

**Malaysian Reinsurance Berhad  
(Incorporated in Malaysia)**

**Notes to the Unaudited Condensed Financial Statements - 30 September 2013**

**1. Corporate information**

Malaysian Reinsurance Berhad ("the Company") is principally engaged in the underwriting of all classes of general reinsurance business. There have been no significant changes in the nature of this principal activity during the financial period.

The Company is a public limited liability company, incorporated and domiciled in Malaysia. 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 holding and ultimate holding company is MNRB Holdings Berhad, a company incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad.

**2. Significant accounting policies**

**2.1 Basis of preparation**

The interim financial statements of the Company are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia.

The interim financial statements should be read in conjunction with the audited financial statements of the Company for the year ended 31 March 2013.

**2.2 Adoption of new and revised FRSs, Amendments to FRSs and Issues Committee ("IC") Interpretations**

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 year ended 31 March 2013 except for the adoption of the following amendments to the existing accounting standards and Issues Committee ("IC") Interpretations issued by MASB that are effective for the Company's financial year beginning on 1 April 2013:

MFRS 101 Presentation of Items of Other Comprehensive Income  
(Amendments to MFRS 101)

MFRS 101 Presentation of Items of Other Comprehensive Income  
(Amendments to MFRS 101)

Amendments to MFRS 101 Presentation of Financial Statements  
(Annual Improvements 2009 - 2011 Cycle)

MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by  
IASB in March 2004)

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MFRS 10 Consolidated Financial Statements  
MFRS 11 Joint Arrangements  
MFRS 12 Disclosure of interests in Other Entities  
MFRS 13 Fair Value Measurement  
MFRS 119 Employee Benefits  
MFRS 127 Separate Financial Statements  
MFRS 128 Investment in Associate and Joint Ventures  
MFRS 127 Consolidated and Separate Financial Statements  
(IAS 27 as revised by IASB in December 2003)  
Amendment to IC Interpretation 2 Members' Shares in Co-operative Entities and Similar  
Instruments (Annual Improvements 2009 - 2011 Cycle)  
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine  
Amendments to MFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities  
Amendments to MFRS 1 First-time Adoption of MFRS - Government Loans  
Amendments to MFRS 1: First-time Adoption of MFRS - Annual Improvements 2009  
- 2011 Cycle)  
Amendments to MFRS 116 Property, Plant and Equipment (Annual Improvements  
2009 - 2011 Cycle)  
Amendments to MFRS 132 Financial Instruments: Presentation  
(Annual Improvements 2009 - 2011 Cycle)  
Amendments to MFRS134 Interim Financial Reporting (Annual Improvements  
2009 - 2011 Cycle)  
Amendments to MFRS 10 Consolidated Financial Statements: Transition Guidance  
Amendments to MFRS 11 Joint Arrangements: Transition Guidance  
Amendments to MFRS 12 Disclosure of Interests in Other Entities: Transition Guidance  
Amendments to MFRS 132 Offsetting Financial Assets and Financial Liabilities

The adoption of the above FRSs, Amendments to FRS and IC Interpretations did not have any significant effect on the financial performance and position of the Company.

**3. Seasonality or cyclicity factors**

During the period ended 30 September 2013, the operations of the Company were not materially affected by any seasonal factors. With regards to cyclical factors, the performance of the Company is directly correlated with the industry cycle and the economic performance of the countries in which the Company operates.

**4. 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 during the financial period ended 30 September 2013.

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**5. Changes in estimates**

There were no material changes in estimates used in the preparation of this interim financial report.

**6. 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.

**7. Significant events**

There were no other significant events during the current financial period ended 30 September 2013.

**8. Subsequent events**

On October 7, 2013, Typhoon Fitow hit Fujian Province in Southeast China causing massive destruction from strong winds and heavy rains. The company could be exposed up to RM32.0 million in claims for this event.

**9. Changes in the composition of the Company**

There were no changes in the composition of the Company during the current financial period ended 30 September 2013.

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**10. Investment properties**

	<b>30.09.2013</b>	<b>31.03.2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At beginning of period / year</b>	6,200	5,600
Fair value gains	-	600
<b>At end of period / year</b>	<u>6,200</u>	<u>6,200</u>

Investment properties are stated at fair value as determined based on valuations performed by an accredited independent professional valuer with recent experience in the location and category of properties being valued. The fair value gains are recognised in the income statement.

**11. Investment in associate**

	<b>30.09.2013</b>	<b>31.03.2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Unquoted shares in Malaysia, at cost	<u>75,658</u>	<u>75,658</u>

The associate is Labuan Reinsurance (L) Ltd., a company incorporated in the Federal Territory of Labuan, Malaysia. The Company's proportion of ownership interest and voting power in its associate is 20% (2012: 20%). The associate is engaged principally in the underwriting of all classes of general reinsurance business in the Federal Territory of Labuan pursuant to a license given under the Labuan Financial Services and Securities Act 2010. Its financial year end is 31 December.

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**11. Investment in associate (cont'd.)**

The results of the associate are not equity accounted as the holding company, MNRB Holdings Berhad, produces financial statements that are available for public use and which comply with Financial Reporting Standards in Malaysia. The summarised financial information of the associate is as follows:

	<b>30.09.2013</b>	<b>31.03.2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Assets and liabilities</b>		
Current assets	1,706,827	1,898,695
Non-current assets	50,638	55,072
Total assets	<u>1,757,465</u>	<u>1,953,767</u>
Current liabilities	90,446	389,677
Non-current liabilities	1,206,068	1,115,260
Total liabilities	<u>1,296,514</u>	<u>1,504,937</u>
<b>Results</b>		
(Loss) / profit for the period / year	<u>13,607</u>	<u>(13,086)</u>

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**12. Financial assets**

The following tables summarise the fair values and carrying values of financial assets of the Company:

	30.09.2013		31.03.2013	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
Financial assets at FVTPL	351	351	5,820	5,820
HTM investments	249,929	249,049	257,858	262,516
AFS financial assets	996,634	996,634	889,496	889,496
Loans and receivables	957,223	957,223	1,004,219	1,004,219
	<u>2,204,136</u>	<u>2,203,256</u>	<u>2,157,393</u>	<u>2,162,051</u>
Malaysian government securities	88,918	87,420	79,131	80,812
Government investment issues	124,723	125,048	122,591	125,022
Islamic BNM monetary notes				
Debt securities	901,593	901,886	899,315	899,861
Equity securities	126,158	126,158	46,643	46,643
Institutional trust deposit	58,606	58,606	57,165	57,165
Structured products	5,521	5,521	5,494	5,494
Fixed and call deposits	633,048	633,048	679,085	679,085
Uncallable Negotiable Islamic Deposits	23,420	23,420	27,226	27,226
Islamic investment accounts	155,542	155,542	166,893	166,893
Other loans and receivables	86,608	86,608	73,850	73,850
	<u>2,204,136</u>	<u>2,203,256</u>	<u>2,157,393</u>	<u>2,162,051</u>

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**12. Financial assets (cont'd.)**

The Company's financial instruments are summarised by categories as follows:

	<b>30.09.2013</b>	<b>31.03.2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(a) Financial assets at FVTPL</b>		
<b>At fair value:</b>		
Shares quoted in Malaysia:		
Shariah approved equities	351	326
Structured products	-	5,494
	<u>351</u>	<u>5,820</u>
<b>(b) HTM investments</b>		
<b>At amortised cost:</b>		
Malaysian government securities	79,035	79,131
Unquoted corporate debt securities	50,011	55,014
Government investment issues	105,954	108,831
Short term commercial papers	14,929	14,882
	<u>249,929</u>	<u>257,858</u>
<b>At fair value:</b>		
Malaysian government securities	77,537	80,812
Unquoted corporate debt securities	50,305	55,565
Government investment issues	106,279	111,262
Short term commercial papers	14,928	14,877
	<u>249,049</u>	<u>262,516</u>

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**12. Financial assets (cont'd.)**

	<b>30.09.2013</b>	<b>31.03.2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(c) AFS financial assets</b>		
<b>At cost:</b>		
Unquoted shares in Malaysia	44,503	44,503
<b>At fair value:</b>		
Malaysian government securities	9,883	-
Unquoted corporate debt securities	836,654	829,419
Government investment issues	18,769	13,760
Quoted shares in Malaysia:		
Shariah approved equities	54,555	1,621
Others	32,055	-
Quoted shares outside Malaysia	215	193
	<u>952,131</u>	<u>844,993</u>
	<u>996,634</u>	<u>889,496</u>

The investments in unquoted shares are measured at cost and their fair value are not disclosed as they cannot be measured reliably based on available information.



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**12. Financial assets (cont'd.)**

**(c) AFS financial assets (cont'd.)**

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

	<b>30.09.2013</b>	<b>31.03.2013</b>
	<b>RM'000</b>	<b>RM'000</b>
(i) 27,500,000 ordinary shares of RM1.00 each of Financial Park (Labuan) Sdn. Bhd. ("FPL"), representing an equity shareholding of 9%. Less: Impairment loss	28,283 (4,759) <u>23,524</u>	28,283 (4,759) <u>23,524</u>
20,000,000 redeemable preference shares of RM1.00 each of FPL	<u>20,569</u> <u>44,093</u>	<u>20,569</u> <u>44,093</u>
(ii) 410,000 ordinary shares of Malaysian Rating Corporation Berhad ("MARC") of RM1.00 each, representing an equity shareholding of 4%.	410	410
Total unquoted shares in Malaysia	<u>44,503</u>	<u>44,503</u>

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**12. Financial assets (cont'd.)**

**(d) Loans and receivables**

	<b>30.09.2013</b>	<b>31.03.2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At amortised cost / fair value:</b>		
Fixed and call deposits with licensed:		
Commercial banks	249,068	164,863
Investment banks	366,321	514,222
Islamic investment accounts with licensed:		
Co-operative bank	36,654	13,020
Islamic banks	152,308	153,873
Institutional trust deposit	58,606	57,165
Uncallable Negotiable Islamic Deposits	7,660	27,226
Secured staff loans:		
Receivable within 12 months	763	666
Receivable after 12 months	3,993	3,413
Due from insurance Pool accounts		32,020
Income due and accrued	19,856	18,247
Due from related companies:		
Fellow subsidiaries	1,178	942
Other receivables and deposits	61,995	18,562
	<u>958,401</u>	<u>1,004,219</u>

The amounts due from the holding company and fellow subsidiaries are unsecured, interest-free and repayable upon demand.

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**13. Insurance receivables**

	<b>30.09.2013</b>	<b>31.03.2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Amounts due from brokers and ceding companies	292,776	236,912
Allowance for impairment losses	(9,033)	(7,442)
	<u>283,743</u>	<u>229,470</u>

Included in amounts due from brokers and ceding companies is an amount of RM201,260 (2013: RM1,442,000) due from an associate, Labuan Reinsurance (L) Ltd. This amount receivable is subject to settlement terms stipulated in the reinsurance contracts.

**14. Non-current assets held for sale**

	<b>30.09.2013</b>	<b>31.03.2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Freehold land and buildings:</b>		
At beginning of year	-	-
Disposal during the year	-	(56,601)
At end of year	<u>-</u>	<u>(56,601)</u>

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**15. Insurance contract liabilities**

	30.09.2013			31.03.2013		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Claim liabilities (i)	1,406,140	(174,945)	1,231,195	1,384,717	(218,160)	1,166,557
Premium liabilities (ii)	290,609	(2,237)	288,372	258,607	(6,556)	252,051
	<u>1,696,749</u>	<u>(177,182)</u>	<u>1,519,567</u>	<u>1,643,324</u>	<u>(224,716)</u>	<u>1,418,608</u>

	30.09.2013			31.03.2013		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
<b>(i) Claim liabilities</b>						
At beginning of period / year	1,384,717	(218,160)	1,166,557	1,389,660	(356,094)	1,033,566
Adjustment to claims incurred:						
- Outstanding reserves for current underwriting year	35,372	-	35,372	119,065	(10,644)	108,420
- Movements in outstanding reserve from prior underwriting years	309,757	(25,760)	283,997	553,788	(57,710)	496,078
- Movement in IBNR and PRAD	5,450	8,873	14,323	8,911	12,799	21,710
- Claims paid during the period / year	(329,155)	60,102	(269,053)	(686,707)	193,490	(493,217)
At end of period/year	<u>1,406,141</u>	<u>(174,945)</u>	<u>1,231,196</u>	<u>1,384,717</u>	<u>(218,160)</u>	<u>1,166,557</u>
<b>(ii) Premium liabilities</b>						
At beginning of period / year	258,607	(6,556)	252,051	228,554	(1,542)	227,012
Premiums written in the period / year	680,694	(40,723)	639,971	1,279,078	(186,103)	1,092,975
Premiums earned during the period / year	(648,691)	45,041	(603,650)	(1,249,025)	181,089	(1,067,936)
At end of period / year	<u>290,610</u>	<u>(2,238)</u>	<u>288,372</u>	<u>258,607</u>	<u>(6,556)</u>	<u>252,051</u>

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**16. Dividends**

A final dividend in respect of the financial year ended 31 March 2013 of 18.8% per share less 25% income tax based on the issued and paid-up share capital of 510,000,002 ordinary shares at the date of this report, amounting to a total net dividend of RM72,000,000, was approved by the shareholders at the Company's 9th Annual General Meeting held on 25 September 2013 and paid on 26 September 2013.

**17. Operating lease arrangements**

**The Company as lessee**

The Company 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 Company 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:

	<b>30.09.2013</b>	<b>31.03.2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Not later than 1 year	2,816	2,816
Later than 1 year and not later than 5 years	1,408	-
	<u>4,224</u>	<u>2,816</u>

**18. Capital commitments**

	<b>30.09.2013</b>	<b>31.03.2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Capital expenditure</b>		
Approved and contracted for:		
Property, plant and equipment	6,700	1,024
Intangible assets	-	204
	<u>6,700</u>	<u>1,228</u>

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**19. Regulatory capital requirement**

The total capital available of the Company as at 30 September 2013, as prescribed and reported under the RBC Framework, is provided below:

	<b>30.09.2013</b>	<b>31.03.2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Eligible Tier 1 Capital</b>		
Share capital	510,000	510,000
Retained profits	517,587	501,065
	<u>1,027,587</u>	<u>1,011,065</u>
<b>Tier 2 Capital</b>		
Revaluation reserves	30,660	30,660
AFS reserves	(2,284)	7,623
	<u>27,376</u>	<u>38,283</u>
<b>Total Capital Available</b>	<u>1,055,963</u>	<u>1,049,348</u>

**20. Fair values of financial instruments**

MFRS 7 Financial Instruments: Disclosures requires the classification of financial instruments held 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. The following levels of hierarchy are used for determining and disclosing the fair value of the Company's financial instruments:

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

During and at the end of the financial year, there were no financial assets measured at fair value under Level 3 of the fair value hierarchy. As at the reporting date, the Company held the following financial assets that are measured at fair value under Levels 1 and 2 of the fair value hierarchy:

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**20. Fair values of financial instruments (cont'd.)**

	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>30.09.2013</b>			
<b>(a) Financial assets at FVTPL</b>			
Shares quoted in Malaysia:			
Shariah approved equities	351	-	351
	<u>351</u>	<u>-</u>	<u>351</u>
<b>(b) AFS financial assets</b>			
Malaysian government securities		9,883	9,883
Unquoted corporate debt securities		836,654	836,654
Government investment issues		18,769	18,769
Quoted shares in Malaysia:			
Shariah approved equities	54,555	-	54,555
Others	32,055	-	32,055
Quoted shares outside Malaysia	215		215
	<u>86,825</u>	<u>865,306</u>	<u>952,131</u>
	<u>87,176</u>	<u>865,306</u>	<u>952,482</u>
<b>31.03.2013</b>			
<b>(a) Financial assets at FVTPL</b>			
Quoted shariah approved equities			
in Malaysia	326	-	326
Structured products	5,494	-	5,494
	<u>5,820</u>	<u>-</u>	<u>5,820</u>

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**20. Fair values of financial instruments (cont'd.)**

(Decrease)/increase in insurance payables

(Decrease)/Increase in other payables

**Level 1**  
**RM'000**

**Level 2**  
**RM'000**

**Total**  
**RM'000**

**31.03.2013 (cont'd.)**

**(b) AFS financial assets**

Unquoted corporate debt securities	-	829,419	829,419
Government investment issues	-	13,760	13,760
Quoted shares in Malaysia:			
Shariah approved equities	1,621	-	1,621
Quoted shares outside Malaysia	193	-	193
	<u>1,814</u>	<u>843,179</u>	<u>844,993</u>
	<u>7,634</u>	<u>843,179</u>	<u>850,813</u>