# Financial Report

# Financial Statements

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**THE MALAYSIAN INSURANCE INSTITUTE**
(Incorporated in Malaysia)

## DIRECTORS' REPORT

The directors of THE MALAYSIAN INSURANCE INSTITUTE ("the Institute") hereby submit their report and the audited financial statements of the Institute for the year ended 31 December 2021.

## PRINCIPAL ACTIVITIES

The Institute is engaged in the provision and promotion of insurance education, training and research in insurance and related disciplines. The Institute is the sole examining body for professional insurance examinations in the country leading to the award of the Associateship of the Malaysian Insurance Institute ("AMII") and Fellowship of the Malaysian Insurance Institute ("FMII"). It is also a membership body of insurance professionals. The Institute is affiliated to other insurance examining institutes internationally and works closely with local institutions of higher learning in promoting the development of insurance education in Malaysia.

## RESULTS OF OPERATIONS

The results of operations of the Institute for the financial year are as follows:

| | RM |
|---|---|
| Deficit for the year | **784,558** |

In the opinion of the directors, the results of operations of the Institute during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

## RESERVES AND PROVISIONS

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

## OTHER STATUTORY INFORMATION

Before the financial statements of the Institute were made out, the directors took reasonable steps:

(a) 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 have satisfied themselves that there were no known bad debts needed to be written off and that adequate provision had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to be realised in the ordinary course of the business including the value of current assets as shown in the accounting records of the Institute had been written down to an amount which the current assets might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances:

(a) which would necessitate the writing off of bad debts or render the amount of provision for doubtful debts in the financial statements of the Institute inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Institute misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Institute misleading or inappropriate; or

(d) not otherwise dealt with in this report or financial statements which would render any amount stated in the financial statements of the Institute misleading.

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

(a) any charge on the assets of the Institute which has arisen since the end of the financial year which secures the liabilities of any other person; and

(b) any contingent liability of the Institute which has arisen since the end of the financial year.

No contingent or other liability has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Institute to meet its obligations as and when they fall due.

In the opinion of the directors, 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 Institute for the succeeding financial year in which this report is made.

**DIRECTORS**

The directors of the Institute in office during the financial year and during the period from the end of the financial year to the date of this report are:

**Mr Antony Fook Weng Lee (Chairman)**
**Mr Zainal Abidin bin Mohd Noor**
**Mr Tan Kok Guan**
**Mr T. Sivapalan Tharmapalan**
**Mr Ezamshah bin Ismail**
**Ms Lau Chin Ching**
**Mr Tapan Kumar Rangam Bir**
**Mr Vicknesaratnam Kathirasu Rajaratnam**
**Ms Loh Guat Lan**
**Mr Wong Ah Kow (resigned on 20 September 2021)**
**Mr Tan Ah Chuan (resigned on 16 December 2021)**

**DIRECTORS' BENEFITS**

Since the end of the previous financial year, none of the directors of the Institute has received or become entitled to receive any benefit by reason of a contract made by the Institute with a firm of which he is a member, or with a company in which he has a substantial financial interest.

During and at the end of the financial year, no arrangement subsisted to which the Institute was a party whereby the directors of the Institute might acquire benefits by means of the acquisition of shares in, or debentures of, the Institute or any other body corporate.

## INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

The Institute maintains directors' and officers' liability insurance for purposes of Section 289 of the Companies Act, 2016, throughout the year, which provides appropriate insurance cover of RM10,000,000 for the directors of the Institute. The amount of insurance premium paid during the year amounted to RM25,635.

## AUDITORS

The auditors, Ernst & Young PLT, retire and have indicated their willingness to continue in office.

## AUDITORS' REMUNERATION

The amount paid or payable as remuneration of the auditors for the financial year ended 31 December 2021 is disclosed in Note 7 to the financial statements.

Signed on behalf of the Board
in accordance with a resolution of the Directors,

**ANTONY FOOK WENG LEE**
**(CHAIRMAN)**

**EZAMSHAH BIN ISMAIL**
**(DIRECTOR)**

Kuala Lumpur,
26 May 2022

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE MALAYSIAN INSURANCE INSTITUTE**
(Incorporated in Malaysia)

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

***Opinion***

We have audited the financial statements of The Malaysian Insurance Institute ("the Institute"), which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2021, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 15 to 46.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Institute as at 31 December 2021, and of its financial performance and cash flows for the year ended 31 December 2021 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

***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 Institute in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

***Information other than the financial statements and auditors' report thereon***

The Directors of the Institute are responsible for the other information. The other information comprises the Directors' Report and Annual Report, but does not include the financial statements of the Institute and our auditors' report thereon.

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

In connection with our audit of the financial statements of the Institute, 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 Institute 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 Institute are responsible for the preparation of financial statements of the Institute that give a true and fair view in accordance with Malaysian Financial Reporting Standards and Interna-

tional Financial Reporting Standards. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Institute that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Institute, the directors are responsible for assessing the Institute'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 Institute or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Institute's financial reporting process.

**Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements of the Institute as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements of the Institute, 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 Institute's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute'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 Institute 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 Institute to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Institute, including the disclosures, and whether the financial statements of the Institute represent the underlying transactions and events in a manner that achieves fair presentation.

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

***Other matters***

This report is made solely to the members of the Institute, 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.

The comparative financial statements for the financial year ended 31 December 2020 were audited by another auditor who expressed a modified opinion on these financial statements on 18 August 2021. The auditors' report of the previous financial year was modified due to insufficient audit evidence available to support the market value of a building that was disposed in 2016, for purposes of computing the tax liability of the Institute thereon.

Ernst & Young PLT
202006000003 (LLP0022760-LCA)
Chartered Accountants

Brandon Bruce Sta Maria
No. 02937/09/2023 J
Chartered Accountant

Kuala Lumpur, Malaysia
26 May 2022

**THE MALAYSIAN INSURANCE INSTITUTE**
(Incorporated in Malaysia)

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021**

| | Note | 2021 RM | 2020 RM |
|---|---|---|---|
| Revenue | 6 | 12,795,893 | 10,989,043 |
| Other income | | 526,778 | 752,856 |
| Employee benefits expense | 7 | (7,648,745) | (7,276,384) |
| Depreciation of plant and equipment | 9 | (88,584) | (82,265) |
| Depreciation of right-of-use asset | 10 | (915,154) | (839,459) |
| Other expenses | | (5,412,409) | (6,140,960) |
| Operating deficit | 7 | (742,221) | (2,597,169) |
| Finance cost | | (42,337) | (25,925) |
| Deficit before tax | | (784,558) | (2,623,094) |
| Tax expense | 8 | - | - |
| Deficit after tax, representing total comprehensive deficit for the year | | (784,558) | (2,623,094) |

The accompanying Notes form an integral part of the Financial Statements.

**THE MALAYSIAN INSURANCE INSTITUTE**
(Incorporated in Malaysia)

**STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021**

| | Note | 2021 RM | 2020 RM |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-Current Assets** | | | |
| Plant and equipment | 9 | 82,051 | 339,968 |
| Right-of-use asset | 10 | 2,464,226 | 423,173 |
| **Total Non-Current Assets** | | 2,546,277 | 763,141 |
| **Current Assets** | | | |
| Inventories | 12 | 52,752 | 62,180 |
| Trade receivables | 13 | 372,439 | 403,645 |
| Other receivables, deposits and prepaid expenses | 14 | 2,882,203 | 980,935 |
| Fixed deposits | 11 | 22,694,240 | 24,239,642 |
| Cash and bank balances | 16 | 5,341,816 | 7,312,777 |
| **Total Current Assets** | | 31,343,450 | 32,999,179 |
| **Total Assets** | | 33,889,727 | 33,762,320 |

**THE MALAYSIAN INSURANCE INSTITUTE**
(Incorporated in Malaysia)

**STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021**

| | Note | 2021 RM | 2020 RM |
|---|---|---|---|
| **RESERVES AND LIABILITIES** | | | |
| General reserves | 17 | 6,673,042 | 6,673,042 |
| Surplus | | 15,527,649 | 16,312,207 |
| Accumulated Fund | | 22,200,691 | 22,985,249 |
| **Current Liabilities** | | | |
| Trade payables | 18 | 744,772 | 882,611 |
| Other payables and accrued expenses | 18 | 3,262,629 | 2,535,984 |
| Capacity Building Fund | 15 | 2,722,551 | 3,933,213 |
| Training Credit Scheme | 19 | 457,427 | 975,333 |
| Lease liabilities | 20 | 2,479,360 | 427,633 |
| Tax liability | 8 | 2,022,297 | 2,022,297 |
| **Total Current Liabilities** | | 11,689,036 | 10,777,071 |
| **Total Liabilities** | | 11,689,036 | 10,777,071 |
| **Total Reserves and Liabilities** | | 33,889,727 | 33,762,320 |

The accompanying Notes form an integral part of the Financial Statements.

**THE MALAYSIAN INSURANCE INSTITUTE**
(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021**

| | General reserves RM | Surplus RM | Total RM |
|---|---|---|---|
| **As at 1 January 2020** | 6,673,042 | 18,935,301 | 25,608,343 |
| Total comprehensive deficit for the year | - | (2,623,094) | (2,623,094) |
| **As at 31 December 2020** | 6,673,042 | 16,312,207 | 22,985,249 |
| **As at 1 January 2021** | 6,673,042 | 16,312,207 | 22,985,249 |
| Total comprehensive deficit for the year | - | (784,558) | (784,558) |
| **As at 31 December 2021** | 6,673,042 | 15,527,649 | 22,200,691 |

The accompanying Notes form an integral part of the Financial Statements.

**THE MALAYSIAN INSURANCE INSTITUTE**
(Incorporated in Malaysia)

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021**

| | Note | 2021 RM | 2020 RM (Restated) |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Deficit before tax | | (784,558) | (2,623,094) |
| Adjustments for: | | | |
| Depreciation of right-of-use assets | 10 | 915,154 | 839,459 |
| Depreciation of plant and equipment | 9 | 88,584 | 82,265 |
| (Reversal)/Addition to loss allowance on trade receivables (Note 13) | 13 | (82,748) | 78,558 |
| Plant and equipment write off | 7 | 9,333 | 1,102 |
| Finance cost arising from lease liabilities | 20 | 42,337 | 25,925 |
| Unrealised gain on foreign exchange | 7 | - | 241 |
| Interest income from fixed deposits | 7 | (442,429) | (660,723) |
| Loss on disposal of plant and equipment | | - | (1,758) |
| Gain on lease modifications | 20 | - | (4,670) |
| Operating Deficit Before Working Capital Changes | | (254,327) | (2,262,695) |
| Decrease/(Increase) in: | | | |
| Inventories | | 9,428 | 8,383 |
| Trade receivables | | 113,954 | 354,877 |
| Right-of-use assets | | (2,954,392) | (636,727) |
| Other deposits, deposits and prepaid expenses | | (1,901,773) | 675,037 |
| Increase/(Decrease) in: | | | |
| Trade payables | | (137,839) | 434,269 |
| Lease liabilities | | 2,954,392 | 636,727 |
| Other payables and accrued expenses | | 726,645 | 291,989 |
| Cash Used In Operating Activities | | (1,443,912) | (498,140) |
| Tax refunded | | - | 590,940 |
| Net Cash (Used In)/Generated From Operating Activities | | (1,443,912) | 92,800 |

**THE MALAYSIAN INSURANCE INSTITUTE**
(Incorporated in Malaysia)

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021**

| | Note | 2021 RM | 2020 RM |
|---|---|---|---|
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Interest received | | 441,119 | 761,830 |
| Proceeds from disposal of plant and equipment | | - | 1,758 |
| Withdrawal/(Placement) of fixed deposits | | 1,560,989 | (208,478) |
| Additions to plant and equipment | | - | (160,000) |
| Net Cash Generated From Investing Activities | | 2,002,108 | 395,110 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Repayment of finance cost | 20 | (42,337) | (25,925) |
| Repayment of lease liability | 20 | (902,665) | (842,039) |
| Utilisation of Capacity Building Fund | 15 | (1,050,662) | (2,008,819) |
| Training Credit Scheme received | 19 | 24,179 | 1,245,000 |
| Utilisation of Training Credit Scheme | 19 | (542,085) | (269,667) |
| Net Cash Used In Financing Activities | | (2,513,570) | (1,901,450) |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | | (1,955,374) | (1,413,540) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR** | | 8,224,024 | 9,637,805 |
| Effect of foreign exchange rate changes | | - | (241) |
| **CASH AND CASH EQUIVALENTS AT END OF THE YEAR** | | 6,268,650 | 8,224,024 |
| Cash and cash equivalent consists of: | | | |
| Cash and bank balances | 16 | 5,341,816 | 7,312,777 |
| Fixed deposits with original maturity period of 3 months and below | 11 | 926,834 | 911,247 |
| | | 6,268,650 | 8,224,024 |

The accompanying Notes form an integral part of the Financial Statements.

**THE MALAYSIAN INSURANCE INSTITUTE**
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

## 1. GENERAL INFORMATION

The Malaysian Insurance Institute ("the Institute") is a private company limited by guarantee, incorporated and domiciled in Malaysia.

The Institute is engaged in the provision and promotion of insurance education, training and research in insurance and related disciplines. The Institute is the sole examining body for professional insurance examinations in the country leading to the award of the Associateship of the Malaysian Insurance Institute ("AMII") and Fellowship of the Malaysian Insurance Institute ("FMII"). It is also a membership body of insurance professionals. The Institute is affiliated to other insurance examining institutes internationally and works closely with local institutions of higher learning in promoting the development of insurance education in Malaysia.

There have been no significant changes in the nature of the activities of the Institute during the financial year.

The principal place of business and registered office of the Institute is located at Level 6, Bangunan AICB, No. 10 Jalan Dato' Onn, 50480 Kuala Lumpur, Malaysia.

The financial statements of the Institute have been authorised by the Board of Directors for issuance on 26 May 2022.

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Institute 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.

### Adoption of Amendments to MFRSs

At the beginning of the current financial year, the Institute has adopted / early adopted the following Amendments to the MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are relevant and effective for annual financial periods beginning on or after 1 January 2021 / 1 April 2021 as follows:

(i) Effective 1 January 2021 - Interest Rate Benchmark Reform: Phase 2A (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)

(ii) Effective 1 April 2021 - Covid-19 Related Rent Concessions beyond 30 June 2021 (Amendments to MFRS 16)

The adoption of these Amendments to MFRSs did not result in significant changes in the accounting policies of the Institute and had no significant effect on the financial performance or position of the Institute.

**New Standards and Amendments to MFRSs in Issue but Not Yet Effective**

At the date of authorisation for issue of these financial statements, the Amendments to MFRSs that are relevant to the Institute, which have been issued by MASB but not yet effective and not early adopted by the Institute are as listed below:

| Description | Effective date |
|---|---|
| Onerous Contracts—Cost of Fulfilling a Contract (Amendments to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets)* | 1 January 2022 |
| Proceeds before intended use – Amendments to MFRS 16 *Property, Plant and Equipment* | 1 January 2022 |
| Classification of Liabilities as Current or Non-current (Amendments to MFRS 101 *Presentation of Financial Statements)* | 1 January 2023 |
| Disclosure of Accounting Policies (Amendments to MFRS 101 *Presentation of Financial Statements)* | 1 January 2023 |
| Definition of Accounting Estimates (Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors)* | 1 January 2023 |
| Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to MFRS 112 *Income Taxes)* | 1 January 2023 |

The directors anticipate that the abovementioned Amendments to MFRSs will be adopted in the annual financial statements of the Institute when they become effective. The adoption of these Amendments to MFRSs may have an impact to the financial statements of the Institute in the period of initial application. However, it is not practicable to provide a reasonable estimate of the effects until the Institute performs a detailed review.

**Reclassification of comparative balances**

(a) Cash and cash equivalents

The Institute's cash and cash equivalent as at 31 December 2020 as disclosed in the statement of cash flows and Note 11 have been adjusted to only include fixed deposits with licensed financial institutions with original maturity periods of three months or less in accordance with the accounting policy described in Note 4. The following disclosures within the statement of cash flows have been restated.

| | 2020 Reported | Adjustments | 2020 (Restated) |
|---|---|---|---|
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Placement of fixed deposits | - | (208,478) | (208,478) |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | (1,205,062) | (208,478) | (1,413,540) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR** | 32,757,722 | (23,119,917) | 9,637,805 |
| **CASH AND CASH EQUIVALENTS AT END OF THE YEAR** | 31,552,419 | (23,328,395) | 8,224,024 |

## 3. FINANCIAL AND CAPITAL RISK MANAGEMENT POLICIES

The Institute's financial risk management policies seeks to ensure that adequate financial resources are available for the development of the Institute's business whilst managing their risks. The Institute operates within guidelines that are approved by the Board and the Institute's policy is not to engage in speculative transactions.

The main areas of financial risks faced by the Institute and the policies in respect of the major areas of treasury activities are set out as follows:

(a) Foreign currency risk

The Institute is exposed to foreign currency risk as a result of its normal operating activities, where the currency denomination differs from the local currency, Ringgit Malaysia ("RM"). The Institute's policy is to minimise the exposure to foreign currency risk by monitoring and approving requisitions which involves foreign currencies.

No sensitivity analysis is prepared as the Institute does not expect any material effect on the Institute's deficit after tax and reserves arising from the effect of reasonably possible changes to exchange rates on the foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period as the balances are immaterial. The Institute did not engage in any transactions involving financial derivative instruments during the financial year.

(b) Credit risk

The credit risk is controlled by not granting any credit to individuals and companies with the exception of entities within the insurance industry, which have a special arrangement with the Institute.

The maximum credit risk associated with recognised financial assets is the carrying amount as shown in the statement of financial position.

The Institute has no significant concentration of credit risk with any single counterparty.

(c) Liquidity and cash flow risks

The Institute seeks to achieve a balance between certainty of funding even in difficult times for the markets of the Institute and to meet its cash obligation in a timely and cost-effective manner. This is to ensure that at the minimum, all projected net funding needs are covered by committed contributions. Also, the objective for debt maturity is to ensure that the amount of debts maturing in any one year is not beyond the Institute's means to repay and refinance.

The following tables detail the Institute's remaining contractual maturity for its financial assets and financial liabilities. The tables have been drawn up based on the undiscounted cash flows for financial assets and financial liabilities based on the earlier date on which the Institute expects to earn or may be required to pay. The tables include both interest and principal cash flows.

To the extent that interest rates are floating rates, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

| | Effective interest rate during the year % | Less than 1 year/ On demand RM | More than 1 year RM | Total RM |
|---|---|---|---|---|
| **2021** | | | | |
| Financial assets: | | | | |
| Fixed deposits and interest receivables | 1.70 to 2.05 | 22,791,642 | | 22,791,642 |
| Cash and bank balances (Note 16) | - | 5,341,816 | | 5,341,816 |
| Trade receivables (Note 13) | - | 372,439 | | 372,439 |
| Other receivables and refundable deposits | - | 514,379 | | 514,379 |
| Financial liabilities: | | | | |
| Trade payables (Note 18) | - | 744,772 | | 744,772 |
| Other payables and accrued expenses | - | 2,788,645 | | 2,788,645 |
| Lease liabilities (Note 20) | 5.00 | 1,319,425 | 1,296,184 | 2,615,609 |

| | Effective interest rate during the year % | Less than 1 year/ On demand RM | Total RM |
|---|---|---|---|
| **2020** | | | |
| Financial assets: | | | |
| Fixed deposits and interest receivables | 1.70 to 3.35 | 24,338,353 | 24,338,353 |
| Cash and bank balances (Note 16) | - | 7,312,777 | 7,312,777 |
| Trade receivables (Note 13) | - | 403,645 | 403,645 |
| Other receivables and refundable deposits | - | 482,277 | 482,277 |
| Financial liabilities: | | | |
| Trade payables (Note 18) | - | 882,611 | 882,611 |
| Other payables and accrued expenses | - | 2,386,647 | 2,386,647 |
| Lease liabilities (Note 20) | 4.65 | 433,982 | 433,982 |

**Sensitivity analysis for interest rate**

At the end of the reporting period, if the interest rates increased or decreased by 25 basis points (2020: 24 basis points), with all other variables held constant, the Institute's surplus for the year will be higher or lower by RM13,192 (2020: RM10,309).

The assumed movement in interest rates for interest rate sensitivity analysis is based on the current observable market environment.

(d) Capital risk management

The Institute manages its capital to ensure that the Institute will be able to continue as a going concern, through regular reviews of the capital structure. The capital structure of the Institute consists of general reserves and surplus as disclosed in the statement of changes in equity.

The Institute is not subject to any externally imposed capital requirements.

## 4. SIGNIFICANT ACCOUNTING POLICIES

**Basis of preparation**

The financial statements of the Institute have been prepared under the historical cost convention, unless otherwise indicated in the accounting policies stated below. The financial statements are presented in Ringgit Malaysia ("RM") which is the Institute's functional currency.

**Revenue recognition**

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied i.e. when the "control" of the services underlying the particular performance obligation is transferred to the customer.

A performance obligation is a promise to transfer a distinct service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Institute's customary business practices.

Revenue is measured at the amount of consideration to which the Institute expects to be entitled in exchange for transferring the promised services to the customers, excluding the amounts collected on behalf of third parties such as sales taxes or goods and services taxes. If the amount and consideration vary due to discounts, rebates, refunds or other similar items, the Institute estimates the amount of consideration to which it will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices promised in the contract.

Revenue is recognised to the extent that is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The Institute offers an extensive range of quality education programmes and training courses for professionals in the insurance and financial services industry. The Institute recognises revenue from the following major source:

**Point-in-time revenue:**

(a) Examination, professional qualification and certification fees (examination)

The Institute conducts examinations with a fee which to be paid by its customer. Revenue is recognised for examination, professional qualification and certification fees when the service is completed as this represents the point in time at which the right to consideration becomes unconditional, as only passage of time is required before the payment is due.

(b) Training, seminar and conference fees

The Institute conducts trainings, seminars and conferences for the benefit of the industry and its members and such services are recognised as performance obligations satisfied at the point in time. Revenue is recognised upon the performance of the services. Seminar and conferences fees will be recognised during the month of the programme as the duration of these seminar and conferences are short. Revenue from trainings conducted will be recognised at the point in time.

(c) E-learning fees and sale of books

For e-learning and sale of books, revenue is recognised when control of the goods has transferred being at the point the customer purchases the goods from the Institute. Payment of the transaction price is due immediately at the point the customer purchases the goods.

**Over-time revenue:**

(a) Membership fees

Membership fees comprise both corporate and individual memberships. Only subscription which is attributable to the current financial year is recognised as revenue. Subscription relating to periods beyond the current financial year is recognised as subscriptions in advance. Deferred income will be recognised accordingly.

(b) Professional qualification and certification fees (Class-based)

For fee relating to the classes, the fee for which the classes are conducted are recognised on the current financial year as revenue. Classes to be conducted beyond the current financial year is recognised as fee in advance. Deferred income will be recognised accordingly.

**Foreign currency**

The Institute's financial statements are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

In preparing the financial statements of the Institute, transactions in currencies other than the functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that 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 translated using the exchange rate as at the date of the initial transactions.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items are included in statement of comprehensive income for the year. Exchange differences

arising on the retranslation of non-monetary items carried at fair value are included in statement of comprehensive income for the year except for differences arising on the retranslation of non-monetary items in respect of gains and losses that are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

**Taxation**

(a) Current income tax

Current income tax assets and liabilities for the current year are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted at the end of the reporting period in the countries where the Institute operates and generates taxable income.

(b) Deferred Tax

Deferred tax is provided for, using the liability method, on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the financial statements at the end of the reporting period. 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 future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

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

The carrying amount of deferred tax assets, if any, is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Institute intends to settle its current tax assets and liabilities on a net basis.

**Employee benefits**

(a) Short-term benefits

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

**(b) Defined contribution plans**

The Institute is required by law to make monthly contributions to the Employees Provident Fund ("EPF"), a statutory defined contribution plan for all their eligible employees based on certain prescribed rates of the employees' applicable remuneration. Contributions are charged to statement of comprehensive income in the period in which they relate. The Institute's contributions to EPF are disclosed separately and the employees' contributions to EPF are included in employee benefits expense. Once the contributions have been paid, the Institute has no further payment obligations.

**Leases - As lessee**

The Institute assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As lessee, the Institute applies a single recognition and measurement approach for all lease, except for short-term leases and lease of low-value assets. The Institute recognises lease liability to make lease payment and right-of-use asset representing the right to use the underlying asset.

(i) Right-of-use assets

The Institute recognises a right-of-use asset at the lease commencement date. The right-of-use asset is initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liability. The cost of right-of-use asset includes the amount of lease liability recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use asset is depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the asset.

(ii) Lease liabilities

At the commencement date of the lease, the Institute recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease term payment includes fixed payment less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Institute and the payments of penalties for terminating the lease, if the lease term reflects the Institute exercising the option to terminate.

In calculating the present value of lease payments, the Institute uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payment made. In addition, the carrying amount of lease liabilities are remeasured if there is a modification, a change in the lease term, a change in the lease payment or a change in the assessment of an option to purchase the underlying asset.

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

The Institute has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets (less than RM20,000 individually). The Institute recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**Impairment of non-financial assets**

At the end of each reporting period, the Institute reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where it is not possible to estimate the recoverable amount of an individual asset, the Institute estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, or otherwise they are allocated to the smallest group of cash-generating unit for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in statement of comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in statement of comprehensive income.

**Plant and equipment**

Plant and equipment are stated at cost less accumulated depreciation and any impairment loss.

Subsequent cost is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Institute and the cost can be measured reliably. The carrying amount of the part of the asset being replaced is derecognised. All other repairs and maintenance costs are charged to statement of comprehensive income in the year in which they are incurred.

Depreciation of plant and equipment are computed on the straight-line method at the following annual rates based on the estimated useful lives of the various plant and equipment:

| | |
|---|---|
| Furniture and fittings, audio visual and office equipment | 10% - 33.33% |
| Motor vehicles | 20% |
| Computers and peripherals | 20% - 33.33% |
| Renovation | 20% - 33.33% |

At the end of each reporting period, the residual values, useful lives and depreciation method of the plant and equipment are reviewed, and the effects of any changes are recognised prospectively.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal

or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset, and is recognised in statement of comprehensive income.

**Inventories**

Inventories are valued at the lower of cost and net realisable value. Inventories represent books and publications for sale.

In arriving at net realisable value, impairment is made for obsolete and slow-moving inventories.

Cost includes the cost of purchase plus the cost incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price for inventories less all estimated cost necessary to make the sale.

**Provisions**

Provisions are made when the Institute has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when 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. Provisions are reversed if it is no longer probable that the Institute will be required to settle the obligation.

**Financial instruments**

Financial assets and financial liabilities are recognised in the statement of financial position when, and only when, the Institute becomes a party to the contractual provisions of the financial instruments.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(a) Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Institute changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(i) Amortised cost

Amortised cost category comprises financial assets that are held within the business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding. The financial assets are not designated as at Fair Value Through Profit or Loss ("FVTPL").

Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Any gains or losses on derecognition is recognised in statement of comprehensive income.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets where the effective interest rate is applied to the amortised costs.

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period.

The effective interest rate is the rate that exactly discounts the estimated future cash receipts or payments through the expected life of the financial assets, or where appropriate, a shorter period.

All financial assets, except those measured at FVTPL, are subject to impairment assessment.

(b) Financial Liabilities

Financial liabilities not categorised as FVTPL are categorised as other financial liabilities, which subsequently measured at amortised cost using the effective interest method. Interest expense is recognised in the statement of comprehensive income. Any gains or losses on derecognition are also recognised in statement of comprehensive income. Other financial liabilities comprising payables, accrued expenses and debt instruments.

(c) Derecognition

The Institute derecognises a financial asset only when the contractual rights to the cash flows from the financial asset expires, or it transfers the financial assets and substantially all of the risks and rewards of ownership of the financial asset to another entity. If the Institute neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred financial asset, the Institute recognises its retained interest in the financial asset and an associated liability for amounts it may have to pay.

If the Institute retains substantially all the risks and rewards of ownership of a transferred financial asset, the Institute continues to recognise the financial asset and also recognises a collateralised borrowing from the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the financial asset's carrying amount and the sum of consideration received and receivable and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in statement of comprehensive income.

A financial liability is derecognised when, and only when the obligation specified in the contract is discharged, cancelled or expires.

A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid is recognised in statement of comprehensive income.

**Impairment of financial assets**

The Institute recognises estimated credit loss ("ECL") on financial assets measured at amortised cost. ECLs are a probability-weighted estimate of credit losses. The Institute measures loss allowance at an amount equal to lifetime expected credit loss, except for other receivables, capacity building fund, fixed deposits and cash and bank balances that are determined to have low credit risk at the reporting date or the credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowance for trade receivables is always measured at an amount equal to lifetime expected credit loss.

The Institute considers reasonable and supportable information that is relevant and available without undue cost or effort when assessing the ECL. This includes both quantitative and qualitative information and analysis, based on the Institute's historical experience and forward-looking information, where available.

Lifetime ECLs are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month ECLs are the portion of expected credit losses that result from default events that are possible within the 12 months after the end of the reporting period.

An impairment loss in respect of financial assets measured at amortised cost is recognised in statement of comprehensive income and the carrying amount of the asset is reduced through the use of an allowance account.

**Classification as debt or equity**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements.

**Fair value measurement**

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

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Institute. 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.

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 participants that would use the asset in its highest and best use.

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

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

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

**Cash and cash equivalents**

The Institute adopts the indirect method in the preparation of the statement of cash flows. Cash equivalents are short-term, highly liquid investments and are readily convertible to cash with insignificant risk of changes in value.

Cash and cash equivalent include cash, cash in banks and fixed deposits with licensed financial institutions with original maturity periods of three months or less, which have an insignificant risk of changes in value and are readily convertible to a known amount.

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(a) Critical judgements in applying the Institute's accounting policies

In the process of applying the Institute's accounting policies as described in Note 4 above, management is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements.

(b) Key sources of estimation uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

## 6. REVENUE

| | 2021<br>RM | 2020<br>RM |
|---|---|---|
| Revenue recognised at point-in-time: | | |
| Examination fees | 7,612,292 | 6,555,556 |
| Training, seminar and conference fees | 3,349,542 | 2,696,644 |
| E-learning | 942,150 | 850,211 |
| Sale of books | 82,901 | 110,254 |
| Others | - | 2,470 |
| | 11,986,885 | 10,215,135 |
| Revenue recognised over time: | | |
| Membership fees | 809,008 | 773,908 |
| | 12,795,893 | 10,989,043 |

## 7. OPERATING DEFICIT

In addition to the employee benefits expenses and depreciation of plant and equipment and right-of-use assets, operating deficit is arrived at after crediting/(charging):

| | 2021 RM | 2020 RM |
|---|---|---|
| Other income | 84,349 | 92,133 |
| Interest income from fixed deposits | 442,429 | 660,723 |
| Gain on lease modification (Note 20) | - | 4,670 |
| Gain on disposal of plant and equipment | - | 1,758 |
| Gain/(Loss) on foreign exchange: | | |
| Realised | 487 | 239 |
| Unrealised | - | (241) |
| Expenses relating to: | | |
| Short-term leases | (523,848) | (921,771) |
| Leases of low value assets | (51,831) | (50,166) |
| Reversal/(Addition) to loss allowance on trade receivables (Note 13) | 82,748 | (78,558) |
| Plant and equipment written off | (9,333) | (1,102) |
| Auditors' remuneration | (45,000) | (40,000) |
| Directors' fee | (30,500) | (14,000) |

Employee benefits expense include salaries, contributions to EPF and all other staff related expenses. During the financial year, contributions of EPF made by the Institute amounted to RM929,323 (2020: RM913,470).

Included in other income is Hibah, a voluntary gift on saving account in licenced banks, amounted to RM15,902 (2020: RM27,344).

## 8. TAX EXPENSE

| | 2021 RM | 2020 RM |
|---|---|---|
| Tax expense | - | - |

For tax purposes, the Institute is treated as a "Trade Association" under Section 53(3) of the Income Tax Act 1967 under which its income is taxed at scale rates.

A numerical reconciliation of tax credit applicable to the deficit before tax at the statutory income tax rate to tax credit at the effective tax rate of the Institute is as follows:

| | 2021<br>RM | 2020<br>RM |
|---|---|---|
| Deficit before tax | (784,558) | (2,623,094) |
| Tax at 28% | 219,676 | 734,466 |
| Tax effects of: | | |
| Expenses not deductible for tax purposes | (108,422) | (282,321) |
| Income not subject to tax | 23,617 | 23,715 |
| Deferred tax assets not recognised | (134,871) | (475,860) |
| Tax expense for the year | - | - |

The tax liability of RM2,022,297 (2020: RM2,022,297) on the Statement of Financial Position relates to the Institute's tax obligations arising from the disposal of Wisma IBI in 2016. The previous auditor was not able to complete certain audit procedures in relation to the carrying amount of the tax liability and tax expense and as a result, issued a modified audit opinion for the previous financial year ended 31 December 2020, on 18 August 2021.

Significant judgement had been applied by the Institute to determine the estimated building market value of Wisma IBI, at the time of its disposal, as fair value assessment by a qualified property valuer could not be obtained by the Institute (due to the Government's Movement Control Order in place at the material time) and provided to the previous auditor prior to signing off the audited financial statements for 31 December 2020. Therefore, tax provisions and tax expenses had been estimated based on estimates of the said property's value, by the Institute.

During the financial year ended 31 December 2021, the property valuation exercise had been completed on 18 November 2021. The fair value of Wisma IBI on the date of disposal was estimated by a qualified property valuer. With this new information, the tax provisions and tax expenses estimated for the financial year ended 31 December 2020, had been reassessed by the Institute. No additional provision for tax is required in the current financial year.

## 9. PLANT AND EQUIPMENT

| | Furniture and fittings, audio visual and office equipment RM | Motor Vehicles RM | Computers and peripherals RM | Renovation RM | Total RM |
|---|---|---|---|---|---|
| Cost | | | | | |
| At 1 January 2020 | 1,487,155 | 217,004 | 3,976,491 | 14,226 | 5,694,876 |
| Additions | - | - | 160,000 | - | 160,000 |
| Disposals | (59,843) | - | - | - | (59,843) |
| Write-offs | (593,670) | - | - | - | (593,670) |
| At 31 December 2020/ 1 January 2021 | 833,642 | 217,004 | 4,136,491 | 14,226 | 5,201,363 |
| Reclassification to Capacity Building Fund (Note 15) | - | - | (160,000) | - | (160,000) |
| Write-offs | (657,676) | - | (2,049,030) | (14,226) | (2,720,932) |
| At 31 December 2021 | 175,966 | 217,004 | 1,927,461 | - | 2,320,431 |

| | Furniture and fittings, audio visual and office equipment RM | Motor Vehicles RM | Computers and peripherals RM | Renovation RM | Total RM |
|---|---|---|---|---|---|
| **Accumulated Depreciation** | | | | | |
| At 1 January 2020 | 1,460,861 | 119,259 | 3,837,195 | 14,226 | 5,431,541 |
| Charge for the year | 8,388 | 24,436 | 49,441 | - | 82,265 |
| Disposals | (59,843) | - | - | - | (59,843) |
| Write-offs | (592,568) | - | - | - | (592,568) |
| At 31 December 2020/ 1 January 2021 | 816,838 | 143,695 | 3,886,636 | 14,226 | 4,861,395 |
| Charge for the year | 5,290 | 24,436 | 58,858 | - | 88,584 |
| Write-offs | (648,900) | - | (2,048,473) | (14,226) | (2,711,599) |
| At 31 December 2021 | 173,228 | 168,131 | 1,897,021 | - | 2,238,380 |
| **Net Carrying Amount** | | | | | |
| At 31 December 2021 | 2,738 | 48,873 | 30,440 | - | 82,051 |
| At 31 December 2020 | 16,804 | 73,309 | 249,855 | - | 339,968 |

Included in plant and equipment of the Institute are fully depreciated assets which are still in use, with costs totalling RM1,915,278 (2020: RM4,601,692).

## 10. RIGHT-OF-USE ASSET

| | 2021 RM | 2020 RM |
|---|---|---|
| **Cost** | | |
| At beginning of year | 1,888,538 | 1,251,811 |
| Additions | 2,954,392 | 636,727 |
| Write off | (1,888,627) | - |
| At end of year | 2,954,303 | 1,888,538 |
| **Accumulated Depreciation** | | |
| At beginning of year | 1,465,365 | 625,906 |
| Charge for the year | 915,154 | 839,459 |
| Write off | (1,890,442) | - |
| At end of year | 490,077 | 1,465,365 |
| **Net Carrying Amount** | 2,464,226 | 423,173 |

During the financial year ended 31 December 2021, a lease arrangement with previous tenor had ended on 30 June 2021. The cost and the accumulated depreciations had been written off from the books. The Institute has entered into new lease arrangements for its office premises and other facilities such as computer labs and training room facilities from 1 April 2021 to 31 March 2024 and 1 April 2021 to 31 March 2023 respectively.

## 11. FIXED DEPOSITS

Fixed deposits placed with licensed banks earn interest at rates ranging from 1.70% to 2.05% (2020: 1.70% to 3.35%). The fixed deposits with original maturity period of 3 months and below and original maturity period of more than 3 months are with average maturity period of 91 days (2020: 91days) and 199 days (2020: 198 days) respectively. The Institute's fixed deposits placements as atn31 December 2021 are as below:

| | 2021<br>RM | 2020<br>RM |
|---|---|---|
| Original maturity period of 3 months and below | 926,834 | 911,247 |
| Original maturity period of more than 3 months | 21,767,406 | 23,328,395 |
| At end of year | 22,694,240 | 24,239,642 |

## 12. INVENTORIES

| | 2021<br>RM | 2020<br>RM |
|---|---|---|
| Bookshop books: | | |
| At cost | 52,752 | 62,180 |

The cost of inventories recognised as an expense for the year was RM22,815 (2020: RM11,950).

## 13. TRADE RECEIVABLES

| | 2021<br>RM | 2020<br>RM |
|---|---|---|
| Third parties | 497,691 | 611,645 |
| Less: Loss allowances | (125,252) | (208,000) |
| Net | 372,439 | 403,645 |

Trade receivables comprise amounts receivable from customers for academic and training courses conducted. These are non-interest bearing and recognised at their original invoice amounts which represent their fair values on initial recognition. In general, the Institute practices no credit to its customers. However, the Institute allows credit to customers with special arrangement with the Institute.

Movements in loss allowances accounts used to record the impairment loss and the analysis of the Institute's trade receivables that are individually and collectively impaired at the reporting date are as follows:

| | Individually Impaired RM | Collectively Impaired RM | Total RM |
|---|---|---|---|
| Movement in loss allowance accounts | | | |
| At 1 January 2020 | 125,980 | 3,462 | 129,442 |
| Increase in impairment for the year | 80,582 | (2,024) | 78,558 |
| At 31 December 2020 | 206,562 | 1,438 | 208,000 |
| | | | |
| At 1 January 2021 | 206,562 | 1,438 | 208,000 |
| Increase in impairment for the year | (93,396) | 10,648 | (82,748) |
| At 31 December 2021 | 113,166 | 12,086 | 125,252 |

Credit terms of trade receivables is 90 days (2020: 90 days). No interest is charged on outstanding trade receivables.

The Institute measures the loss allowance for trade receivables at an amount equal to lifetime Estimated Credit Loss ("ECL").

The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate should there be any and an assessment of both the current as well as the forecast direction of conditions at the end of the reporting period.

The Institute writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

The following table details the risk profile of trade receivables based on the Institute's provision matrix. As the Institute's historical credit loss experience does not show significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Institute's different customer base.

| | ← Days not past due → | | | ← Days past due → | | |
|---|---|---|---|---|---|---|
| | **< 30 RM** | **31 - 60 RM** | **61 - 90 RM** | **91 - 120 RM** | **> 120 RM** | **Total RM** |
| **As at 31 December 2021** | | | | | | |
| Estimated total gross carrying amount | | | | | | |
| at default | 277,917 | 64,600 | 23,637 | 17,798 | 113,739 | 497,691 |
| Lifetime ECL | 230 | 81 | 36 | 14 | 124,891 | 125,252 |
| **As at 31 December 2020** | | | | | | |
| Estimated total gross carrying amount | | | | | | |
| at default | 171,340 | 67,142 | 141,243 | 18,632 | 213,288 | 611,645 |
| Lifetime ECL | 631 | 233 | 494 | 65 | 206,577 | 208,000 |

As at 31 December 2021, trade receivables with a total of RM6,632 (2020: RM25,278) were past due but not impaired. Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Institute. In determining the recoverability of a trade receivable, the Institute considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

## 14. OTHER RECEIVABLES, DEPOSITS AND PREPAID EXPENSES

| | **2021 RM** | **2020 RM** |
|---|---|---|
| Other receivables | 111,720 | 175,461 |
| Interest receivable | 97,401 | 98,711 |
| Refundable deposits | 402,659 | 306,815 |
| Renovation expenses | 1,894,304 | - |
| Prepaid expenses | 376,119 | 399,948 |
| | 2,882,203 | 980,935 |

## 15. CAPACITY BUILDING FUND

| | 2021 RM | 2020 RM |
|---|---|---|
| At beginning of year | (3,933,213) | (5,942,032) |
| Payments | 1,050,662 | 2,008,819 |
| Reclassification to plant and equipment (Note 9) | 160,000 | - |
| At end of year | (2,722,551) | (3,933,213) |

Following the idea of having a permanent funding mechanism from the industry, Bank Negara Malaysia initiated the move to set up a capacity building fund to be jointly funded by Bank Negara Malaysia and the insurance industry. The basis of the contribution is that Bank Negara Malaysia will match ringgit-for-ringgit the contribution by the insurance industry. The fund will be channelled through the Board of Trustees of Asian Institute of Finance, which will disburse the necessary funds for any approved projects.

The balance of RM2,722,551 (2020: RM3,933,213) as at 31 December 2021 is an excess of fund received from the Asian Institute of Finance ("AIF") which comprises advance payments for the approved ongoing projects and is repayable on demand.

## 16. CASH AND CASH EQUIVALENTS

| | 2021 RM | 2020 RM |
|---|---|---|
| Cash and bank balances | 5,341,816 | 7,312,777 |
| Original maturity period of 3 months and below | 926,834 | 911,247 |
| | 6,268,650 | 8,224,024 |

Cash and bank balances are denominated in the following currencies:

| | 2021 RM | 2020 RM |
|---|---|---|
| Ringgit Malaysia | 5,291,894 | 7,291,814 |
| United States Dollar | 49,922 | 20,963 |
| | 5,341,816 | 7,312,777 |

## 17. GENERAL RESERVES

General reserves arose mainly from contributions by insurance companies, brokers, agents and adjusters and the surplus arising on the disposal of a subsidiary company in prior years.

## 18. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

Trade payables comprise amounts outstanding for trade purchases and ongoing costs. These payables are non-interest bearing and the credit period granted to the Institute for trade purchases ranges from 30 days to 90 days (2020: 30 days to 90 days).

Other payables and accrued expenses consist of the following:

| | 2021<br>RM | 2020<br>RM |
|---|---|---|
| Other payables | 507,183 | 311,568 |
| Accrued expenses | 2,281,462 | 2,075,079 |
| Deferred income | 473,984 | 149,337 |
| | 3,262,629 | 2,535,984 |

## 19. TRAINING CREDIT SCHEME

| | 2021<br>RM | 2020<br>RM |
|---|---|---|
| At beginning of year | 975,333 | - |
| Additions | 24,179 | 1,245,000 |
| Utilisations | (542,085) | (269,667) |
| At end of year | 457,427 | 975,333 |

The MII Training Credit Scheme was mooted during the Extraordinary General Meeting of the bondholders of Zero Coupon Bonds on 14 November 2017 by Bank Negara Malaysia ("BNM") as an initiative to the bondholders to have the redemption sum converted into training credits. The scheme was then established following the redemption of the Zero Coupon Bond on 4 November 2019.

The Training Credit Scheme will be utilised by participating companies to offset against training fees for subscribed courses provided by MII or an approved training provider.

The objective of the scheme is to promote a lifelong learning culture and to boost investment in talent development and capacity building initiatives by insurance industry players.

## 20. LEASE LIABILITIES

| | 2021 RM | 2020 RM |
|---|---|---|
| At beginning of year | 427,633 | 637,615 |
| Additions | 2,954,392 | 636,727 |
| Gain on lease modification (Note 7) | - | (4,670) |
| Finance costs (Note 7) | 42,337 | 25,925 |
| Repayments of lease liability | (902,665) | (842,039) |
| Repayments of finance costs | (42,337) | (25,925) |
| At end of year | 2,479,360 | 427,633 |

The incremental borrowing rate applied to the lease liability recognised in the statement of financial position is 5.00% (2020: 4.65%). The additions during the year represent the new lease arrangements for the Institute's office premises and other facilities such as computer labs and training room facilities from 1 April 2021 to 31 March 2024 and 1 April 2021 to 31 March 2023 respectively.

## 21. CAPITAL COMMITMENTS

As of the end of the reporting period, the Institute has the following capital commitments in respect of plant and equipment:

| | 2021 RM | 2020 RM |
|---|---|---|
| Approved but not contracted for | 1,517,460 | 5,638,499 |

## 22. RENTAL COMMITMENT

As of the end of the reporting period, the Institute has the following rental commitment which have been exempted under MFRS 16 due to the leases of low-value assets and short-term leases:

| | Future Minimum Lease Payments | |
|---|---|---|
| | 2021 RM | 2020 RM |
| Financial years ending 31 December, | | |
| 2022 | 1,568,081 | 553,325 |
| 2023 onwards | 1,722,904 | 187,118 |
| | 3,290,985 | 740,443 |

## 23. COMPENSATION OF KEY MANAGEMENT PERSONNEL

The compensation of key management personnel which comprises key members of senior management of the Institute during the financial year are as follows:

| | 2021<br>RM | 2020<br>RM |
|---|---|---|
| Short-term employee benefits | 1,753,962 | 1,526,049 |
| Contributions to EPF | 255,851 | 225,414 |
| | 2,009,813 | 1,751,463 |

## 24. FINANCIAL INSTRUMENTS

**Categories of financial instruments**

| | 2021<br>RM | 2020<br>RM |
|---|---|---|
| **Financial assets** | | |
| Fixed deposits and interest receivables | 22,791,642 | 24,338,353 |
| Cash and bank balances | 5,341,816 | 7,312,777 |
| Trade receivables | 372,439 | 403,645 |
| Other receivables and refundable deposits | 514,379 | 482,277 |
| Financial assets at amortised cost | 29,020,276 | 32,537,051 |
| **Financial liabilities** | | |
| Trade payables | 744,772 | 882,611 |
| Other payables and accrued expenses | 2,788,645 | 2,386,647 |
| Financial liabilities at amortised cost | 3,533,417 | 3,269,258 |

The carrying amounts of all financial assets and liabilities of the Institute at the end of the reporting period approximate their fair values due to their short term maturity.

**THE MALAYSIAN INSURANCE INSTITUTE**
(Incorporated in Malaysia)

**STATEMENT BY DIRECTORS**

The directors of **THE MALAYSIAN INSURANCE INSTITUTE** state that, in their opinion, the financial statements give a true and fair view of the financial position of the Institute as at 31 December 2021 and of its financial performance and its 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.

Signed in accordance with
a resolution of the Directors,

**ANTONY FOOK WENG LEE**
**(CHAIRMAN)**

**EZAMSHAH BIN ISMAIL**
**(DIRECTOR)**

Kuala Lumpur,
26 May 2022

**DECLARATION BY THE OFFICER PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE INSTITUTE**

I, **SHALINI A/P K PAVITHRAN** the officer primarily responsible for the financial management of **THE MALAYSIAN INSURANCE INSTITUTE**, do solemnly and sincerely declare that the accompanying financial statements 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.

**SHALINI A/P K PAVITHRAN**

Subscribed and solemnly declared by the abovenamed **SHALINI A/P K PAVITHRAN** at **KUALA LUMPUR** this 26th day of May, 2022

Before me,

**COMMISSIONER FOR OATHS**

PESURUHJAYA SUMPAH
W 711
SYED KHAIRIL ANUAR
B. SYED ZAINUDIN
01/01/2021-31/12/2023
MALAYSIA

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