

664194 V

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

**Directors' report**

The directors have pleasure in presenting their report together with the audited financial statements of the Company for the financial year ended 31 March 2013.

**Principal activity**

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 year.

**Results**

	<b>RM'000</b>
Net profit for the year	<u>123,993</u>

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

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

**Dividend**

The amount of dividends paid by the Company since the end of the previous financial year was as follows:

	<b>RM'000</b>
In respect of the financial year ended 31 March 2013:	
Interim dividend of 7.8% less 25% tax	<u>30,000</u>

At the forthcoming Annual General Meeting, a final dividend in respect of the current financial year ended 31 March 2013 of 18.8% (less 25%) 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 dividend of RM72,000,000 will be proposed for the shareholder's approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholder, will be accounted for in the shareholder's equity as an appropriation of retained profits in the next financial year ending 31 March 2014.

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**Provision for insurance contract liabilities**

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

**Directors**

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Sharkawi bin Alis  
Mohd Din bin Merican  
Megat Dziauddin bin Megat Mahmud  
P. Raveenderen  
Dato' Syed Ariff Fadzillah bin Syed Awalluddin  
Yusoff bin Yaacob  
Datuk Mohd Khalil bin Dato' Mohd Noor  
Hashim bin Harun

In accordance with Article 84 of the Company's Articles of Association, Megat Dziauddin bin Megat Mahmud and Hashim bin Harun retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Datuk Mohd Khalil bin Dato' Mohd Noor retires pursuant to Section 129 of the Companies Act, 1965 and a resolution will be proposed for his re-appointment as director under Section 129(2) of the said Act to hold office until the next Annual General Meeting of the Company.

**Directors' benefits**

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

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors from the Company or the fixed salary of and benefits receivable as a full-time employee of the Company as shown in Notes 9, 10 and 29 to the financial statements or from or of related corporations) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

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**Directors' interests**

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares of the holding company during the financial year were as follows:

<b>Number of ordinary shares of RM1.00 each</b>			
<b>1 April 2012</b>	<b>Acquired</b>	<b>Sold</b>	<b>31 March 2013</b>

**The Holding Company:**

**Direct interest:**

P. Raveenderen	10,000	-	-	10,000
Datuk Mohd Khalil bin Dato' Mohd Noor	5,000	-	-	5,000

Other than as stated above, none of the directors in office at the end of the financial year had any interest in shares of the Company or its related corporations during the financial year.

**Corporate governance**

The Board of Directors ("the Board") confirms that the Company has complied with all the prescriptive requirements of, and adopts management practices that are consistent with, the principles prescribed under BNM's Guidelines, BNM/RH/GL 003-1: *Minimum Standards for Prudential Management of Insurers (Consolidated)* and BNM/RH/GL 003-2: *Prudential Framework of Corporate Governance for Insurers*.

The attendance of the directors in office at the end of the financial year at the 8 Board meetings held during the financial year was as follows:

	<b>Attendance</b>
Sharkawi bin Alis Non-independent, non-executive director	8 / 8
Mohd Din bin Merican Non-independent, non-executive director	8 / 8

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**Corporate governance (cont'd.)**

	<b>Attendance</b>
Megat Dziauddin bin Megat Mahmud Independent, non-executive director	8 / 8
P. Raveenderen Non-independent, non-executive director	8 / 8
Dato' Syed Ariff Fadzillah bin Syed Awalluddin Independent, non-executive director	8 / 8
Yusoff bin Yaacob Independent, non-executive director	8 / 8
Datuk Mohd Khalil bin Dato' Mohd Noor Non-independent, non-executive director	8 / 8
Hashim bin Harun Non-independent, executive director	8 / 8

**Corporate Governance Standards**

The membership, roles and terms of reference of the Audit, Nomination, Remuneration, Risk Management and Investment Committees of the Board during the financial year were as follows:

**(i) Audit Committee**

The Audit Committee comprises two independent, non-executive directors and one non-independent, non-executive director. One member of the Committee is a qualified accountant and a member of the Malaysian Institute of Accountants. The attendance of the members of the Committee in office at the end of the financial year at the 6 meetings of the Committee held during the financial year was as follows:

	<b>Attendance</b>
<u>Chairman:</u> Megat Dziauddin bin Megat Mahmud	6 / 6
<u>Members:</u> Dato' Syed Ariff Fadzillah bin Syed Awalluddin P. Raveenderen	6 / 6 6 / 6

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**Corporate Governance Standards (cont'd.)**

**(i) Audit Committee (cont'd.)**

The Audit Committee's terms of reference include the review and deliberation of the Company's financial statements, the findings of the External and Internal Auditors, any related party transactions and any conflict of interest situations within the Company as well as making recommendation to the Board on the appointment/re-appointment of External Auditors.

The Committee's primary duties are as spelt out in the Guidelines, BNM/RH/GL 003-22: *Guidelines for Audit Committee and Internal Audit Department (Part A)* and BNM/RH/GL 013-1: *Guidelines on Minimum Audit Standards for Internal Auditor of Financial Institutions* issued by Bank Negara Malaysia.

**(ii) Nomination Committee**

The Nomination Committee comprises two independent, non-executive directors and three non-independent, non-executive directors. The attendance of the members of the Committee in office at the end of the financial year at the 4 meetings of the Committee held during the financial year was as follows:

	<b>Attendance</b>
<u>Chairman:</u>	
Dato' Syed Ariff Fadzillah bin Syed Awalluddin	4 / 4
<u>Members:</u>	
Datuk Mohd Khalil bin Dato' Mohd Noor	4 / 4
Sharkawi bin Alis	4 / 4
P. Raveenderen	4 / 4
Yusoff bin Yaacob	4 / 4

The Nomination Committee considers and evaluates the appointment of new directors of the Company and the composition of the various Committees of the Board. In this regard, the Committee is of the opinion that the current composition of the Board reflects a good mix of skills and experience in various fields. The Committee also makes recommendations to the Board for appointment, re-appointment or re-election of directors.

In addition, the Committee is also entrusted with the responsibility for both the appointment and evaluation of the directors and key senior officers of the Company. The Nomination Committee also establishes the minimum requirements for the Chief Executive Officer ("CEO") to perform his duties effectively. The Committee regularly reviews the performance of the CEO and other key senior officers in managing the day to day operations of the Company.

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**Corporate Governance Standards (cont'd.)**

**(iii) Remuneration Committee**

The Remuneration Committee comprises three independent, non-executive directors and one non-independent, non-executive director. The attendance of the members of the Committee in office at the end of the financial year at the 3 meetings of the Committee held during the financial year was as follows:

	<b>Attendance</b>
<u>Chairman:</u>	
Megat Dziauddin bin Megat Mahmud	3 / 3
<u>Members:</u>	
Dato' Syed Ariff Fadzillah bin Syed Awalluddin	3 / 3
Yusoff bin Yaacob	3 / 3
Mohd Din bin Merican (appointed on 29 May 2012)	3 / 3

The Remuneration Committee's primary objective is to provide a formal and transparent procedure for developing a remuneration policy for the directors, the CEO and other key senior officers to ensure that their compensation is competitive and consistent with the Company's culture, objective and strategy. The Committee is responsible for recommending the framework of remuneration for directors, the CEO and other key senior officers as well as recommending specific remuneration packages for directors, the CEO and other key senior officers.

**(iv) Risk Management Committee**

The Risk Management Committee comprises one independent, non-executive director and three non-independent, non-executive directors. The attendance of the members of the Committee in office at the end of the financial year at the 5 meetings of the Committee held during the financial year was as follows:

	<b>Attendance</b>
<u>Chairman:</u>	
Yusoff bin Yaacob	5 / 5
<u>Members:</u>	
P. Raveenderen	5 / 5
Datuk Mohd Khalil bin Dato' Mohd Noor	5 / 5
Mohd Din bin Merican (appointed on 29 May 2012)	4 / 4

The Risk Management Committee reviews and recommends risk management strategies, policies and risk tolerance limits for the Board's approval. The Committee reviews the progress and assesses the effectiveness and adequacy of the risk management policies and framework adopted by the Company for identifying, measuring, monitoring and controlling risks within the Company. The Committee also reviews the adequacy and effectiveness of the infrastructure, resources and systems in place to ensure effective and timely reporting of risk management activities.

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**Corporate Governance Standards (cont'd.)**

**(v) Investment Committee**

The Investment Committee comprises one independent, non-executive director, two non-independent, non-executive directors and one non-independent, executive director. The attendance of the members of the Committee in office at the end of the financial year at the 4 meetings of the Committee held during the financial year was as follows:

	<b>Attendance</b>
<u>Chairman:</u>	
Datuk Mohd Khalil bin Dato' Mohd Noor	4 / 4
<u>Members:</u>	
Megat Dziauddin bin Megat Mahmud	4 / 4
Hashim bin Harun	4 / 4
Mohd Din bin Merican (appointed on 29 May 2012)	3 / 3

This Committee oversees, guides and monitors the investment operations of the Company as well as approves recommended investment related transactions. The Committee is also responsible to note and approve specific transactions of a nature that, by regulation, requires awareness of and sanctioning by the Board of Directors.

**Other statutory information**

- (a) Before the income statement and statement of financial position of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

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**Other statutory information (cont'd.)**

- (b) At the date of this report, the directors are not aware of any circumstances which would render:
  - (i) it necessary to write off any bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and
  - (ii) the values attributed to the current assets in the financial statements of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
  - (i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability in respect of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
  - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Company to meet its obligations when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

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



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**Auditors**

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 26 June 2013.

Sharkawi bin Alis

Hashim bin Harun

Kuala Lumpur, Malaysia