loss) for the period attributable to equity holders of the Parent	**32,813**	**-**	**-**	**-**	**-**	**(4,535)**	**28,278**

A15. Unaudited Condensed Consolidated Income Statement by Reinsurance, Takaful and Retakaful Funds (Cont'd.)

(ii) 3 months ended 30 June 2017

	General reinsurance and shareholders' fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	General retakaful fund RM'000	Family retakaful fund RM'000	Elimination and adjustment RM'000	Consolidated RM'000
Gross earned premiums/contributions	302,953	67,931	158,022	6,283	2,475	(268)	537,396
Premiums/contributions ceded to reinsurers and retakaful operators	(18,566)	(28,699)	(20,664)	(909)	(1,859)	98	(70,599)
Net earned premiums/contributions	**284,387**	**39,232**	**137,358**	**5,374**	**616**	**(170)**	**466,797**
Investment income	29,825	3,967	27,432	725	246	(1,494)	60,701
Realised (losses)/gains	(1,820)	(69)	1,781	-	-	-	(108)
Fair value gains/(losses)	10,219	735	2,264	-	-	-	13,218
Fee and commission income	91,104	7,078	-	1	-	(79,186)	18,997
Other operating revenue	3,557	-	2,759	11	1	(3,091)	3,237
Other revenue	**132,885**	**11,711**	**34,236**	**737**	**247**	**(83,771)**	**96,045**
Gross claims and benefit paid	(193,017)	(31,043)	(61,637)	(2,973)	(1,739)	776	(289,633)
Claims ceded to reinsurers/retakaful operators	13,644	12,649	1,158	456	778	(776)	27,909
Gross change in contract liabilities	36,829	(31,369)	(87,495)	(2,393)	411	2,006	(82,011)
Change in contract liabilities ceded to reinsurers/retakaful	(28,581)	21,381	21,613	(447)	(226)	-	13,740
Net claims and benefits	**(171,125)**	**(28,382)**	**(126,361)**	**(5,357)**	**(776)**	**2,006**	**(329,995)**
Fee and commission expense	(111,185)	(22,899)	(55,497)	(2,671)	(86)	79,186	(113,152)
Management expenses	(63,547)	-	(945)	-	-	978	(63,514)
Finance cost	(3,906)	-	-	-	-	12	(3,894)
Other operating expenses	(126)	(9,637)	-	(73)	(1)	3,091	(6,746)
Changes in expenses liabilities	(6,228)	-	-	(38)	-	-	(6,266)
Tax borne by participants	-	1,803	(2,783)	23	-	-	(957)
Other expenses	**(184,992)**	**(30,733)**	**(59,225)**	**(2,759)**	**(87)**	**83,267**	**(194,529)**
Share of results of associates	-	-	-	-	-	5,683	5,683
Operating profit before deficit attributable to takaful participants, zakat and taxation	**61,155**	**(8,172)**	**(13,992)**	**(2,005)**	**-**	**7,015**	**44,001**
Deficit/(surplus) attributable to takaful participants	-	8,172	13,992	2,005	-	(1,332)	22,837
Operating profit before zakat and taxation	**61,155**	**-**	**-**	**-**	**-**	**5,683**	**66,838**
Zakat	-	-	-	-	-	-	-
Taxation	(16,403)	-	-	-	-	-	(16,403)
Net profit for the period attributable to equity holders of the Parent	**44,752**	**-**	**-**	**-**	**-**	**5,683**	**50,435**

A17. Fair values of assets

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

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

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

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

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

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

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

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

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

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

Description of significant unobservable inputs:

	Valuation technique	**Significant unobservable inputs**	**Range**
30 June 2018/31 March 2018			
Property, plant and equipment			
Office building	Income approach	Yield	6.0% to 6.25%
		Rental per square foot	RM4.30 to RM4.96
	Comparison approach	Sales price per square feet for similar properties	RM512 to RM1,175

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

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

A17. Fair values of assets (cont'd.)

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial period ended 30 June 2018				
Assets measured at fair value:				
(a) Property, plant and equipment				
Freehold land	-	-	36,800	36,800
Buildings	-	-	199,885	199,885
	-	-	236,685	236,685
(b) Financial assets at FVTPL				
Quoted shares in Malaysia	126,344	-	-	126,344
Shariah approved unit trust funds	116,573	-	-	116,573
Unquoted Islamic private debt securities	-	1,161,219	-	1,161,219
Government investment issues	-	1,180,212	-	1,180,212
Property trust funds	-	6,401	-	6,401
	242,917	2,347,832	-	2,590,749
(c) Financial assets at FVOCI				
Unquoted Islamic private debt securities	-	936,683	-	936,683
Government investment issues	-	1,000,322	-	1,000,322
Unquoted shares	-	-	84,373	84,373
	-	1,937,005	84,373	2,021,378

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial year ended 31 March 2018				
Assets measured at fair value:				
(a) Property, plant and equipment				
Freehold land	-	-	36,800	36,800
Buildings	-	-	199,277	199,277
	-	-	236,077	236,077
(b) Financial assets at FVTPL				
Shariah approved unit trust funds	116,127	-	-	116,127
	116,127	-	-	116,127
(c) AFS financial assets				
Malaysian government securities	-	131,162	-	131,162
Unquoted corporate debt securities	-	2,292,540	-	2,292,540
Quoted shares in Malaysia	126,228	-	-	126,228
Warrants	273	-	-	273
Real estate investment trusts	13,227	-	-	13,227
Government investment issues	-	1,132,970	-	1,132,970
	139,728	3,556,672	-	3,696,400
Assets for which fair values are disclosed:				
HTM investments				
Malaysian government securities	-	77,404	-	77,404
Unquoted corporate debt securities	-	25,723	-	25,723
Government investment issues	-	539,508	-	539,508
	-	642,635	-	642,635

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MNRB HOLDINGS BERHAD (13487-A)
INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018
(The figures have not been audited)

PART B – ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA

B1. Review of performance

For the financial period ended 30 June 2018, the Group recorded a revenue of RM544.3 million as compared to RM605.6 million reported for previous financial period. This RM167.9 million reduction was due to lower gross premiums/contributions from both the reinsurance and takaful subsidiaries.

The Group's net profit for the financial period ended 30 June 2018 was RM28.3 million, lower by RM22.2 million as compared to RM50.4 million reported in previous financial period for the reasons stated below.

Investment holding

Revenue for the financial period was RM10.4 million which was higher by RM1.3 million compared to RM9.1 million reported in the corresponding period last year.

Net loss reported for the financial period ended 30 June 2018 was RM1.3 million as compared to a net loss of RM2.7 million for the same period last year.

Reinsurance business

Revenue for reinsurance business for the financial period ended 30 June 2018 decreased to RM310.6 million as compared to RM336.2 million for the previous financial year.The decrease was mainly due to the lower gross premiums from international business as a result of its business rationalisation exercise.

Net profit for the financial period ended 30 June 2018 decreased by 38.9% from RM37.3 million last year to RM22.8 million. The lower profit was due to lower share of results from an associate.

Takaful business

Revenue for takaful business for the financial period ended 30 June 2018 decreased by 13.3% from RM257.9 million to RM223.7 million. This was mainly due to lower gross contributions received from the general business.

It recorded a lower net profit of RM6.8 million in the financial period ended 30 June 2018 as compared to a net profit of RM15.9 million for the same period last year. This was mainly due to lower wakalah fee received from takaful funds.

Retakaful business

Revenue for retakaful business for the financial period ended 30 June 2018 was lower by 8.9% from RM11.0 million to RM10.0 million, mainly due to the new businesses from the retakaful division of the reinsurance subsidiary.

The retakaful business recorded a net profit of RM0.2 million in the financial period ended 30 June 2018 as compared to a net loss of RM0.1 million for previous financial period. This is due to lower net claims incurred.

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MNRB HOLDINGS BERHAD (13487-A)
INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018
(The figures have not been audited)

PART B – ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA

B2. Review of current quarter profitability against immediate preceding quarter

The Group recorded a net profit of RM28.3 million in the current quarter as compared to RM29.4 million in the preceding quarter as a result of lower wakalah fees from the Company's takaful subsidiary.

B3. Current year prospects

Barring any unforeseen circumstances, the Group is expected to achieve satisfactory results for the current financial year ending 31 March 2019.

B4. Explanatory note for variance from profit forecast

There was no profit forecast issued by the Group during the financial period ended 30 June 2018.

B5. Investment income

	GROUP			
	Individual period		Cumulative year	
	3 months ended 30 June 2018 RM'000	3 months ended 30 June 2017 RM'000	3 months ended 30 June 2018 RM'000	3 months ended 30 June 2017 RM'000
Financial assets at FVTPL				
Profit income	18,428	-	18,428	-
Dividend income:				
- quoted shares in Malaysia	61	15	61	15
- unit trust funds	372	1,682	372	1,682
HTM investments				
Interest/profit income	-	6,377	-	6,377
Financial assets at FVOCI				
Interest/profit income	29,466	-	29,466	-
Dividend income:				
- quoted shares in Malaysia	1,010	-	1,010	-
AFS financial assets				
Interest/profit income	-	35,568	-	35,568
Dividend income:				
- quoted shares in Malaysia	-	2,072	-	2,072
Financial assets at AC				
Interest/profit income	19,928	-	19,928	-
Loans and receivables				
Interest/profit income	-	20,428	-	20,428
Rental income	2,020	1,921	2,020	1,921
Net amortisation of premiums	(1,389)	(1,256)	(1,389)	(1,256)
Investment expenses	(116)	(173)	(116)	(173)
	69,780	66,635	69,780	66,635

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MNRB HOLDINGS BERHAD (13487-A)
INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018
(The figures have not been audited)

PART B – ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA

B6. Taxation

	GROUP			
	Individual period		Cumulative year	
	3 months ended 30 June 2018 RM'000	3 months ended 30 June 2017 RM'000	3 months ended 30 June 2018 RM'000	3 months ended 30 June 2017 RM'000
Operating profit before zakat and tax	43,042	66,838	43,042	66,838
Current tax	(11,195)	(29,894)	(11,195)	(29,894)
Deferred tax	(2,803)	2,136	(2,803)	2,136
	(13,998)	(27,758)	(13,998)	(27,758)
Zakat	(213)	-	(213)	-
	(14,211)	(27,758)	(14,211)	(27,758)

The effective tax rate for the cumulative period was higher than the statutory tax rate mainly due to some of the management expenses of the Company's takaful subsidiary that are not claimable as tax deduction and also due to the effect of deferred tax on the forex loss and adjustment arising from MFRS 9 implementation which had previously recognised the financial assets as HTM and AFS and are now classified as FVTPL.

B7. Status of corporate proposal

On 18 July 2018, the Company via AmInvestment Bank Berhad had announced the Company's proposal to undertake a renounceable rights issue exercise to raise gross proceeds of approximately RM400 million ('Proposed Rights Issue').

On 3 August 2018, the Company via AmInvestment Bank Berhad announced that Bursa Securities had, vide its letter dated 2 August 2018, approved the listing of and quotation for up to 479,406,290 Rights Shares to be issued pursuant to the Proposed Rights Issue on the Main Market of Bursa Securities.

Barring any unforseen circumstances, the Proposed Rights Issue is expected to be completed in the fourth (4th) quarter of 2018.

B8. Borrowings and debt securities

The Group borrowings as at 30 June 2018 were as follows:

	GROUP 30 June 2018 RM'000
Unsecured borrowings:	
RM 200.0 million Revolving Credit Facility due in September 2018	200,000
RM 120.0 million Revolving Credit Facility due in December 2018	120,000
	320,000

B9. Off balance sheet financial instruments

There were no financial instruments with material off balance sheet risk as at the date of this report.

B10. Material litigation

There was no pending material litigation as at the date of this report.

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MNRB HOLDINGS BERHAD (13487-A)
INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018
(The figures have not been audited)

PART B – ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA

B11. Earnings per share

The basic earnings per share is calculated by dividing the net profit for the period by the number of ordinary shares in issue during the period.

	GROUP			
	Individual period		Cumulative year	
	3 months ended 30 June 2018	3 months ended 30 June 2017	3 months ended 30 June 2018	3 months ended 30 June 2017
Net profit for the year (RM'000)	28,278	50,435	28,278	50,435
Number of ordinary shares in issue ('000)	319,605	319,605	319,605	319,605
Basic earnings per share (sen)	8.8	15.8	8.8	15.8

The Group has no dilution in its earnings per share in the current and previous financial period as there are no potential dilution to its ordinary shares.

B12. Additional disclosures for the income statement

	GROUP			
	Individual period		Cumulative year	
	3 months ended 30 June 2018 RM'000	3 months ended 30 June 2017 RM'000	3 months ended 30 June 2018 RM'000	3 months ended 30 June 2017 RM'000
Finance cost	(4,109)	(3,894)	(4,109)	(3,894)
Net gain/(loss) on disposal of investments	127	(108)	127	(108)
Depreciation and amortisation	(2,298)	(7,874)	(2,298)	(7,874)
Writeback of impairment loss on insurance/takaful receivables	240	2,375	240	2,375
Writeback of/(Allowance for) impairment loss on investments	-	13,320	-	13,320

Other than the above, there was no gain or loss on derivatives and exceptional items reported during the financial period ended 30 June 2018.

By Order of the Board

NORAZMAN BIN HASHIM (MIA 5817)
LENA BINTI ABD LATIF (LS 8766)
Company Secretaries

Kuala Lumpur
Dated: 27 August 2018

MNRB

Registered Office

12th Floor
Bangunan Malaysian Re
No. 17 Lorong Dungun
Damansara Heights
50490 Kuala Lumpur

Date: 27 SEP 2018

To: The Shareholders of MNRB Holdings Berhad ("MNRB")

Dear Sir / Madam,

On behalf of the Board of Directors of MNRB ("**Board**"), I wish to report, after making due enquiries in relation to the interval between 31 March 2018 (being the date to which the last audited consolidated financial statements of MNRB and its subsidiaries ("**MNRB Group**") have been made up) and the date hereof (being a date not earlier than fourteen (14) days before the date of issuance of this Abridged Prospectus), that:

(i) the business of the MNRB Group has, in the opinion of the Board, been satisfactorily maintained;

(ii) in the opinion of the Board, no circumstance has arisen since the last audited consolidated financial statements of the MNRB Group which has adversely affected the trading or the value of the assets of the MNRB Group;

(iii) the current assets of the MNRB Group appear in the books at values which are believed to be realisable in the ordinary course of business;

(iv) save for the contingent liabilities arising from reinsurance, takaful and retakaful contracts underwritten in the ordinary course of business of MNRB Group, there are no contingent liabilities which have arisen by reason of any guarantee or indemnity given by the MNRB Group since the last audited consolidated financial statements of the MNRB Group;

(v) there has been no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings of the MNRB Group since the last audited consolidated financial statements of the MNRB Group; and

(vi) there has been no material change in the published reserves or any unusual factor affecting the profits of the MNRB Group since the last audited consolidated financial statements of the MNRB Group.

Yours faithfully,
For and on behalf of the Board of
MNRB HOLDINGS BERHAD

Arul Sothy

Arul Sothy A/L S Mylvaganam
Independent Non-Executive Director

MNRB Holdings Berhad (13487-A)
12th Floor, Bangunan Malaysian Re, No. 17, Lorong Dungun, Damansara Heights, Locked Bag 11068, 50990 Kuala Lumpur.
tel • 03-2096 8000 fax • 03-2096 7000 website • www.mnrb.com.my

1. SHARE CAPITAL

(a) Save for the Rights Shares, no other securities of our Company will be allotted or issued on the basis of this Abridged Prospectus later than 12 months after the date of issue of this Abridged Prospectus.

(b) As at the date of this Abridged Prospectus, there is only one class of share in our Company, namely ordinary shares in the share capital of our Company, all of which rank *pari passu* with one another.

(c) As at the date of this Abridged Prospectus, save for our Entitled Shareholders and/or their renouncee(s) and/or transferee(s), where applicable, who will be provisionally allotted with the Rights Shares under the Rights Issue, no person has been or is entitled to be granted an option to subscribe for any securities of our Company and no capital of our Group is under any option or agreed conditionally or unconditionally to be put under any option.

2. REMUNERATION OF DIRECTORS

The following provisions are extracted from our Company's Constitution in relation to the remuneration of the Directors. Terms used below will have the same meanings as defined in our Company's Constitution unless they are otherwise defined below or the context otherwise requires.

Article 94

The Directors shall be paid by way of fees for their services such fixed sum (if any) as shall from time to time be determined by the Company in general meeting and such fees shall be divided among the Directors in such proportions and manner as the Directors may determine or failing agreement, equally. Provided always that:

(1) Fees payable to Directors who hold no executive office in the Company shall be paid by a fixed sum and not by a commission on or percentage of profits or turnover.

(2) Salaries payable to Directors who do hold an executive office in the Company may not include a commission on or percentage of turnover.

(3) Fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting where notice of the proposed increase has been given in the notice convening the meeting.

(4) Any fee paid to an Alternate Director shall be agreed between himself and the Director nominating him and shall be paid out of the fees of the latter.

Article 95

The Directors shall be paid all their travelling and other expenses properly and necessarily expended by them in and about the business of the Company including their travelling and other expenses incurred in attending Board Meetings of the Company.

Article 96

If any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a Member of a committee of Directors, the Company may remunerate the Director so doing either by a fixed sum or otherwise (other than by a sum to include a commission on or percentage of profits or turnover) as may be determined by the Company in general meeting and such remuneration may be either in addition to or in substitution for his or their share in the remuneration from time to time provided for the Directors.

Article 99(d)

An alternate Director may be repaid by the Company such expenses as might properly be repaid to him if he were a Director and he shall be entitled to receive from the Company such proportion (if any) of such remuneration otherwise payable to his appointor as such appointor may by notice in writing to the Company from time to time direct, but save as aforesaid he shall not in respect of such appointment be entitled to receive any remuneration from the Company.

3. MATERIAL CONTRACTS

Save for the Managing and Underwriting Agreement, there are no other material contracts, not being contracts in the ordinary course of business which have been entered into by our Group within two years preceding the date of this Abridged Prospectus.

4. MATERIAL LITIGATION

As at the LPD, our Group is not engaged in any material litigation, claims or arbitration either as plaintiff or defendant, which may have a material and adverse effect on the business or financial position of our Group and after making due enquiries, there are no proceedings, pending or threatened against our Group, or of any fact likely to give rise to any proceedings which may materially and adversely affect the financial position or business of our Group.

5. GENERAL

(a) Save as disclosed in Sections 6, 7 and 9 of this Abridged Prospectus, the financial condition and operations of our Group are not likely to be affected by any of the following:

  (i) known trends, demands, commitments, events or uncertainties that will result in or are likely materially increase of decrease our Group's liquidity;

  (ii) material commitments for capital expenditure of our Group;

  (iii) unusual, infrequent events or transactions or any significant economic changes that materially affect the amount of reported income from the operations;

  (iv) known trends or uncertainties that have had or that our Group reasonably expects will have a material favourable or unfavourable impact on revenues or operating income; and

(v) material information, including specific trade factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect the profits of our Group.

(b) As at the LPD, there is no existing or proposed service contract entered or to be entered into by our Group with any Director or proposed Director, other than those which are expiring or determinable by the employing company without payment or compensation (other than statutory compensation) within one year from the date of this Abridged Prospectus.

6. CONSENTS

(a) The Principal Adviser, the Managing Underwriter, the Solicitors, the Share Registrar, the Joint Underwriters and the Principal Bankers have given and have not subsequently withdrawn their written consent for the inclusion in this Abridged Prospectus of their names in the form and context in which they appear in this Abridged Prospectus;

(b) Bloomberg has given and has not subsequently withdrawn its written consent for the inclusion in this Abridged Prospectus of its name and citation of the market data of MNRB Shares and all references in relation to it, made available to its subscribers in the form and context in which they appear in this Abridged Prospectus; and

(c) the Auditors and the Reporting Accountants, have given and have not subsequently withdrawn their consent for the inclusion of their name and all reference in the form, manner and context in which they appear in this Abridged Prospectus, including the proforma consolidated statements of financial position of our Group as at 31 March 2018 together with the Reporting Accountants' report thereon and the audited consolidated financial statements of our Group for the FYE 31 March 2018 together with the auditors' report thereon.

7. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection during normal office hours from Monday to Friday (except public holidays) at our Registered Office for a period of 12 months from the date of this Abridged Prospectus:

(a) our Constitution;

(b) the certified true copy of the extract of the ordinary resolution in respect of the Rights Issue passed at our EGM, as set out in Appendix I of this Abridged Prospectus;

(c) the proforma consolidated statements of financial position of our Group as at 31 March 2018 together with the Reporting Accountants' report thereon, as set out in Appendix III of this Abridged Prospectus;

(d) the audited consolidated financial statements of our Group for the FYE 31 March 2017 and the FYE 31 March 2018 as well as the latest unaudited consolidated financial statements for the FPE 30 June 2018;

(e) the undertaking letter dated 27 July 2018 by PNB in relation to the PNB Undertaking referred to in Section 3 of this Abridged Prospectus;

(f) the undertaking letter dated 7 September 2018 by ART-ASB in relation to the ART-ASB Undertaking referred to in Section 3 of this Abridged Prospectus;

(g) the Directors' Report as set out in Appendix VI of this Abridged Prospectus;

(h) the letters of consent referred to in Section 6 of this Appendix; and

(i) the Managing and Underwriting Agreement dated 18 September 2018 entered into between our Company, the Managing Underwriter and the Joint Underwriters.

8. RESPONSIBILITY STATEMENTS

(a) Our Board has seen and approved the Abridged Prospectus and all the documentation relating to the Right Issue. They collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable inquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts which if omitted would make any statement in the Documents false or misleading.

(b) AmInvestment Bank, being the Principal Adviser, the Managing Underwriter and the Joint Underwriter, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Abridged Prospectus constitutes full and true disclosure of all material facts concerning the Rights Issue.