

**MALAYSIAN REINSURANCE BERHAD**

**(664194 V)**

**(Incorporated in Malaysia)**

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 SEPTEMBER 2014**

**664194 V**

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

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

**Unaudited condensed income statement**  
**for the six months period ended 30 September 2014**

|  | <b>30.9.2014</b> | <b>30.9.2013</b> |
|--|------------------|------------------|
|  | <b>RM'000</b>    | <b>RM'000</b>    |
| Gross earned premiums                              | 650,929          | 648,691          |
| Premiums ceded to reinsurers                       | (52,619)         | (45,041)         |
| <b>Net earned premiums</b>                         | <u>598,310</u>   | <u>603,650</u>   |
| Investment income                                  | 45,029           | 43,062           |
| Net realised gains                                 | 3,257            | 1,272            |
| Net fair value gains/(losses)                      | 4,761            | (1,155)          |
| Commission income                                  | 2,413            | 2,164            |
| Other operating revenue                            | 4,295            | 8,215            |
| <b>Other revenue</b>                               | <u>59,755</u>    | <u>53,558</u>    |
| Gross claims paid                                  | (373,976)        | (329,155)        |
| Claims ceded to reinsurers                         | 35,388           | 60,102           |
| Gross change to contract liabilities               | (35,310)         | (21,423)         |
| Change in contract liabilities ceded to reinsurers | 15,835           | (43,215)         |
| <b>Net claims</b>                                  | <u>(358,063)</u> | <u>(333,691)</u> |
| Commission expense                                 | (157,128)        | (174,300)        |
| Management expenses                                | (36,089)         | (32,167)         |
| Other operating expenses                           | (4,586)          | (1,592)          |
| <b>Other expenses</b>                              | <u>(197,803)</u> | <u>(208,059)</u> |
| <b>Profit before taxation</b>                      | 102,199          | 115,458          |
| Taxation   | (23,984)         | (26,934)         |
| <b>Net profit for the period</b>                   | <u>78,215</u>    | <u>88,524</u>    |
| <b>Earnings per share (sen)</b>                    |                  |                  |
| Basic  | <u>15.3</u>      | <u>17.4</u>      |

These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 March 2014. The accompanying explanatory notes form an integral part of these financial statements.

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

**Statement of comprehensive income  
for the six months period ended 30 September 2014**

|  | <b>30.9.2014</b>     | <b>30.9.2013</b>     |
|--|----------------------|----------------------|
|  | <b>RM'000</b>        | <b>RM'000</b>        |
| <b>Net profit for the period</b>   | 78,215               | 88,524               |
| <b><u>Other comprehensive income/(loss), net of tax:</u></b>   |                      |                      |
| <u>Other comprehensive income/(loss) to be reclassified to income statement in subsequent periods:</u> |                      |                      |
| Net loss on Available-for-Sale ("AFS") financial assets:   |                      |                      |
| Gain/(loss) on fair value changes  | 7,050                | (8,674)              |
| Realised gain transferred to income statement  | (3,241)              | (1,229)              |
| Deferred tax relating to net gain/(loss) on AFS financial assets                                       | (1,018)              | (5)                  |
| Other comprehensive income/(loss) for the period, net of tax   | <u>2,791</u>         | <u>(9,908)</u>       |
| <b>Total comprehensive income for the period</b>   | <b><u>81,006</u></b> | <b><u>78,616</u></b> |

These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 March 2014. The accompanying explanatory notes form an integral part of these financial statements.

**Malaysian Reinsurance Berhad**  
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**Unaudited condensed statement of financial position**  
**as at 30 September 2014**

|  | Note  | 30.9.2014<br>RM'000     | 31.3.2014<br>RM'000     |
|--|-------|-------------------------|-------------------------|
| <b>Assets</b>  |       |                         |                         |
| Property, plant and equipment  |       | 112,541                 | 114,455                 |
| Investment property  | 11    | 6,900                   | 6,900                   |
| Intangible assets  |       | 4,793                   | 5,186                   |
| Investment in associate  | 12    | 75,658                  | 75,658                  |
| Financial assets:  |       |                         |                         |
| Financial assets at fair value   |       |                         |                         |
| through profit or loss ("FVTPL")   | 13(a) | 249                     | 397                     |
| Held-to-maturity ("HTM") investments   | 13(b) | 209,521                 | 209,760                 |
| AFS financial assets   | 13(c) | 1,311,215               | 1,062,840               |
| Loans and receivables ("LAR")  | 13(d) | 941,025                 | 1,105,424               |
| Reinsurance assets   | 16    | 163,775                 | 150,215                 |
| Insurance receivables  | 14    | 253,861                 | 228,906                 |
| Cash and bank balances   |       | 1,755                   | 4,760                   |
|  |       | <u>3,081,293</u>        | <u>2,964,501</u>        |
| Non-current assets held for sale   | 15    | 1,696                   | 1,696                   |
| <b>Total general reinsurance business<br/>and shareholder's fund assets</b>      |       | <u><b>3,082,989</b></u> | <u><b>2,966,197</b></u> |
| <b>Liabilities</b>   |       |                         |                         |
| Insurance contract liabilities   | 16    | 1,735,947               | 1,718,028               |
| Insurance payables   | 17    | 104,460                 | 90,447                  |
| Tax payable  |       | 25,120                  | 19,777                  |
| Other payables and provisions  |       | 61,278                  | 14,313                  |
| Deferred tax liabilities   |       | 2,414                   | 868                     |
| <b>Total general reinsurance business<br/>and shareholder's fund liabilities</b> |       | <u><b>1,929,219</b></u> | <u><b>1,843,433</b></u> |
| <b>Equity</b>  |       |                         |                         |
| Share capital  |       | 510,000                 | 510,000                 |
| AFS reserve  |       | (6,597)                 | (9,388)                 |
| Revaluation reserve  |       | 32,244                  | 32,244                  |
| Retained profits   |       | 618,123                 | 589,908                 |
| <b>Total equity</b>  |       | <u><b>1,153,770</b></u> | <u><b>1,122,764</b></u> |
| <b>Total liabilities and equity</b>  |       | <u><b>3,082,989</b></u> | <u><b>2,966,197</b></u> |

These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 March 2014. The accompanying explanatory notes form an integral part of these financial statements.

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**Unaudited condensed statement of changes in equity  
for the six months period ended 30 September 2014**

|   | <b>Share<br/>capital<br/>RM'000</b> | <b>Non-<br/>distributable<br/>AFS<br/>reserve<br/>RM'000</b> | <b>Non-<br/>distributable<br/>revaluation<br/>reserve<br/>RM'000</b> | <b>Distributable<br/>retained<br/>profits<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|---|-------------------------------------|--|--|--|-------------------------|
| <b>At 1 April 2014</b>                    | 510,000                             | (9,388)  | 32,244   | 589,908  | 1,122,764               |
| Total comprehensive income for the period | -                                   | 2,791  | -  | 78,215   | 81,006                  |
| Dividend declared during the period       | -                                   | -  | -  | (50,000)   | (50,000)                |
| <b>At 30 September 2014</b>               | <b>510,000</b>                      | <b>(6,597)</b>   | <b>32,244</b>  | <b>618,123</b>   | <b>1,153,770</b>        |
| <b>At 1 April 2013</b>                    | 510,000                             | 7,623  | 30,660   | 501,065  | 1,049,348               |
| Total comprehensive income for the period | -                                   | (9,908)  | -  | 88,524   | 78,616                  |
| Dividend paid during the period           | -                                   | -  | -  | (72,000)   | (72,000)                |
| <b>At 30 September 2013</b>               | <b>510,000</b>                      | <b>(2,285)</b>   | <b>30,660</b>  | <b>517,589</b>   | <b>1,055,964</b>        |

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**Malaysian Reinsurance Berhad**  
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**Unaudited condensed statement of cash flows**  
**for the six months period ended 30 September 2014**

|  | <b>30.9.2014</b> | <b>30.9.2013</b> |
|--|------------------|------------------|
|  | <b>RM'000</b>    | <b>RM'000</b>    |
| <b>Cash flows from operating activities</b>                                  |                  |                  |
| Profit before taxation   | 102,199          | 115,458          |
| Adjustments for:   |                  |                  |
| Amortisation of intangible assets  | 208              | 826              |
| Depreciation of property, plant and equipment                                | 2,031            | 1,089            |
| Realised gains on disposal of investments                                    | (3,257)          | (1,272)          |
| (Decrease)/increase in gross premium liabilities                             | (17,391)         | 32,003           |
| (Reversal of impairment losses)/impairment losses on AFS<br>financial assets | (4,763)          | 677              |
| Impairment losses on insurance receivables                                   | 1,697            | 1,590            |
| Interest/profit income   | (39,691)         | (39,519)         |
| Dividend income  | (2,345)          | (990)            |
| Rental income  | (2,586)          | (4,847)          |
| Fair value losses on financial assets at FVTPL                               | 2                | 478              |
| Net (accretion)/amortisation of premiums on investment                       | (455)            | 638              |
| Profit from operations before changes in<br>operating assets and liabilities | 35,649           | 106,131          |
| Purchase of investments  | (342,199)        | (196,992)        |
| Decrease in placements with licensed financial institutions                  | 176,939          | 59,755           |
| Proceeds from disposal of investments  | 106,491          | 92,829           |
| Decrease/(increase) in staff loans   | 343              | (677)            |
| Increase in insurance receivables  | (26,652)         | (54,275)         |
| Increase in other receivables  | (13,509)         | (12,664)         |
| Net change in balances with related companies                                | (233)            | (27)             |
| (Increase)/decrease in reinsurance assets                                    | (13,560)         | 47,533           |
| Increase in gross claim liabilities  | 35,310           | 21,423           |
| Increase/(decrease) in insurance payables                                    | 14,013           | (7,343)          |
| (Decrease) in other payables   | (3,038)          | (5,713)          |
| Cash generated (used in)/from operations                                     | (30,446)         | 49,980           |
| Tax paid   | (18,112)         | (18,545)         |
| Interest/profit received   | 38,769           | 38,356           |
| Dividend received  | 2,486            | 723              |
| Rental received  | 4,230            | 4,717            |
| Net cash (used in)/generated from operating activities                       | (3,073)          | 75,231           |

**Malaysian Reinsurance Berhad**  
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**Statement of cash flows**  
**for the six months period ended 30 September 2014 (cont'd.)**

|  | <b>30.9.2014</b> | <b>30.9.2013</b> |
|--|------------------|------------------|
|  | <b>RM'000</b>    | <b>RM'000</b>    |
| <b>Cash flows from investing activities</b>              |                  |                  |
| Purchase of property, plant and equipment                | (125)            | (397)            |
| Purchase of intangible assets                            | -                | (1,738)          |
| Proceeds from disposals of property, plant and equipment | 193              | -                |
| Net cash generated from/(used in) investing activities   | <u>68</u>        | <u>(2,135)</u>   |
| <b>Cash flows from financing activities</b>              |                  |                  |
| Dividend paid  | -                | (72,000)         |
| Net cash used in financing activities                    | <u>-</u>         | <u>(72,000)</u>  |
| <b>Cash and bank balances</b>                            |                  |                  |
| <b>Net (decrease)/increase during the period</b>         | (3,005)          | 1,096            |
| <b>At beginning of period</b>                            | <u>4,760</u>     | <u>2,852</u>     |
| <b>At end of period</b>                                  | <u>1,755</u>     | <u>3,948</u>     |

These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 March 2014. The accompanying explanatory notes form an integral part of these financial statements.



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**Notes to the unaudited condensed interim financial statements - 30 September 2014**

**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.

The unaudited condensed interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 21 November 2014.

**2. Significant accounting policies**

**2.1 Basis of preparation**

These unaudited condensed interim financial statements have been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134 *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board ("MASB") and comply with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board.

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

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

The explanatory notes attached to these unaudited condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Company since the year ended 31 March 2014.

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

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**2. Significant accounting policies (cont'd.)**

**2.2 Changes in accounting policies**

The significant accounting policies adopted in these unaudited condensed interim financial statements are consistent with those adopted in the audited financial statements for the year ended 31 March 2014 except for the adoption of the following amendments to the existing accounting standards and Issues Committee (“IC”) Interpretation issued by MASB that are effective for the Company's financial year beginning 1 April 2014:

| <b>Description</b>  | <b>Effective for<br/>annual periods<br/>beginning on or<br/>after</b> |
|---|---|
| Amendments to MFRS 10, MFRS 12 and MFRS 127: <i>Investment Entities</i>                     | 1 January 2014  |
| Amendments to MFRS 132: <i>Offsetting Financial Assets and Financial Liabilities</i>        | 1 January 2014  |
| Amendments to MFRS 136: <i>Recoverable Amount Disclosures for Non-Financial Assets</i>      | 1 January 2014  |
| Amendments to MFRS 139: <i>Novation of Derivatives and Continuation of Hedge Accounting</i> | 1 January 2014  |
| IC Interpretation 21 <i>Levies</i>  | 1 January 2014  |

The adoption of the above Amendments to MFRSs and IC Interpretation did not have any significant effect on the financial statements of the Company.

**2.3 Standards issued but not yet effective**

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

| <b>Description</b>   | <b>Effective for<br/>annual periods<br/>beginning on or<br/>after</b> |
|--|---|
| Amendments to MFRS 119: <i>Defined Benefit Plans: Employee Contributions</i>               | 1 July 2014   |
| Annual Improvements to MFRSs 2010–2012 Cycle   | 1 July 2014   |
| Annual Improvements to MFRSs 2011–2013 Cycle   | 1 July 2014   |
| Amendments to MFRS 11: <i>Accounting for Acquisitions of Interests in Joint Operations</i> | 1 January 2016  |

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**2. Significant accounting policies (cont'd.)**

**2.3 Standards issued but not yet effective (cont'd.)**

| <b>Description</b>   | <b>Effective for<br/>annual periods<br/>beginning on or<br/>after</b> |
|--|---|
| MFRS 14 <i>Regulatory Deferral Accounts</i>  | 1 January 2016  |
| Amendments to MFRS 116 and MFRS 138: <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> | 1 January 2016  |
| Amendments to MFRS 116 and MFRS 141: <i>Agriculture: Bearer Plants</i>   | 1 January 2016  |
| MFRS 15 <i>Revenue from Contracts with Customers</i>   | 1 January 2017  |
| MFRS 9 <i>Financial Instruments (IFRS 9 issued by IASB in November 2009)</i>                                     | To be announced   |
| MFRS 9 <i>Financial Instruments (IFRS 9 issued by IASB in October 2010)</i>                                      | To be announced   |
| MFRS 9 <i>Financial Instruments: Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139</i>              | To be announced   |

The Directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application except as discussed below:

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

MFRS 9 reflects the first phase of work on the replacement of MFRS 139 and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to MFRS 9: *Mandatory Effective Date of MFRS 9 and Transition Disclosures*, issued in March 2012, moved the mandatory effective date to 1 January 2015. Subsequently, on 14 February 2014, it was announced that the new effective date will be decided when the project is closer to completion. The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will not have an impact on classification and measurements of the Company's financial liabilities. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

**3. Seasonality or cyclical factors**

During the financial period ended 30 September 2014, the operations of the Company were not materially affected by any seasonal factors. With regard 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 has business dealings with.

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**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 of the Company during the financial period ended 30 September 2014.

**5. Changes in estimates**

There were no other material changes in estimates used in the preparation of these unaudited condensed interim financial statements.

**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 ended 30 September 2014.

**7. Dividend paid**

No dividend was paid during the current financial period ended 30 September 2014.

**8. Significant events**

There were no significant events during the current financial period ended 30 September 2014.

**9. Subsequent events**

There were no significant events subsequent to 30 September 2014 that would require reflection in these unaudited condensed interim financial statements.

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

There were no significant changes in the composition of the Company during the current financial period ended 30 September 2014 other than the acquisition of 100% interest in a wholesale unit trust fund for a cash consideration of RM150 million as disclosed in further detail in Note 13(c)(ii).

**Malaysian Reinsurance Berhad  
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**11. Investment property**

|                             | <b>30.9.2014</b> | <b>31.3.2014</b> |
|-----------------------------|------------------|------------------|
|                             | <b>RM'000</b>    | <b>RM'000</b>    |
| At beginning of period/year | 6,900            | 6,200            |
| Fair value gains            | -                | 700              |
| At end of period/year       | <u>6,900</u>     | <u>6,900</u>     |

The investment property is 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 the property being valued. The fair value gains are recognised in the income statement.

**12. Investment in associate**

|                                      | <b>30.9.2014</b> | <b>31.3.2014</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% (2013: 20%). The associate is principally engaged in the underwriting of all classes of general reinsurance and general retakaful business pursuant to a licence given under the Labuan Financial Services and Securities Act 2010. Its financial year end is 31 December.

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 Malaysian Financial Reporting Standards and International Financial Reporting Standards. The summarised financial information of the associate is as follows:

|                               | <b>30.9.2014</b> | <b>31.3.2014</b> |
|-------------------------------|------------------|------------------|
|                               | <b>RM'000</b>    | <b>RM'000</b>    |
| <b>Assets and liabilities</b> |                  |                  |
| Current assets                | 1,679,728        | 1,634,494        |
| Non-current assets            | 49,279           | 49,921           |
| Total assets                  | <u>1,729,007</u> | <u>1,684,415</u> |
| Current liabilities           | 285,828          | 215,548          |
| Non-current liabilities       | 967,489          | 999,644          |
| Total liabilities             | <u>1,253,317</u> | <u>1,215,192</u> |
| Total Equity                  | <u>475,690</u>   | <u>469,223</u>   |

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

|                            | <b>30.9.2014</b> | <b>31.3.2014</b> |
|----------------------------|------------------|------------------|
|                            | <b>RM'000</b>    | <b>RM'000</b>    |
| <b>Results</b>             |                  |                  |
| Revenue                    | 478,085          | 737,873          |
| Profit for the period/year | <u>24,818</u>    | <u>14,770</u>    |

**13. Financial assets**

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

|   | <b>30.9.2014</b>                     |                                  | <b>31.3.2014</b>                     |                                  |
|---|--------------------------------------|----------------------------------|--------------------------------------|----------------------------------|
|   | <b>Carrying<br/>value<br/>RM'000</b> | <b>Fair<br/>value<br/>RM'000</b> | <b>Carrying<br/>value<br/>RM'000</b> | <b>Fair<br/>value<br/>RM'000</b> |
| Financial assets at FVTPL                 | 249                                  | 249                              | 397                                  | 397                              |
| HTM investments                           | 209,521                              | 205,282                          | 209,760                              | 204,840                          |
| AFS financial assets                      | 1,311,215                            | 1,311,215                        | 1,062,840                            | 1,062,840                        |
| Loans and receivables                     | 941,025                              | 941,025                          | 1,105,424                            | 1,105,424                        |
|   | <u>2,462,010</u>                     | <u>2,457,771</u>                 | <u>2,378,421</u>                     | <u>2,373,501</u>                 |
| Malaysian government securities           | 118,406                              | 116,875                          | 108,217                              | 104,839                          |
| Government investment issues              | 138,994                              | 136,201                          | 129,380                              | 127,706                          |
| Debt securities                           | 939,405                              | 939,490                          | 920,512                              | 920,644                          |
| Equity securities                         | 174,180                              | 174,180                          | 114,888                              | 114,888                          |
| Wholesale unit trust fund                 | 150,000                              | 150,000                          | -                                    | -                                |
| Fixed and call deposits                   | 644,355                              | 644,355                          | 714,525                              | 714,525                          |
| Uncallable Negotiable Islamic<br>Deposits | 29,529                               | 29,529                           | 18,743                               | 18,743                           |
| Islamic investment accounts               | 177,712                              | 177,712                          | 295,267                              | 295,267                          |
| Other loans and receivables               | 89,429                               | 89,429                           | 76,889                               | 76,889                           |
|   | <u>2,462,010</u>                     | <u>2,457,771</u>                 | <u>2,378,421</u>                     | <u>2,373,501</u>                 |

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

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

|  | <b>30.9.2014</b> | <b>31.3.2014</b> |
|--|------------------|------------------|
|  | <b>RM'000</b>    | <b>RM'000</b>    |
| <b>(a) Financial assets at FVTPL</b>         |                  |                  |
| <b>At fair value:</b>                        |                  |                  |
| Quoted Shariah approved equities in Malaysia | 249              | 397              |
| <b>(b) HTM investments</b>                   |                  |                  |
| <b>At amortised cost:</b>                    |                  |                  |
| Malaysian government securities              | 78,836           | 78,936           |
| Unquoted corporate debt securities           | 25,005           | 25,006           |
| Government investment issues                 | 105,680          | 105,818          |
|  | <u>209,521</u>   | <u>209,760</u>   |
| <b>At fair value:</b>                        |                  |                  |
| Malaysian government securities              | 77,305           | 75,558           |
| Unquoted corporate debt securities           | 25,090           | 25,138           |
| Government investment issues                 | 102,887          | 104,144          |
|  | <u>205,282</u>   | <u>204,840</u>   |
| <b>(c) AFS financial assets</b>              |                  |                  |
| <b>At cost:</b>                              |                  |                  |
| Unquoted shares in Malaysia <sup>(i)</sup>   | 44,503           | 44,503           |
| <b>At fair value:</b>                        |                  |                  |
| Unquoted corporate debt securities           | 914,400          | 895,506          |
| Government investment issues                 | 33,314           | 23,562           |
| Malaysian government securities              | 39,570           | 29,281           |
| Quoted shares in Malaysia:                   |                  |                  |
| Shariah approved equities                    | 71,711           | 41,885           |
| Others                                       | 57,717           | 27,823           |
| Wholesale unit trust fund <sup>(ii)</sup>    | 150,000          | -                |
| Quoted shares outside Malaysia               | -                | 280              |
|  | <u>1,266,712</u> | <u>1,018,337</u> |
| Total AFS financial assets                   | <u>1,311,215</u> | <u>1,062,840</u> |

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

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

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

- (i) The pertinent information of the investments in unquoted shares in Malaysia are as follows:

|   | <b>30.9.2014</b>            | <b>31.3.2014</b>            |
|---|-----------------------------|-----------------------------|
|   | <b>RM'000</b>               | <b>RM'000</b>               |
| 27,500,000 ordinary shares of RM1.00 each of Financial Park (Labuan) Sdn. Bhd. ("FPL"), representing an equity shareholding of 9%.<br>Less: Impairment loss             | 28,283<br><u>(4,759)</u>    | 28,283<br><u>(4,759)</u>    |
|   | <u>23,524</u>               | <u>23,524</u>               |
| 20,000,000 redeemable preference shares of RM1.00 each of FPL   | <u>20,569</u>               | <u>20,569</u>               |
|   | <u>44,093</u>               | <u>44,093</u>               |
| 410,000 ordinary shares of Malaysian Rating Corporation Berhad ("MARC") of RM1.00 each, representing an equity shareholding of 4%.<br>Total unquoted shares in Malaysia | <u>410</u><br><u>44,503</u> | <u>410</u><br><u>44,503</u> |

- (ii) During the financial period, the Company acquired all the units in a wholesale unit trust fund which is managed by an external fund manager. Details of the investment in the wholesale unit trust fund are as follow:

| <b>Name of fund</b> | <b>Principal activities</b>                      | <b>% of ownership interest held by the Company</b> |                  |
|---------------------|--|--|------------------|
|                     |  | <b>30.9.2014</b>                                   | <b>31.3.2014</b> |
| Amlslamic Cash 1    | Investment in money market instruments and Sukuk | 100%   | -                |

The Company has control over the wholesale unit trust fund as defined in MFRS 10 *Consolidated Financial Statements* and in accordance with the exemption provisions of MFRS 10, the financial statements of the fund are not consolidated as it is a wholly owned subsidiary of MNRB Holdings Berhad, a company incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad which produces financial statements that are available for public use and which comply with Malaysian Reporting Standards.



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

|  | <b>30.9.2014</b> | <b>31.3.2014</b> |
|--|------------------|------------------|
|  | <b>RM'000</b>    | <b>RM'000</b>    |
| <b>(d) Loans and receivables</b>           |                  |                  |
| <b>At amortised cost/fair value:</b>       |                  |                  |
| Fixed and call deposits with licensed:     |                  |                  |
| Commercial banks                           | 222,109          | 294,520          |
| Investment banks                           | 422,246          | 420,005          |
| Islamic investment accounts with licensed: |                  |                  |
| Islamic banks                              | 177,712          | 295,267          |
| Uncallable Negotiable Islamic Deposits     | 29,529           | 18,743           |
| Secured staff loans:                       |                  |                  |
| Receivable within 12 months                | 313              | 473              |
| Receivable after 12 months                 | 3,718            | 3,901            |
| Due from insurance Pool accounts           | 35,896           | 35,266           |
| Income due and accrued                     | 19,169           | 20,032           |
| Due from fellow subsidiaries               | 367              | 130              |
| Other receivables and deposits             | 29,966           | 17,087           |
|  | <u>941,025</u>   | <u>1,105,424</u> |

**14. Insurance receivables**

|   | <b>30.9.2014</b> | <b>31.3.2014</b> |
|---|------------------|------------------|
|   | <b>RM'000</b>    | <b>RM'000</b>    |
| Amounts due from brokers and ceding companies | 260,853          | 234,201          |
| Allowance for impairment losses               | <u>(6,992)</u>   | <u>(5,295)</u>   |
|   | <u>253,861</u>   | <u>228,906</u>   |

Included in amounts due from brokers and ceding companies are balances amounting to RM399,356 (31.3.2014: RM203,000) due from an associate, Labuan Reinsurance (L) Ltd. The amounts receivable are subject to settlement terms stipulated in the reinsurance contracts.

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

|   | <b>30.9.2014</b> | <b>31.3.2014</b> |
|---|------------------|------------------|
|   | <b>RM'000</b>    | <b>RM'000</b>    |
| <b>Freehold land and buildings:</b>         |                  |                  |
| At beginning of period/year                 | 1,696            | -                |
| Transfer from property, plant and equipment | -                | 1,696            |
| At end of period/year                       | <u>1,696</u>     | <u>1,696</u>     |

The disposal of non-current assets held for sale is expected to be completed within one year from the reporting date.

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**16. Insurance contract liabilities**

|  | ← 30.9.2014 →    |                       |                  | ← 31.3.2014 →    |                       |                  |
|--|------------------|-----------------------|------------------|------------------|-----------------------|------------------|
|  | Gross<br>RM'000  | Reinsurance<br>RM'000 | Net<br>RM'000    | Gross<br>RM'000  | Reinsurance<br>RM'000 | Net<br>RM'000    |
| Claim liabilities (i)  | 1,484,378        | (160,714)             | 1,323,664        | 1,449,068        | (144,879)             | 1,304,189        |
| Premium liabilities (ii)   | 251,569          | (3,061)               | 248,508          | 268,960          | (5,336)               | 263,624          |
|  | <u>1,735,947</u> | <u>(163,775)</u>      | <u>1,572,172</u> | <u>1,718,028</u> | <u>(150,215)</u>      | <u>1,567,813</u> |
| <b>(i) Claim liabilities</b>   |                  |                       |                  |                  |                       |                  |
| At beginning of period/year  | 1,449,068        | (144,879)             | 1,304,189        | 1,384,717        | (218,160)             | 1,166,557        |
| Adjustment to claims incurred:   |                  |                       |                  |                  |                       |                  |
| - Outstanding reserves for<br>current underwriting year  | 27,470           | -                     | 27,470           | 118,100          | (2,445)               | 115,655          |
| - Movements in outstanding reserve<br>from prior underwriting years  | 382,853          | (56,216)              | 326,637          | 575,110          | (33,148)              | 541,962          |
| - Movement in claims incurred but<br>not reported ("IBNR") and<br>provision of risk margin for<br>adverse deviation ("PRAD") | (1,037)          | 4,993                 | 3,956            | 56,463           | 10,948                | 67,411           |
| - Claims paid during the period/year   | (373,976)        | 35,388                | (338,588)        | (685,322)        | 97,926                | (587,396)        |
| At end of period/year  | <u>1,484,378</u> | <u>(160,714)</u>      | <u>1,323,664</u> | <u>1,449,068</u> | <u>(144,879)</u>      | <u>1,304,189</u> |
| <b>(ii) Premium liabilities</b>  |                  |                       |                  |                  |                       |                  |
| At beginning of period/year  | 268,960          | (5,336)               | 263,624          | 258,607          | (6,556)               | 252,051          |
| Premiums written during the period/<br>year  | 633,538          | (50,344)              | 583,194          | 1,344,926        | (95,833)              | 1,249,093        |
| Premiums earned during<br>the period/year  | (650,929)        | 52,619                | (598,310)        | (1,334,573)      | 97,053                | (1,237,520)      |
| At end of period/year  | <u>251,569</u>   | <u>(3,061)</u>        | <u>248,508</u>   | <u>268,960</u>   | <u>(5,336)</u>        | <u>263,624</u>   |

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**17. Insurance payables**

|                                      | <b>30.9.2014</b> | <b>31.3.2014</b> |
|--------------------------------------|------------------|------------------|
|                                      | <b>RM'000</b>    | <b>RM'000</b>    |
| Due to brokers and retrocessionaires | <u>104,460</u>   | <u>90,447</u>    |

Included in amounts due to brokers and retrocessionaires are balances amounting to RM4,483 (31.3.2014: RM4,000), RM288 (31.3.2014: RM337) due to the Company's associate, Labuan Reinsurance (L) Ltd., and its fellow subsidiaries, Takaful Ikhlas Berhad (formerly known as Takaful Ikhlas Sdn. Bhd.) respectively. The amounts payable are subject to settlement terms stipulated in the reinsurance contracts.

**18. Dividends**

A first and final single-tier dividend in respect of the financial year ended 31.3.2014 of 9.8% based on the issued and paid-up share capital of 510,000,002 ordinary shares, amounting to a total dividend of RM50,000,000 was approved at the last Annual General Meeting held on 18 September 2014 and was paid on 14 October 2014.

**19. Operating lease arrangements**

**(a) 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>30.9.2014</b> | <b>31.3.2014</b> |
|--|------------------|------------------|
|  | <b>RM'000</b>    | <b>RM'000</b>    |
| Not later than 1 year                        | 3,015            | 2,926            |
| Later than 1 year and not later than 5 years | <u>12,060</u>    | <u>11,704</u>    |
|  | <u>15,075</u>    | <u>14,630</u>    |

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**20. Capital commitments**

|                                  | <b>30.9.2014</b> | <b>31.3.2014</b> |
|----------------------------------|------------------|------------------|
|                                  | <b>RM'000</b>    | <b>RM'000</b>    |
| <b>Capital expenditure</b>       |                  |                  |
| Approved and contracted for:     |                  |                  |
| Property, plant and equipment    | 629              | 1,127            |
| Intangible assets                | 989              | 637              |
|                                  | <u>1,618</u>     | <u>1,764</u>     |
| Approved but not contracted for: |                  |                  |
| Intangible assets                | <u>3,519</u>     | <u>2,500</u>     |

**21. Significant related party disclosures**

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

The significant related party transactions during the period are as follows:

|   | <b>30.9.2014</b> | <b>30.9.2013</b> |
|---|------------------|------------------|
|   | <b>RM'000</b>    | <b>RM'000</b>    |
| <b>Income/(expenses):</b>                                       |                  |                  |
| Transactions with Labuan Reinsurance (L) Ltd.,<br>an associate: |                  |                  |
| Net reinsurance inward  | 450              | 615              |
| Transactions with MNRB Holdings Berhad,<br>the holding company: |                  |                  |
| Management fees   | (11,099)         | (8,464)          |
| Profit from Islamic Medium Term Notes                           | -                | 950              |
| Net dividend declared/paid                                      | (50,000)         | (72,000)         |
| Rental income   | 572              | 595              |

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**21. Significant related party disclosures (cont'd.)**

|  | <b>30.9.2014</b>  | <b>30.9.2013</b>  |
|--|-------------------|-------------------|
|  | <b>RM'000</b>     | <b>RM'000</b>     |
| <b>Income/(expenses) (cont'd.):</b>                                  |                   |                   |
| Transactions with MMIP Services Sdn. Bhd.,<br>a fellow subsidiary:   |                   |                   |
| Management fees  | 2,431             | 2,377             |
| Transactions with Malaysian Re (Dubai) Ltd.,<br>a fellow subsidiary: |                   |                   |
| Management fees for marketing activities                             | (1,739)           | (2,143)           |
| Transactions with MNRB Retakaful Berhad,<br>a fellow subsidiary:     |                   |                   |
| Net retakaful inward   | 1,028             | 966               |
| Net retakaful outward  | (558)             | (486)             |
| Management fees  | 417               | 352               |
| Rental income  | 56                | 49                |
|  | <u>          </u> | <u>          </u> |

**22. Regulatory capital requirement**

The total capital available of the Company as at 30.9.2014, as prescribed and reported under the RBC Framework, is provided below:

|                                | <b>30.9.2014</b> | <b>31.3.2014</b> |
|--------------------------------|------------------|------------------|
|                                | <b>RM'000</b>    | <b>RM'000</b>    |
| <b>Eligible Tier 1 Capital</b> |                  |                  |
| Share capital                  | 510,000          | 510,000          |
| Retained profits               | 618,122          | 589,908          |
|                                | <u>1,128,122</u> | <u>1,099,908</u> |
| <b>Tier 2 Capital</b>          |                  |                  |
| Revaluation reserves           | 32,244           | 32,244           |
| AFS reserves                   | (8,297)          | (9,388)          |
|                                | <u>23,947</u>    | <u>22,856</u>    |
| Deductions                     | <u>1,701</u>     | <u>(6,244)</u>   |
| <b>Total Capital Available</b> | <u>1,153,770</u> | <u>1,116,520</u> |

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**23. Fair values of assets**

MFRS 7 *Financial Instruments: Disclosures* ("MFRS 7") requires the classification of financial instruments measured at fair value according to a hierarchy that reflects the significance of inputs used in making the measurements, in particular, whether the inputs used are observable or unobservable. MFRS 13 *Fair Value Measurement* requires similar disclosure requirements as MFRS 7, but extended to include all assets and liabilities measured and/or disclosed at fair value. 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

The fair values of the Company's assets are determined as follows:

- (i) The carrying amounts of financial assets and financial liabilities, such as loans and receivables, insurance receivables, cash and bank balances, insurance payables and other payables, are reasonable approximation of their fair values due to the relatively short term maturity of these balances;
- (ii) The fair values of quoted equities are based on quoted market prices as at the reporting date;
- (iii) The fair values of Malaysian government securities, government investment issues and unquoted corporate debt securities are based on indicative market prices;
- (iv) The fair values of investments in mutual funds, unit trust funds and real estate investment trusts are valued based on the net asset values of the underlying funds as at the reporting date.
- (v) Freehold land and buildings and investment property have been revalued based on valuations performed by an accredited independent valuer having an appropriate recognised professional qualification. The valuations are based on the income approach. In arriving at the fair value of the assets, the valuer had also taken into consideration the future developments in terms of infrastructure in the vicinity of the properties.

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**23. Fair values of assets (cont'd.)**

**Description of significant unobservable inputs:**

|                                      | <b>Valuation<br/>technique</b> | <b>Significant unobservable<br/>inputs</b> | <b>Range</b>           |
|--------------------------------------|--------------------------------|--|------------------------|
| <u>Property, plant and equipment</u> |                                |  |                        |
| Office building                      | Income approach                | Yield<br>Rental per square foot            | 6.0% to 6.5%<br>RM4.50 |
| <u>Investment property</u>           |                                |  |                        |
| Shoplots                             | Income approach                | Rental per square foot                     | RM2.00                 |

A significant increase or decrease in the unobservable inputs used in the valuation would result in a correspondingly higher or lower fair value.

There have been no transfers between Level 1 and Level 2 during the financial period.

The fair valuation of all assets measured at fair value are recurring, with the exception of the non-current assets held for sale.

|   | <b>Level 1<br/>RM'000</b> | <b>Level 2<br/>RM'000</b> | <b>Level 3<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|---|---------------------------|---------------------------|---------------------------|-------------------------|
| <b>30.9.2014</b>                                |                           |                           |                           |                         |
| <b>Assets measured at fair value:</b>           |                           |                           |                           |                         |
| (a) Property, plant and equipment               |                           |                           |                           |                         |
| Freehold land                                   | -                         | -                         | 32,260                    | 32,260                  |
| Buildings                                       | -                         | -                         | 78,526                    | 78,526                  |
|   | -                         | -                         | 110,786                   | 110,786                 |
| (b) Investment property                         | -                         | -                         | 6,900                     | 6,900                   |
| (c) Non-current assets held for sale            | 1,696                     | -                         | -                         | 1,696                   |
| (d) Financial assets at FVTPL                   |                           |                           |                           |                         |
| Quoted shariah approved equities<br>in Malaysia | 249                       | -                         | -                         | 249                     |

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**23. Fair values of assets (cont'd.)**

|                                    | Level 1<br>RM'000 | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000  |
|------------------------------------|-------------------|-------------------|-------------------|------------------|
| <b>30.9.2014 (cont'd.)</b>         |                   |                   |                   |                  |
| (e) AFS financial assets           |                   |                   |                   |                  |
| Unquoted corporate debt securities | -                 | 914,400           | -                 | 914,400          |
| Government investment issues       | -                 | 33,314            | -                 | 33,314           |
| Malaysian government securities    | -                 | 39,570            | -                 | 39,570           |
| Quoted shares in Malaysia:         |                   |                   |                   |                  |
| Shariah approved equities          | 71,711            | -                 | -                 | 71,711           |
| Others                             | 57,717            | -                 | -                 | 57,717           |
| Wholesale unit trust fund          | -                 | 150,000           | -                 | 150,000          |
|                                    | <u>129,428</u>    | <u>1,137,284</u>  | <u>-</u>          | <u>1,266,712</u> |
|                                    | <u>131,373</u>    | <u>1,137,284</u>  | <u>117,686</u>    | <u>1,386,343</u> |

**Assets for which fair values are disclosed:**

HTM investments

|                                    |          |                |          |                |
|------------------------------------|----------|----------------|----------|----------------|
| Malaysian government securities    | -        | 77,305         | -        | 77,305         |
| Unquoted corporate debt securities | -        | 25,090         | -        | 25,090         |
| Government investment issues       | -        | 102,887        | -        | 102,887        |
|                                    | <u>-</u> | <u>205,282</u> | <u>-</u> | <u>205,282</u> |

**31.3.2014**

**Assets measured at fair value:**

(a) Property, plant and equipment

|               |          |          |                |                |
|---------------|----------|----------|----------------|----------------|
| Freehold land | -        | -        | 32,260         | 32,260         |
| Buildings     | -        | -        | 80,341         | 80,341         |
|               | <u>-</u> | <u>-</u> | <u>112,601</u> | <u>112,601</u> |

|                         |          |          |              |              |
|-------------------------|----------|----------|--------------|--------------|
| (b) Investment property | <u>-</u> | <u>-</u> | <u>6,900</u> | <u>6,900</u> |
|-------------------------|----------|----------|--------------|--------------|

|                                      |              |          |          |              |
|--------------------------------------|--------------|----------|----------|--------------|
| (c) Non-current assets held for sale | <u>1,696</u> | <u>-</u> | <u>-</u> | <u>1,696</u> |
|--------------------------------------|--------------|----------|----------|--------------|

(d) Financial assets at FVTPL

|   |            |          |          |            |
|---|------------|----------|----------|------------|
| Quoted shariah approved equities<br>in Malaysia | <u>397</u> | <u>-</u> | <u>-</u> | <u>397</u> |
|---|------------|----------|----------|------------|



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**23. Fair values of assets (cont'd.)**

|                                    | Level 1<br>RM'000 | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000  |
|------------------------------------|-------------------|-------------------|-------------------|------------------|
| <b>31.3.2014 (cont'd.)</b>         |                   |                   |                   |                  |
| (e) AFS financial assets           |                   |                   |                   |                  |
| Unquoted corporate debt securities | -                 | 889,391           | 6,115             | 895,506          |
| Government investment issues       | -                 | 23,562            | -                 | 23,562           |
| Malaysian government securities    | -                 | 29,281            | -                 | 29,281           |
| Quoted shares in Malaysia:         |                   |                   |                   |                  |
| Shariah approved equities          | 41,885            | -                 | -                 | 41,885           |
| Others                             | 27,823            | -                 | -                 | 27,823           |
| Quoted shares outside Malaysia     | 280               | -                 | -                 | 280              |
|                                    | <u>69,988</u>     | <u>942,234</u>    | <u>6,115</u>      | <u>1,018,337</u> |
|                                    | <u>72,081</u>     | <u>942,234</u>    | <u>125,616</u>    | <u>1,139,931</u> |

**Assets for which fair values are disclosed:**

HTM investments

|                                    |          |                |          |                |
|------------------------------------|----------|----------------|----------|----------------|
| Malaysian government securities    | -        | 75,558         | -        | 75,558         |
| Unquoted corporate debt securities | -        | 25,138         | -        | 25,138         |
| Government investment issues       | -        | 104,144        | -        | 104,144        |
|                                    | <u>-</u> | <u>204,840</u> | <u>-</u> | <u>204,840</u> |

**Reconciliation of Level 3 fair value hierarchy**

|   | 30.9.2014<br>RM'000 | 31.3.2014<br>RM'000 |
|---|---------------------|---------------------|
| AFS financial assets  |                     |                     |
| At beginning of period                                      | 6,115               | -                   |
| Unquoted corporate debt securities transferred from Level 2 | -                   | 6,115               |
| Disposal of unquoted corporate debt securities              | <u>(6,115)</u>      | <u>-</u>            |
| At end of period  | <u>-</u>            | <u>6,115</u>        |