1. Corporate information

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.

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 number of employees in the Company at the end of the financial year was 157 (2013: 146). The employees of the holding company performed certain administration functions of the Company during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 18 June 2014.

2. Significant accounting policies

2.1 Basis of preparation

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

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 BNM.

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

2. Significant accounting policies (cont'd.)

2.2 Accounting period

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

Underwriting income and outgo in respect of other business classes and all other income and expenditure are for the 12 months ended 31 March 2014.

2.3 Investment in associate

An associate is a company in which the Company has equity interest and where it exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

The Company's investment in associate is stated at cost less any accumulated impairment losses.

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

2.4 Underwriting results

The general reinsurance underwriting results of the Company are determined for each class of business after taking into account premiums, retrocessions, movements in premium liabilities and claim liabilities and acquisition costs.

(a) Premium recognition

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

2. Significant accounting policies (cont'd.)

2.4 Underwriting results (cont'd.)

(a) Premium recognition (cont'd.)

Inwards facultative reinsurance premiums are recognised in the financial period in respect of the facultative risks assumed during the particular financial period following individual risks' inception dates.

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

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

(b) Premium liabilities

Premium liabilities represent the Company's future obligations on insurance contracts as represented by premiums received for risks that have not yet expired. The movement in premium liabilities is released over the term of the insurance contracts and is recognised as premium income.

In accordance with the valuation methods prescribed under the RBC Framework, premium liabilities are reported at the higher of the aggregate of the unearned premium reserves ("UPR") for all lines of business or the best estimate value of the reinsurer's unexpired risk reserves ("URR") at the end of the financial year and a provision of risk margin for adverse deviation ("PRAD") calculated at 75% confidence level at the overall Company level.

(i) Unexpired risk reserves

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

2. Significant accounting policies (cont'd.)

2.4 Underwriting results (cont'd.)

(b) Premium liabilities (cont'd.)

(i) Unexpired risk reserves (cont'd.)

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

(ii) Unearned premium reserves

The UPR represent the portion of the net premiums of reinsurance policies written that relate to the unexpired periods of the policies at the end of the financial year. The methods of computation of UPR are as follows:

- For inward proportional treaty business, UPR is computed on the 1/8th method commencing from the quarter corresponding to the reporting quarter of the treaty statement;

- For inward non proportional treaty business, UPR is computed at 1/2 of the last quarter Minimum Deposit Premiums received; and

- For inward facultative policies, UPR is computed on the 1/8th method commencing from the date of inception.

(c) Claim liabilities

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

2. Significant accounting policies (cont'd.)

2.4 Underwriting results (cont'd.)

(d) Liability adequacy test

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

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

(e) Acquisition costs

The cost of acquiring and renewing reinsurance business net of income derived from ceding reinsurance premiums is recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

2.5 Property, plant and equipment and depreciation

(a) Recognition and measurement

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

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

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

2. Significant accounting policies (cont'd.)

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

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

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

(b) Subsequent costs

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

(c) Depreciation

Freehold land has an unlimited useful life and therefore is not depreciated. Work in progress are also not depreciated as these assets are not available for use. When work in progress is completed and the asset is available for use, it is reclassified to the relevant category of property, plant and equipment and depreciation of the asset begins. During the period in which the asset is not available for use, it is tested for impairment annually. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over its estimated useful life at the following annual rates:

Buildings	3% to 4%
Significant parts of buildings	5% to 20%
Computer equipment	20% to 33.3%
Furniture and fittings	3.3% to 15%
Office equipment	5% to 15%
Motor vehicles	20%

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

2. Significant accounting policies (cont'd.)

2.6 Investment properties

Investment properties are properties which are held to earn rental income and/or for capital appreciation.

Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value.

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

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

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

2.7 Intangible assets

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

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

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

Amortisation is charged to the income statement.

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

2. Significant accounting policies (cont'd.)

2.7 Intangible assets (cont'd.)

(a) Software development in progress

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

(b) Computer software and licences

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

The acquired computer software and licences are amortised using the straight line method over their estimated useful lives not exceeding 6 years. Impairment is assessed whenever there is indication of impairment and the amortisation period and method are also reviewed at least annually at the end of each reporting period.

2.8 Non-current assets held for sale

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

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

2. Significant accounting policies (cont'd.)

2.9 Financial assets

(a) Initial recognition

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

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

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

(b) Classification and subsequent measurement

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

(i) Financial assets at FVTPL

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

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

2. Significant accounting policies (cont'd.)

2.9 Financial assets (cont'd.)

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

(ii) HTM investments

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

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

(iii) Loans and receivables

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

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

(iv) AFS financial assets

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

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

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

2. Significant accounting policies (cont'd.)

2.9 Financial assets (cont'd.)

(c) Derecognition

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

2.10 Fair value measurement

The Company measures financial instruments, such as, financial assets at FVTPL, and non-financial assets such as investment properties, at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 17.

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

(i) In the principal market for the asset or liability, or

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2. Significant accounting policies (cont'd.)

2.10 Fair value of measurement (cont'd.)

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

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

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

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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The fair value of financial instruments and non-financial assets are disclosed in Note 34.

2.11 Impairment of assets

(a) Financial assets

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

(i) Financial assets carried at amortised cost

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

2. Significant accounting policies (cont'd.)

2.11 Impairment of assets (cont'd.)

(a) Financial assets (cont'd.)

(i) Financial assets carried at amortised cost (cont'd.)

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

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

(ii) AFS financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as AFS financial assets are impaired.

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement.

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

2. Significant accounting policies (cont'd.)

2.11 Impairment of assets (cont'd.)

(b) Non-financial assets

The carrying amounts of non-financial assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit”).

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

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

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

2.12 Share capital and dividend expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

2. Significant accounting policies (cont'd.)

2.12 Share capital and dividend expenses (cont'd.)

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.13 Cash and cash equivalents

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

2.14 Product classification

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

An insurance contract is a contract under which the Company ("the reinsurer") has accepted significant insurance risk from another party ("the cedant") by agreeing to compensate the cedants if a specified uncertain future event ("the insured event") adversely affects the cedants. As a general guideline, the Company determines whether significant insurance risk has been accepted by comparing claims paid on the occurrence of an insured event with claims payable if the insured event had not occurred.

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

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

2.15 Reinsurance

The Company cedes insurance risk in the normal course of business for all its reinsurance business. Ceded reinsurance arrangements do not relieve the Company from their obligations to cedants. For both ceded and assumed reinsurance, premiums and claims are presented on a gross basis.

Reinsurance arrangements entered into by the Company that meet the classification requirements of insurance contracts as described in Note 2.14 are accounted for as noted below.

2. Significant accounting policies (cont'd.)

2.15 Reinsurance (cont'd.)

Arrangements that do not meet these classification requirements are accounted for as financial assets. Reinsurance assets represent amounts recoverable from reinsurers for insurance contract liabilities which have yet to be settled at the reporting date. Amounts recoverable from reinsurers are measured consistently with the amounts associated with the underlying insurance contract and the terms of the relevant reinsurance arrangement.

At each reporting date, the Company assesses whether objective evidence exists that reinsurance assets are impaired. Objective evidence of impairment for reinsurance assets are similar to those noted for insurance receivables as described in Note 2.11(a)(i). If any such evidence exists, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in the income statement.

Reinsurance assets are derecognised when the contractual rights expire or are extinguished or when the contract is transferred to another party.

2.16 Insurance receivables

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

Insurance receivables are assessed at each reporting date for objective evidence of impairment. If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the insurance receivable's original effective interest rate. The impairment loss is recognised in the income statement. The basis for recognition of such impairment loss is as described in Note 2.11(a)(i).

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

2.17 Balances with related companies

Balances with related companies are stated at the amounts which these balances are due and expected to be settled.

2. Significant accounting policies (cont'd.)

2.18 Leases

(i) Classification

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

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

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

(ii) Finance leases - the company as lessee

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

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

2. Significant accounting policies (cont'd.)

2.18 Leases (cont'd.)

(ii) Finance leases - company as lessee (cont'd.)

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2.5(c).

(iii) Operating leases - company as lessee

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

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

(iv) Operating leases - company as lessor

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

2.19 Financial liabilities

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

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

2. Significant accounting policies (cont'd.)

2.19 Financial liabilities (cont'd.)

(a) Financial liabilities at FVTPL

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

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

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

(b) Other financial liabilities

The Company's other financial liabilities include insurance and other payables.

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

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

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

2. Significant accounting policies (cont'd.)

2.20 Provisions

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

2.21 Income tax

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

Deferred tax is provided for, using the liability method, on temporary differences at the end of the financial year between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised.

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

2.22 Employee benefits

(i) Short-term benefits

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

2. Significant accounting policies (cont'd.)

2.22 Employee benefits (cont'd.)

(ii) Defined contribution plan

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

2.23 Foreign currencies

The Company's financial statements are presented in Ringgit Malaysia (RM), which is also the Company’s functional currency. Transactions in foreign currencies are converted into Ringgit Malaysia at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the reporting date are translated into Ringgit Malaysia at rates of exchange ruling at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

The principal exchange rate for every unit of United States Dollar ruling at the end of the financial year used is RM3.2685 (2013: RM3.1010).

2.24 Revenue recognition

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

2. Significant accounting policies (cont'd.)

2.24 Revenue recognition (cont'd.)

(a) Premium income

Premiums are recognised in accordance with the policies stated in Note 2.4(a).

(b) Interest and profit income

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

(c) Rental income

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

(d) Dividend income

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

(e) Management fees

Management fees are recognised when services are rendered.

2.25 Changes in accounting policies

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

Adoption of MFRSs, Amendments to MFRSs and Issues Committee ("IC") Interpretation

At the beginning of the current financial year, the Company had adopted all MFRSs, Amendments to MFRSs and IC Interpretation mandatory for financial periods beginning on or after 1 July 2012 as follows:

Description	Effective for annual periods beginning on or after
Amendments to MFRS 101 *Presentation of Items of Other Comprehensive Income*	1 July 2012
MFRS 3 *Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)*	1 January 2013

2. Significant accounting policies (cont'd.)

2.25 Changes in accounting policies (cont'd.)

Adoption of MFRSs, Amendments to MFRSs and IC Interpretation (cont'd.)

Description	**Effective for annual periods beginning on or after**
MFRS 127 *Consolidated and Separate Financial Statements (IAS 27 revised by IASB in December 2003)*	1 January 2013
MFRS 10 *Consolidated Financial Statements*	1 January 2013
MFRS 11 *Joint Arrangements*	1 January 2013
MFRS 12 *Disclosure of Interests in Other Entities*	1 January 2013
MFRS 13 *Fair Value Measurement*	1 January 2013
MFRS 119 *Employee Benefits (as amended by IASB in June 2011)*	1 January 2013
MFRS 127 *Separate Financial Statements (as amended by IASB in May 2011)*	1 January 2013
MFRS 128 *Investments in Associates and Joint Ventures (as amended by IASB in May 2011)*	1 January 2013
IC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*	1 January 2013
Amendments to MFRS 7 *Disclosures - Offsetting Financial Assets and Financial Liabilities*	1 January 2013
Annual Improvements 2009-2011 Cycle	1 January 2013
Amendments to MFRS 1: *Government Loans*	1 January 2013
Amendments to MFRS 10, MFRS 11 and MFRS 12: *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance*	1 January 2013

The adoption of the above MFRSs, Amendments to MFRSs and IC Interpretation did not have any significant effect on the financial statements of the Company except as discussed below:

MFRS 13 *Fair Value Measurement* (“MFRS 13”)

MFRS 13 establishes a single source of guidance under MFRS for all fair value measurements. MFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under MFRS. MFRS 13 defines fair value as an exit price. As a result of the guidance in MFRS 13, the Company re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. MFRS 13 also requires additional disclosures. The application of MFRS 13 did not materially affect the fair value measurements of the Company. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

2. Significant accounting policies (cont'd.)

2.25 Changes in accounting policies (cont'd.)

Adoption of MFRSs, Amendments to MFRSs and IC Interpretation (cont'd.)

Amendments to MFRS 101: *Presentation of Items of Other Comprehensive Income*

The amendments to MFRS 101 introduce a grouping of items presented in other comprehensive income in statements of comprehensive income. Items that will be reclassified (“recycled”) to profit or loss at a future point in time (e.g. net gain or loss on AFS financial assets) have to be presented separately from items that will not be reclassified (e.g. revaluation of land and buildings). The amendments affected presentation only and had no impact on the Company’s financial position or performance.

2.26 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 financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 10, MFRS 12 and MFRS 127: *Investment Entities*	1 January 2014
Amendments to MFRS 132: *Offsetting Financial Assets and Financial Liabilities*	1 January 2014
Amendments to MFRS 136: *Recoverable Amount Disclosures for Non-Financial Assets*	1 January 2014
Amendments to MFRS 139: *Novation of Derivatives and Continuation of Hedge Accounting*	1 January 2014
IC Interpretation 21 *Levies*	1 January 2014
Amendments to MFRS 119: *Defined Benefit Plans: Employee Contributions*	1 July 2014
Annual Improvements to MFRSs 2010–2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011–2013 Cycle	1 July 2014
MFRS 9 *Financial Instruments (IFRS 9 issued by IASB in November 2009)*	To be announced
MFRS 9 *Financial Instruments (IFRS 9 issued by IASB in October 2010)*	To be announced
MFRS 9 *Financial Instruments: Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139*	To be announced

2. Significant accounting policies (cont'd.)

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

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. Significant accounting judgements and estimates

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Critical judgements made in applying accounting policies

The following is the judgement made by management in the process of applying the Company's accounting policies that have the most significant effect on the amount recognised in the financial statements. Judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3. Significant accounting judgements and estimates (cont'd.)

3.1 Critical judgements made in applying accounting policies (cont'd.)

Classification between investment properties and property, plant and equipment

The Company has developed certain criteria based on MFRS 140 *Investment Property* in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Company would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Depreciation and amortisation

Depreciation and amortisation are based on management's estimates of the future estimated average useful lives and residual values of property, plant and equipment and intangible assets respectively. Estimates may change due to technological developments, expected level of usage, competition, market conditions and other factors, and could impact the estimated average useful lives and the residual values of these assets and correspondingly, may result in future changes in depreciation or amortisation expenses.

3. Significant accounting judgements and estimates (cont'd.)

3.2 Key sources of estimation uncertainty (cont'd.)

(i) Depreciation and amortisation (cont'd.)

Accordingly, at the end of each reporting period, the residual values and estimated useful lives of property, plant and equipment and intangible assets are assessed to determine that they continue to be consistent as disclosed in Notes 2.5 and 2.7 respectively.

As at the reporting date, management has determined that the estimated useful lives of property, plant and equipment and intangible assets of the Company remain consistent and the residual values are not expected to be material.

(ii) General reinsurance business

The principal uncertainty in the general reinsurance business arises from the technical provisions which include the provisions of premium and claim liabilities. Premium liabilities are recorded as the higher of UPR or URR while claim liabilities mainly comprise provision for claims reported, IBNER and IBNR.

Generally, claim liabilities are determined based upon previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Particularly relevant is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions and economic conditions. It is certain that actual future premium and claim liabilities will not exactly develop as projected and may vary from the Company's projection.

The estimates of premium and claim liabilities are therefore sensitive to various factors and uncertainties. The establishment of technical provisions is an inherently uncertain process and, as a consequence of this uncertainty, the eventual settlement of premium and claim liabilities may vary from the initial estimates.

At each reporting date, the estimates of premium and claim liabilities are re-assessed for adequacy by an appointed actuary and changes will be reflected as adjustments to these liabilities. The appointment of the actuary is approved by BNM.

3. Significant accounting judgements and estimates (cont'd.)

3.2 Key sources of estimation uncertainty (cont'd.)

(iii) Impairment of non-financial assets

Assets are tested for impairment when indications of potential impairment exist. Indicators of impairment which could trigger an impairment review include evidence of obsolescence or physical damage, significant fall in market values, significant underperformance relative to historical or projected future operating results, significant changes in the use of assets or the strategy of the business or significant adverse industry or economic changes. Recoverable amounts of assets are based on management’s estimates and assumptions of the net realisable value, cash flows arising from the future operating performance and revenue generating capacity of the assets and CGUs, and future market conditions. Changes in circumstances may lead to changes in estimates and assumptions, and result in changes to the recoverable amounts of assets and impairment losses needed. As at the reporting date, management has determined that recognised cumulative impairment losses as at the reporting date are appropriate.

(iv) Impairment of unquoted equity investments

The Company follows the guidance of applicable MFRSs in determining whether there is a decline that is other than temporary in the fair value of its unquoted equity investments. This determination requires significant judgement. In making this judgement, the Company evaluates the quantitative and qualitative factors affecting the market position of the investee including the regulatory support it receives and its longer term business outlook and financial standing. Appropriate considerations are given to the investee's financial gestation period, financial projections, business prospects and the proprietary technology involved.

It is also recognised that an initial decline in fair value of investments in new start-up investee companies, which is deemed temporary, may arise due to development and operational losses in the initial years. Based on an assessment performed at the reporting date, the Board of Directors and management of the Company are of the opinion that there is no further indication of impairment in the Company's unquoted equity investments in corporations at this juncture.

3. Significant accounting judgements and estimates (cont'd.)

3.2 Key sources of estimation uncertainty (cont'd.)

(v) Impairment of insurance receivables and reinsurance assets

The Company reviews its insurance receivables and reinsurance assets on a regular basis to assess whether impairment losses should be recognised in the income statement. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of impairment required. Such estimates are necessarily based on assumptions about the probability of default and probable losses in the event of default, the value of the underlying security, and realisation costs.

These estimates are revisited by management on a frequent basis, at least once a year, to determine if certain assumptions continue to be reasonable. As at the reporting date, the cumulative impairment losses recognised on insurance receivables and reinsurance assets reflect the expected recoverable values of these assets.

(vi) Deferred tax

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required in the interpretation and application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statement of financial position and the amount of unrecognised temporary differences.

The judgements and assumptions used in the estimation of deferred tax liabilities/assets are reassessed at least once a year to determine that they continue to be appropriate. As at the reporting date, recognised deferred tax liabilities reflect a fair estimate of the Company's taxable temporary differences.

4. Net earned premiums

	Note	2014 RM'000	2013 RM'000
(a) Gross earned premiums			
Insurance contracts	21(ii)	1,344,926	1,279,078
Change in premium liabilities		(10,353)	(30,053)
		1,334,573	1,249,025
(b) Premiums ceded to reinsurers			
Insurance contracts	21(ii)	(95,833)	(186,103)
Change in premium liabilities		(1,220)	5,014
		(97,053)	(181,089)
Net earned premiums		1,237,520	1,067,936

5. Investment income

	2014 RM'000	2013 RM'000
Financial assets at FVTPL:		
Dividend income:		
- quoted shares in Malaysia	-	104
- unit and property trusts	-	246
HTM investments:		
Interest/profit income	9,680	10,177
AFS financial assets:		
Interest/profit income	37,874	34,300
Dividend income:		
- quoted shares in Malaysia	1,757	1,306
- unquoted shares in Malaysia	156	123
Loans and receivables:		
Interest/profit income	31,753	25,034
Rental income from investment properties	5,847	8,001
Net amortisation of premiums	(1,390)	(237)
Investment expenses	(3)	(4)
	85,674	79,050

6. Net realised gains

	2014 RM'000	2013 RM'000
Financial assets at FVTPL:		
Realised gains:		
Quoted shares in Malaysia	44	29
Structured product	519	-
	563	29
AFS financial assets:		
Realised gains:		
Quoted shares in Malaysia	3,570	8,549
Unquoted corporate debt securities	604	3,098
	4,174	11,647
Gain on disposals of:		
Realised non-current assets held for sale	-	4,082
Property, plant and equipment	152	82
	152	4,164
	4,889	15,840

7. Net fair value losses

	2014 RM'000	2013 RM'000
Fair value (losses)/gains on financial assets at FVTPL	(444)	126
Impairment losses on AFS financial assets	(677)	(3,472)
Fair value gains on investment property	700	600
	(421)	(2,746)

8. Other operating revenue

	2014 RM'000	2013 RM'000
Foreign exchange gains	497	-
Reversal of impairment losses on insurance receivables	2,147	-
Management fees from fellow subsidiaries	1,521	4,830
Non-operating interest income	546	611
Others	1,932	1,855
	6,643	7,296

9. Management expenses

	2014 RM'000	2013 RM'000
Staff costs:		
Salaries, bonus and other related costs	17,095	15,194
Directors' remuneration (Note 10)	1,754	2,082
Pension costs - EPF	2,168	1,967
Social security costs	87	75
Retirement benefits	325	261
Short term accumulating compensated absences	20	18
	21,449	19,597
Auditors' remuneration		
- statutory audit	259	189
- audit-related	24	24
- other services	20	19
Depreciation of property, plant and equipment	4,056	3,174
Amortisation of intangible assets	1,659	1,656
Withholding tax on premiums	3,583	3,464
Marketing and promotional costs	2,388	2,208
Office rental	2,920	2,801
Professional and legal fees	5,127	2,878
Contributions and donations	800	1,700
Management fees to holding company	19,999	18,604
Management fees to fellow subsidiary	4,167	3,921
Other management expenses	3,653	3,314
	70,104	63,549

10. Directors' remuneration

	2014 RM'000	2013 RM'000
Non-executive directors of the Company:		
Fees	660	655
Allowances	121	136
	781	791

10. Directors' remuneration (cont'd.)

	2014 RM'000	2013 RM'000
Executive director of the Company:		
Salary and bonus	832	1,126
Pension costs - EPF	141	165
Benefits-in-kind	38	43
	1,011	1,334
Total executive director's remuneration excluding benefits-in-kind	973	1,291
Total directors' remuneration excluding benefits-in-kind	1,754	2,082

The number of directors of the Company, whose total remuneration during the financial year fell within the following bands, is analysed below:

	Number of directors	
	2014	2013
Executive director:		
Up to RM1,500,000	1	1
Non-executive directors:		
RM50,001 to RM100,000	1	1
RM100,001 to RM150,000	6	6

11. Other operating expenses

	2013 RM'000
Impairment losses on insurance receivables	3,144
Foreign exchange losses	5,846
	8,990

12. Taxation

	2014 RM'000	2013 RM'000
Malaysian income tax:		
Tax expense for the year	53,204	41,038
(Over)/under provision of tax in previous years	(273)	608
Deferred tax:		
Relating to origination and reversal of temporary differences (Note 19)	(529)	(44)
	52,402	41,602

Domestic income tax for the general reinsurance business and the shareholder's fund are calculated at the Malaysian statutory tax rate of 25% (2013: 25%) of the estimated assessable profit for the year. Income tax on the Company's offshore insurance business is calculated at a tax rate of 5% (2013: 5%) of the estimated assessable profit of the Company's offshore insurance business for the year.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Company is as follows:

	2014 RM'000	2013 RM'000
Profit before taxation	213,130	165,595
Taxation at Malaysian statutory tax rate of 25%	53,283	41,399
Effects of different tax rate in respect of offshore insurance	(3,392)	(2,839)
Income not subject to tax	(528)	(2,387)
Expenses not deductible for tax purposes	3,841	4,865
Transfer to deferred taxation	(529)	(44)
(Over)/under provision of tax in previous years	(273)	608
Tax expense for the year recognised in the income statement	52,402	41,602

12. Taxation (cont'd.)

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the Section 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 March 2008 in accordance with Section 39 of the Finance Act 2007.

The Company did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the Section 108 balance as at 31 March 2008 to distribute cash dividend payments to the ordinary shareholder as defined under the Finance Act 2007. As at 31 March 2013, the Company has sufficient Section 108 balance to franked dividends out of its retained earnings. Any Section 108 balance which is not utilised as at 31 December 2013 is disregarded. Thereafter, the Company may distribute dividends out of its entire retained earnings under the single tier system.

13. Property, plant and equipment

	Freehold land RM'000	Buildings RM'000	Computer equipment RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
2014						
Cost/Valuation						
At 1 April 2013	30,660	86,516	1,624	11,771	673	131,244
Additions	-	1,113	594	712	446	2,865
Revaluation surplus/(deficit)	1,600	(13)	-	-	-	1,587
Elimination of accumulated depreciation on revaluation	-	(113)	-	-	-	(113)
Transfer to non-current assets held for sale (Note 20)	-	(1,696)	-	-	-	(1,696)
Disposals	-	(284)	(87)	(54)	(409)	(834)
At 31 March 2014	32,260	85,523	2,131	12,429	710	133,053
Accumulated depreciation						
At 1 April 2013	-	2,433	1,518	10,732	535	15,218
Charge for the year	-	2,878	113	937	128	4,056
Elimination of accumulated depreciation on revaluation	-	(113)	-	-	-	(113)
Disposals	-	(16)	(86)	(53)	(408)	(563)
At 31 March 2014	-	5,182	1,545	11,616	255	18,598
Net carrying amount						
At 31 March 2014	32,260	80,341	586	813	455	114,455

13. Property, plant and equipment (cont'd.)

	Freehold land RM'000	Buildings RM'000	Computer equipment RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
2013						
Cost/Valuation						
At 1 April 2012	30,660	85,333	1,609	11,691	1,133	130,426
Additions	-	1,183	80	128	-	1,391
Disposals	-	-	(65)	(48)	(460)	(573)
At 31 March 2013	30,660	86,516	1,624	11,771	673	131,244
Accumulated depreciation						
At 1 April 2012	-	-	1,315	10,505	797	12,617
Charge for the year	-	2,433	268	275	198	3,174
Disposals	-	-	(65)	(48)	(460)	(573)
At 31 March 2013	-	2,433	1,518	10,732	535	15,218
Net carrying amount						
At 31 March 2013	30,660	84,083	106	1,039	138	116,026

13. Property, plant and equipment (cont'd.)

Revaluation of freehold land and buildings

Freehold land and buildings 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.

The income approach entails the determination of the probable gross annual rental the property is capable of producing and deducting therefrom the outgoings to arrive at the annual net income.

If the freehold land and buildings were measured using the cost model, the carrying amounts would be as follows:

	Freehold land RM'000	Buildings RM'000	Total RM'000
Cost			
At 1 April 2012	15,886	79,695	95,581
Additions	-	1,183	1,183
At 31 March 2013	15,886	80,878	96,764
Additions	-	1,103	1,103
Transfer to non-current assets held for sale	-	(1,696)	(1,696)
Disposals	-	(230)	(230)
At 31 March 2014	15,886	80,055	95,941
Accumulated depreciation			
At 1 April 2012	-	15,544	15,544
Charge for the year	-	2,426	2,426
At 31 March 2013	-	17,970	17,970
Charge for the year	-	2,402	2,402
At 31 March 2014	-	20,372	20,372
Net carrying amount			
At 31 March 2013	15,886	62,908	78,794
At 31 March 2014	15,886	59,683	75,569

14. Investment property

	2014 RM'000	2013 RM'000
At beginning of year	6,200	5,600
Fair value gains (Note 7)	700	600
At end of year	6,900	6,200

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.

15. Intangible assets

	Software development in progress RM'000	Computer software and licences RM'000	Total RM'000
2014			
Cost			
At 1 April 2013	2,021	10,612	12,633
Additions	2,982	52	3,034
At 31 March 2014	5,003	10,664	15,667
Accumulated amortisation			
At 1 April 2013	-	8,822	8,822
Amortisation for the year	-	1,659	1,659
At 31 March 2014	-	10,481	10,481
Net carrying amount			
At 31 March 2014	5,003	183	5,186

15. Intangible assets (cont'd.)

	Software development in progress RM'000	Computer software and licences RM'000	Total RM'000
2013			
Cost			
At 1 April 2012	2,021	10,020	12,041
Additions	-	592	592
At 31 March 2013	2,021	10,612	12,633
Accumulated amortisation			
At 1 April 2012	-	7,166	7,166
Amortisation for the year	-	1,656	1,656
At 31 March 2013	-	8,822	8,822
Net carrying amount			
At 31 March 2013	2,021	1,790	3,811

16. Investment in associate

	2014 RM'000	2013 RM'000
Unquoted shares in Malaysia, at cost	75,658	75,658

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.

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

	2014 RM'000	2013 RM'000
Assets and liabilities		
Current assets	1,634,494	1,898,695
Non-current assets	49,921	55,072
Total assets	1,684,415	1,953,767
Current liabilities	215,548	389,677
Non-current liabilities	999,644	1,115,260
Total liabilities	1,215,192	1,504,937
Results		
Revenue	737,873	775,208
Profit/(loss) for the year	14,770	(13,086)

17. Financial assets

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

	2014		2013	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
Financial assets at FVTPL	397	397	5,820	5,820
HTM investments	209,760	204,840	257,858	262,516
AFS financial assets	1,062,840	1,062,840	889,496	889,496
Loans and receivables	1,105,424	1,105,424	1,004,219	1,004,219
	2,378,421	2,373,501	2,157,393	2,162,051

17. Financial assets (cont'd.)

	2014 Carrying value RM'000	2014 Fair value RM'000	2013 Carrying value RM'000	2013 Fair value RM'000
Malaysian government securities	108,217	104,839	79,131	80,812
Government investment issues	129,380	127,706	122,591	125,022
Debt securities	920,512	920,644	899,315	899,861
Equity securities	114,888	114,888	46,643	46,643
Institutional trust deposit	-	-	57,165	57,165
Structured products	-	-	5,494	5,494
Fixed and call deposits	714,525	714,525	679,085	679,085
Uncallable Negotiable Islamic Deposits	18,743	18,743	27,226	27,226
Islamic investment accounts	295,267	295,267	166,893	166,893
Other loans and receivables	76,889	76,889	73,850	73,850
	2,378,421	2,373,501	2,157,393	2,162,051

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

	2014 RM'000	2013 RM'000
(a) Financial assets at FVTPL		
At fair value:		
Quoted Shariah approved equities in Malaysia	397	326
Structured products	-	5,494
	397	5,820

Shares classified as financial assets at FVTPL are held for trading whereas structured products are designated as at FVTPL.

17. Financial assets (cont'd.)

	2014 RM'000	2013 RM'000
(b) HTM investments		
At amortised cost:		
Malaysian government securities	78,936	79,131
Unquoted corporate debt securities	25,006	55,014
Government investment issues	105,818	108,831
Short term commercial papers	-	14,882
	209,760	257,858
At fair value:		
Malaysian government securities	75,558	80,812
Unquoted corporate debt securities	25,138	55,565
Government investment issues	104,144	111,262
Short term commercial papers	-	14,877
	204,840	262,516
(c) AFS financial assets		
At cost:		
Unquoted shares in Malaysia	44,503	44,503
At fair value:		
Unquoted corporate debt securities	895,506	829,419
Government investment issues	23,562	13,760
Malaysian government securities	29,281	-
Quoted shares in Malaysia:		
Shariah approved equities	41,885	1,621
Others	27,823	-
Quoted shares outside Malaysia	280	193
	1,018,337	844,993
Total AFS financial assets	1,062,840	889,496

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.

17. Financial assets (cont'd.)

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

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

	2014 RM'000	2013 RM'000
27,500,000 ordinary shares of RM1.00 each of Financial Park (Labuan) Sdn. Bhd. ("FPL"), representing an equity shareholding of 9%.	28,283	28,283
Less: Impairment loss	(4,759)	(4,759)
	23,524	23,524
20,000,000 redeemable preference shares of RM1.00 each of FPL	20,569	20,569
	44,093	44,093
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	44,503	44,503

(d) Loans and receivables

	2014 RM'000	2013 RM'000
At amortised cost/fair value:		
Fixed and call deposits with licensed:		
Commercial banks	294,520	164,863
Investment banks	420,005	514,222
Islamic investment accounts with licensed:		
Co-operative bank	-	13,020
Islamic banks	295,267	153,873
Institutional trust deposit	-	57,165
Uncallable Negotiable Islamic Deposits	18,743	27,226
Secured staff loans:		
Receivable within 12 months	473	666
Receivable after 12 months	3,901	3,413
Due from insurance Pool accounts	35,266	32,020
Income due and accrued	20,032	18,247
Due from fellow subsidiaries	130	942
Other receivables and deposits	17,087	18,562
	1,105,424	1,004,219

17. Financial assets (cont'd.)

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

18. Insurance receivables

	2014 RM'000	2013 RM'000
Amounts due from brokers and ceding companies	234,201	236,912
Allowance for impairment losses	(5,295)	(7,442)
	228,906	229,470

Details on movements in the allowance account has been disclosed in Note 32(a).

Included in amounts due from brokers and ceding companies are balances amounting to RM203,000 (2013: RM1,442,000) and RM129,000 (2013: RM172,000) due from an associate, Labuan Reinsurance (L) Ltd. and a fellow subsidiary MNRB Retakaful Berhad respectively. The amounts receivable are subject to settlement terms stipulated in the reinsurance contracts.

19. Deferred taxation

	2014 RM'000	2013 RM'000
At beginning of the year	6,615	8,046
Recognised in:		
Income statement (Note 12)	(529)	(44)
Other comprehensive income	(5,218)	(1,387)
At end of the year	868	6,615
Presented after appropriate offsetting as follows:		
Deferred tax liabilities	6,504	9,611
Deferred tax assets	(5,636)	(2,996)
	868	6,615

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

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19. Deferred taxation (cont'd.)

Deferred tax liabilities

	Accelerated capital allowances RM'000	Revaluation of financial assets at FVTPL RM'000	Premium liabilities RM'000	Revaluation of land and buildings RM'000	Total RM'000
At 31 March 2012	1,053	53	(560)	5,296	5,842
Recognised in income statement	(233)	25	1,589	-	1,381
At 31 March 2013	820	78	1,029	5,296	7,223
Recognised in:					
Income statement	230	(74)	(763)	-	(607)
Other comprehensive income	-	-	-	(112)	(112)
At 31 March 2014	1,050	4	266	5,184	6,504

Deferred tax assets

	Revaluation of AFS financial assets RM'000	Impairment losses on investments RM'000	Others RM'000	Total RM'000
At 31 March 2012	3,775	(491)	(1,080)	2,204
Recognised in:				
Income statement	-	(885)	(540)	(1,425)
Other comprehensive income	(1,387)	-	-	(1,387)
At 31 March 2013	2,388	(1,376)	(1,620)	(608)
Recognised in:				
Income statement	-	(168)	246	78
Other comprehensive income	(5,106)	-	-	(5,106)
At 31 March 2014	(2,718)	(1,544)	(1,374)	(5,636)

20. Non-current assets held for sale

	2014 RM'000	2013 RM'000
Freehold land and buildings:		
At beginning of year	-	56,601
Transfer from property, plant and equipment (Note 13)	1,696	-
Disposal during the year	-	(56,601)
At end of year	1,696	-

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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21. Insurance contract liabilities

	2014 Gross RM'000	2014 Reinsurance RM'000	2014 Net RM'000	2013 Gross RM'000	2013 Reinsurance RM'000	2013 Net RM'000
Claim liabilities (i)	1,449,068	(144,879)	1,304,189	1,384,717	(218,160)	1,166,557
Premium liabilities (ii)	268,960	(5,336)	263,624	258,607	(6,556)	252,051
	1,718,028	(150,215)	1,567,813	1,643,324	(224,716)	1,418,608
(i) Claim liabilities						
At beginning of 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	118,100	(2,445)	115,655	119,065	(10,645)	108,420
- Movements in outstanding reserve from prior underwriting years	575,110	(33,148)	541,962	553,788	(57,710)	496,078
- Movement in IBNR and PRAD	56,463	10,948	67,411	8,911	12,799	21,710
- Claims paid during the year	(685,322)	97,926	(587,396)	(686,707)	193,490	(493,217)
At end of year	1,449,068	(144,879)	1,304,189	1,384,717	(218,160)	1,166,557
(ii) Premium liabilities						
At beginning of year	258,607	(6,556)	252,051	228,554	(1,542)	227,012
Premiums written during the year	1,344,926	(95,833)	1,249,093	1,279,078	(186,103)	1,092,975
Premiums earned during the year	(1,334,573)	97,053	(1,237,520)	(1,249,025)	181,089	(1,067,936)
At end of year	268,960	(5,336)	263,624	258,607	(6,556)	252,051

22. Insurance payables

	2014 RM'000	2013 RM'000
Due to brokers and retrocessionaires	90,447	91,328

Included in amounts due to brokers and retrocessionaires are balances amounting to RM4,000 (2013: RM277,000), RM252,000 (2013: RM130,000) and RM337 (2013: RM75,000) due to the Company's associate, Labuan Reinsurance (L) Ltd., and its fellow subsidiaries, MNRB Retakaful Berhad and Takaful Ikhlas Berhad (formerly known as Takaful Ikhlas Sdn. Bhd.) respectively. The amounts payable are subject to settlement terms stipulated in the reinsurance contracts.

23. Other payables and provisions

	2014 RM'000	2013 RM'000
Due to related companies:		
Holding company	2,159	2,452
Fellow subsidiaries	1,612	1,461
Provisions	4,910	5,561
Sundry payables and accruals	5,632	3,952
	14,313	13,426

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

24. Share capital

	Number of ordinary shares of RM1.00 each		Amount	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Authorised	1,000,000	1,000,000	1,000,000	1,000,000
Issued and fully paid:				
At beginning/end of the year	510,000	510,000	510,000	510,000

25. Earnings per share

Basic and diluted earnings per share is calculated by dividing the net profit for the year by the number of ordinary shares in issue during the year as follows:

	2014	**2013**
Net profit for the year (RM'000)	160,728	123,993
Number of ordinary shares in issue ('000)	510,000	510,000
Basic and diluted earnings per share (sen)	31.5	24.3

26. Dividends

	Amount		**Net dividend per share**	
	2014 RM'000	**2013 RM'000**	**2014 Sen**	**2013 Sen**
Recognised during the year:				
Dividend paid in respect of the financial year ended 31 March 2013: Interim dividend of 7.8% less 25% tax	-	30,000	-	5.9
Dividend paid in respect of the financial year ended 31 March 2013: Final dividend of 18.8% less 25% tax	72,000	-	14.1	-
	72,000	30,000	14.1	5.9

26. Dividends (cont'd.)

At the forthcoming Annual General Meeting, a first and final single-tier dividend in respect of the current financial year ended 31 March 2014 of 9.8% 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 RM50,000,000 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 2015.

27. 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:

	2014 RM'000	**2013 RM'000**
Not later than 1 year	2,926	2,816
Later than 1 year and not later than 5 years	11,704	11,264
	14,630	14,080

(b) The Company as lessor

The Company has entered into non-cancellable operating lease agreements on its portfolio of investment properties. These leases have remaining non-cancellable lease terms of between 5 and 10 years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions and certain contracts include contingent rental arrangements computed based on sales achieved by tenants.

27. Operating lease arrangements (cont'd.)

(b) The Company as lessor (cont'd.)

The future minimum lease payments receivable under non-cancellable operating leases contracted for as at the reporting date but not recognised as receivables, are as follows:

	2014 RM'000	2013 RM'000
Not later than 1 year	8,891	7,788
Later than 1 year and not later than 5 years	3,985	2,013
	12,876	9,801

28. Capital commitments

	2014 RM'000	2013 RM'000
Capital expenditure		
Approved and contracted for:		
Property, plant and equipment	1,127	1,024
Intangible assets	637	-
	1,764	1,024
Approved but not contracted for:		
Property, plant and equipment	-	204
Intangible assets	2,500	-
	2,500	204

29. 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.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel include all Directors of the Company, and certain members of senior management of the Company.

29. Significant related party disclosures (cont'd.)

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

	2014 RM'000	2013 RM'000
Income/(expenses):		
Transactions with Labuan Reinsurance (L) Ltd., an associate:		
Net reinsurance inward	192	2,220
Rental income	-	938
Transactions with MNRB Holdings Berhad, the holding company:		
Management fees	(19,999)	(18,604)
Profit from Islamic Medium Term Notes	-	1,313
Net dividend paid	(72,000)	(30,000)
Rental income	1,237	1,170
Transactions with MMIP Services Sdn. Bhd., a fellow subsidiary:		
Management fees	869	4,213
Transactions with Malaysian Re (Dubai) Ltd., a fellow subsidiary:		
Management fees for marketing activities	(4,167)	(3,921)
Transactions with MNRB Retakaful Berhad, a fellow subsidiary:		
Net retakaful inward	1,347	21
Net retakaful outward	(56)	(1,457)
Management fees	652	617
Rental income	103	241

29. Significant related party disclosures (cont'd.)

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties. Balances with related parties as at 31 March 2014 are as disclosed in Notes 17, 18, 22 and 23.

Details of the compensation granted to key management personnel compensation are as follows:

	2014 RM'000	**2013 RM'000**
Directors' fees (Note 10)	660	655
Directors' allowances (Note 10)	121	136
Executive director's remuneration (Note 10):		
Salaries and bonus	832	1,126
Pension costs - EPF	141	165
Benefits-in-kind	38	43
Other key management personnel:		
Salaries and bonus	2,084	2,249
Pension costs - EPF	334	371
Social security cost	1	1
Benefits-in-kind	70	32
Allowances	272	388
	4,553	5,166

30. Risk management framework

(a) Risk governance framework

The Company's Risk Management Framework is designed to determine the level of risk acceptable to the Company relating to its core operations by setting the appropriate Board approved limits for adherence by management after taking into account the risk parameters, the nature, the size, mix and complexity of business and operations. An enterprise risk management process is adopted to identify and evaluate key business risks that may affect the organisation and to establish and implement an appropriate system of internal controls to manage these risks while ensuring full and effective control over significant strategic, financial, organisational and compliance matters.

30. Risk management framework (cont'd.)

(a) Risk governance framework (cont'd.)

The key objectives of the risk management framework are to:

(i) provide information on risk governance and accountabilities;
(ii) provide guidance to a standard approach to managing risks;
(iii) create a risk awareness culture; and
(iv) support the achievement of the business objective through effective management of risk and internal control system.

The Risk Management Governance structure is as follows:

(i) The Board had established a dedicated Board Committee known as the Risk Management Committee of the Board (“RMCB”) to oversee the implementation of the risk management framework;

(ii) The Board had established a dedicated Investment Committee to further manage risk associated with investments and assets allocation;

(iii) The Operational Risk Management Committee ("ORMC") which comprises the President/Chief Executive Officer and senior management, implements the risk management processes, provides assurance to the Board that the processes have been carried out effectively and inculcates a risk management and compliance culture on an enterprise-wide basis. The Audit Committee complements the role of the Board by providing an independent assessment of the adequacy and reliability of the risk management process, and compliance with the risk policies and regulatory guidelines. The Audit Committee is assisted by an independent Internal Audit Department in performing its role;

(iv) The Group Risk Management and Compliance Officer (“GRMCO”) and Group Risk Management & Compliance Division establish the infrastructure and facilitate the risk management and compliance process in the Company through the adoption of the Group’s risk management framework;

(v) At the operational level, the implementation of risk management and compliance processes in the day to day operations of the Company is consistent with the risk management framework; and

(vi) The Line Managers of each Department in the Company are responsible for using the various components of the Risk Management Framework as an integral part of their normal processes and procedures.

30. Risk management framework (cont'd.)

(b) Capital management objectives, policies and approach

The capital of the Company is monitored via the assessment of its Capital Adequacy Ratio ("CAR") in line with the RBC Framework for Insurers issued by BNM which was effective from 1 January 2009 for all insurers and reinsurers licensed under the Insurance Act 1996. The minimum capital requirement under the RBC Framework, as stipulated by BNM, is 130%. As at the reporting date, the Company's CAR is above the minimum capital requirements.

Capital management objectives

The main objective of capital management is to monitor and maintain, at all times, an appropriate level of capital which is commensurate with the Company's risk profile.

As part of the process in monitoring and managing its capital, the Company refers to its Capital Management Plan (“CMP”) which is focused in enabling the Company to utilise its capital in an efficient and controlled manner while still maintaining its CAR above the internal target.

The key objective of the CMP is to trigger appropriate action plans to be taken by the Board and management of the Company in the event of internal capital levels falling below the internal target requirement. This includes remedial actions that must be undertaken by the Board and management of the Company to improve the Company’s capital position.

Capital management policies

The key capital management policies are as follows:

(i) Ensure the Company has adequate capital, expressed as the CAR, within a range that supports stakeholders' objectives; and

(ii) Establish the responsibility of management and the Board in developing an internal capital adequacy assessment process and setting capital targets that are commensurate with its risk profile and control environment.

Approach to capital management

The Company conducts stress tests on its CAR in compliance with BNM/RH/GL 003-23: *Guidelines on Stress Testing for Insurers* . The impact of the adverse scenarios on the capital position of the Company is assessed quarterly, focusing on short to medium term views.

30. Risk management framework (cont'd.)

(c) Regulatory framework

As part of its licensing conditions, the Company is required to comply with the requirements of the Financial Services Act ("FSA") 2013 which is administered by BNM. In enforcing and administering this Act, BNM acts to protect the rights of policyholders, and consequently the interests of cedants, and monitors reinsurers closely to ensure prudent management of its operations. At the same time, BNM is also interested in ensuring that the Company actively manages the capital adequacy by taking into account the potential impact on business strategies, risk profile and overall resilience of the Company.

(d) Regulatory capital requirement

The total capital available of the Company as at 31 March 2014, as prescribed and reported under the RBC Framework, is provided below:

	2014 RM'000	2013 RM'000
Eligible Tier 1 Capital		
Share capital	510,000	510,000
Retained profits	589,908	501,065
	1,099,908	1,011,065
Tier 2 Capital		
Revaluation reserves	32,244	30,660
AFS reserves	(9,388)	7,623
	22,856	38,283
Deductions	(6,244)	-
Total Capital Available	1,116,520	1,049,348

31. Insurance risk

(a) Underwriting risk

The Company principally underwrites general reinsurance contracts by the following main classes of business: Fire, Motor, Marine, and Miscellaneous. Risks under these contracts usually cover a twelve month duration other than some long term contracts which may cover up to 3 years or more. For general reinsurance, the most significant risk arises from adverse development of loss ratios and catastrophic loss events. These risks vary significantly in relation to economic conditions and territories from which the risk originates.

31. Insurance risk (cont'd.)

(a) Underwriting risk (cont'd.)

The above risks are mitigated by diversification across a large portfolio of business to ensure a balanced mix and spread of business as required by underwriting policies. Diversification through the implementation of underwriting strategies and claim management policies reduces the volatility of risks and improves the overall portfolio experience, and also ensures that its insurance contract liabilities are adequate.

The Company also manages its loss exposure through the use of retrocession programmes which are reviewed annually by the ORMC and RMCB, and subsequently approved by the Board. Prudent standards are applied in the assessment of the security of the Company's key retrocessionaires. To manage its underwriting risk, the Company also complies with Guidelines imposed by BNM in the underwriting of business.

(b) Concentration of risk by type of business

The table below measures the concentration of contracts by liabilities exposure for the main classes of business and by local and overseas risks as follows:

	Gross RM'000	Retro-cession RM'000	Net RM'000
2014			
Fire	725,638	(19,954)	705,684
Motor	379,442	(35,930)	343,512
Marine	252,319	(56,767)	195,552
Miscellaneous	360,629	(37,564)	323,065
	1,718,028	(150,215)	1,567,813
Local	1,129,808	(137,117)	992,691
Overseas	588,220	(13,098)	575,122
	1,718,028	(150,215)	1,567,813
2013			
Fire	693,254	(90,259)	602,995
Motor	371,712	(60,571)	311,141
Marine	254,908	(57,732)	197,176
Miscellaneous	323,450	(16,154)	307,296
	1,643,324	(224,716)	1,418,608
Local	1,075,918	(151,447)	924,471
Overseas	567,406	(73,269)	494,137
	1,643,324	(224,716)	1,418,608

31. Insurance risk (cont'd.)

(c) Reserving risk

The Company's claim liabilities, and consequently some of the inputs used in determining its premium liabilities, are based upon previous claims experience, existing knowledge of events, the terms and conditions of relevant policies and interpretation of circumstances. Upon notification of a claim by its cedants, the Company sets aside reserves to meet the expected ultimate loss arising from this claim. These claim reserves are updated periodically for further developments via advice from cedants.

At each reporting date, the Company performs a test on the adequacy of its liabilities via the services of an independent qualified external actuary engaged for the purpose of ensuring that claim and premium liabilities are objectively assessed and adequately provided for. Any deficiency is recognised in the income statement.

(d) Impact on liabilities, profit and equity

Key assumptions

Liabilities are determined based upon previous claims experience, existing knowledge of events, the terms and conditions of relevant contracts and interpretation of circumstances. Particularly relevant are past experiences with similar cases, historical claims development trends, legislative changes, judicial decisions and economic conditions.

The inherent uncertainties in estimating liabilities can arise from a variety of factors such as the range and quality of data available, underlying assumptions made and random volatility in future experience.

Sensitivity analysis

As a general reinsurer, the insurance contract liabilities of the Company are sensitive to various key factors which are both internal and external. External factors to which the Company is sensitive to include:

(i) Claims practices of ceding companies;
(ii) Frequency and severity of claims incurred by cedants;
(iii) Changes in premium rates in insurance and reinsurance markets; and
(iv) Legislative and regulatory changes.

31. Insurance risk (cont'd.)

(d) Impact on liabilities, profit and equity (cont'd.)

Sensitivity analysis (cont'd.)

In general, due to the number of cedants providing business to the Company, the impact of changes to such variables cannot be reliably predicted. Accordingly, management believes that an analysis to provide an accurate reflection of the sensitivity of the general reinsurance business to changes in these factors cannot be reliably performed.

The main internal factors to which the Company is sensitive pertain to the loss ratios observed from its claims experience. The most significant component of this would be large or catastrophic claims reported by cedants to the Company. Based on historical trends and claims performance, large losses reported by cedants are increasing in terms of frequency and severity. Accordingly, the sensitivity analysis is performed by determining the estimated large losses that management believes would reasonably occur over the next 12 months as noted below.

This analysis assumes that other factors relevant, but not significant, to the valuation of claim liabilities remain constant.

	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity RM'000
2014				
Fire	70,124	15,296	15,296	11,472
Marine	52,062	6,168	6,168	4,626
Motor	5,980	5,980	5,980	4,485
Miscellaneous	47,061	11,536	11,536	8,652
	175,227	38,980	38,980	29,235
2013				
Fire	62,920	20,890	20,890	15,668
Marine	15,702	5,778	5,778	4,334
Motor	1,659	1,659	1,659	1,244
Miscellaneous	12,211	4,332	4,332	3,249
	92,492	32,659	32,659	24,495

31. Insurance risk (cont'd.)

(e) Claims development table

The following tables show the estimate of cumulative ultimate incurred claims, including both claims provisions and IBNR for each successive underwriting year at each financial year end, along with cumulative claim payments to-date.

In setting provisions for claims, the Company relies on advice by the cedants and exercises discretion where the claim may develop more adversely than advised. An estimate will be made in the absence of a reported figure or in the event the loss is still preliminary and has not been fully assessed.

The estimates of the ultimate incurred claims are subject to a great deal of uncertainty in the early stages as claims are still being intimated and developed, particularly so for large and catastrophic claims. These uncertainties reduce over time as the claims develop and progress towards the ultimate cost.

Beginning 1 April 2009, the methodology used in the valuation of general reinsurance liabilities was changed. This change involved a more granular segregation of the business of the Company into specific portfolios with the intention of achieving greater accuracy in the estimation process. Accordingly, data pertaining to the gross general reinsurance liabilities prior to underwriting year 2009 was not available and hence only post underwriting year 2009 developments in gross general reinsurance liabilities are disclosed.

31. Insurance risk (cont'd.)

(e) Claims development table (cont'd.)

Gross general reinsurance liabilities for 2014:

Underwriting Year	**Before 2006 RM'000**	**2006 RM'000**	**2007 RM'000**	**2008 RM'000**	**2009 RM'000**	**2010 RM'000**	**2011 RM'000**	**2012 RM'000**	**2013 RM'000**	**Sub Total RM'000**
At the end of underwriting year		-	-	418,389	573,070	640,777	643,911	663,610	712,406	
One year later		-	408,945	496,009	570,029	603,851	722,113	642,522	-	
Two years later		403,736	448,593	493,161	573,383	671,472	794,395	-	-	
Three years later		417,448	464,785	492,705	633,549	674,073	-	-	-	
Four years later		399,937	457,881	576,942	633,211	-	-	-	-	
Five years later		395,525	555,322	571,554	-	-	-	-	-	
Six years later		438,867	544,131	-	-	-	-	-	-	
Seven years later		434,488	-	-	-	-	-	-	-	
Current estimate of booked ultimate claims incurred (a)		**434,473**	**543,980**	**570,863**	**630,635**	**664,078**	**771,790**	**585,640**	**415,425**	
At the end of underwriting year		42,356	53,719	63,614	92,548	81,664	72,602	45,707	65,738	
One year later		217,724	224,029	256,339	301,430	304,808	457,413	322,956	-	
Two years later		294,220	333,537	358,844	430,566	489,316	650,735	-	-	
Three years later		335,359	379,990	411,516	544,944	569,484	-	-	-	
Four years later		355,014	403,432	515,279	574,075	-	-	-	-	
Five years later		369,071	517,164	529,417	-	-	-	-	-	
Six years later		420,704	521,617	-	-	-	-	-	-	
Seven years later		423,366	-	-	-	-	-	-	-	
Cumulative payments to-date (b)		**423,366**	**521,617**	**529,417**	**574,075**	**569,484**	**650,735**	**322,956**	**65,738**	
Expected claim liabilities (a) - (b)	28,586	11,107	22,363	41,446	56,560	94,594	121,055	262,684	349,687	988,082

	RM'000
Other portfolios	356,386
Best estimate of claim liabilities	1,344,468
Claim handling expenses	3,235
Fund PRAD at 75% confidence interval	101,365
Gross general reinsurance claim liabilities	1,449,068

31. Insurance risk (cont'd.)

(e) Claims development table (cont'd.)

Net general reinsurance liabilities for 2014:

Underwriting Year	Before 2006 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	Sub Total RM'000
At the end of underwriting year		305,287	317,442	496,557	537,097	579,366	556,166	631,329	706,648	
One year later		328,514	418,288	480,442	546,681	557,852	707,118	624,620	-	
Two years later		366,752	439,019	476,158	549,676	626,114	779,122	-	-	
Three years later		371,474	441,390	479,882	598,507	627,273	-	-	-	
Four years later		350,446	437,100	551,447	597,410	-	-	-	-	
Five years later		344,994	522,621	546,771	-	-	-	-	-	
Six years later		384,365	515,127	-	-	-	-	-	-	
Seven years later		381,387	-	-	-	-	-	-	-	
Current estimate of booked ultimate claims incurred (a)		**381,373**	**515,006**	**546,114**	**594,882**	**619,691**	**755,835**	**566,362**	**412,402**	
At the end of underwriting year		40,581	52,635	62,609	91,038	70,948	72,009	45,218	65,738	
One year later		194,490	219,484	251,249	296,382	291,065	451,089	319,122	-	
Two years later		257,795	324,757	350,613	415,719	471,728	642,608	-	-	
Three years later		288,807	368,751	402,025	526,099	545,602	-	-	-	
Four years later		307,552	390,048	501,521	554,187	-	-	-	-	
Five years later		320,957	497,241	515,394	-	-	-	-	-	
Six years later		369,377	501,625	-	-	-	-	-	-	
Seven years later		371,930	-	-	-	-	-	-	-	
Cumulative payments to-date (b)		**371,930**	**501,625**	**515,394**	**554,187**	**545,602**	**642,608**	**319,122**	**65,738**	
Expected claim liabilities (a) - (b)	22,853	9,443	13,381	30,720	40,695	74,089	113,227	247,240	346,664	898,312
Other portfolios										330,354
Best estimate of claim liabilities										1,228,666
Claim handling expenses										3,235
Fund PRAD at 75% confidence interval										89,394
Less: Retrocession recoveries										(17,106)
Net general reinsurance claim liabilities										1,304,189

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Malaysian Reinsurance Berhad
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31. Insurance risk (cont'd.)

(e) Claims development table (cont'd.)

Gross general reinsurance liabilities for 2013:

Underwriting Year	Before 2005 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	Sub Total RM'000
At the end of underwriting year		-	-	-	418,389	573,070	640,777	643,911	663,610	
One year later		-	-	408,945	496,009	570,029	603,851	722,113	-	
Two years later		-	403,736	448,593	493,161	573,383	671,472	-	-	
Three years later		334,075	417,448	464,785	492,705	633,549	-	-	-	
Four years later		338,991	399,937	457,881	576,942	-	-	-	-	
Five years later		326,336	395,525	555,322	-	-	-	-	-	
Six years later		324,864	438,867	-	-	-	-	-	-	
Seven years later		359,307	-	-	-	-	-	-	-	
Current estimate of booked ultimate claims incurred (a)		**359,242**	**438,594**	**554,849**	**574,103**	**625,871**	**650,143**	**664,583**	**385,874**	
At the end of underwriting year		45,677	42,356	53,719	63,614	92,548	81,664	72,602	45,707	
One year later		178,766	217,724	224,029	256,339	301,430	304,808	457,413	-	
Two years later		240,126	294,220	333,537	358,844	430,566	489,316	-	-	
Three years later		265,782	335,359	379,990	411,516	544,943	-	-	-	
Four years later		290,901	355,014	403,432	515,279	-	-	-	-	
Five years later		303,512	369,071	517,164	-	-	-	-	-	
Six years later		310,509	420,704	-	-	-	-	-	-	
Seven years later		350,143	-	-	-	-	-	-	-	
Cumulative payments to-date (b)		**350,143**	**420,704**	**517,164**	**515,279**	**544,943**	**489,316**	**457,413**	**45,707**	
Expected claim liabilities (a) - (b)	35,245	9,099	17,890	37,685	58,824	80,928	160,827	207,170	340,167	947,835

Other portfolios	330,973
Best estimate of claim liabilities	1,278,808
Claim handling expenses	3,067
Fund PRAD at 75% confidence interval	102,842
Gross general reinsurance claim liabilities	1,384,717

31. Insurance risk (cont'd.)

(e) Claims development table (cont'd.)

Net general reinsurance liabilities for 2013:

Underwriting Year	**Before 2005 RM'000**	**2005 RM'000**	**2006 RM'000**	**2007 RM'000**	**2008 RM'000**	**2009 RM'000**	**2010 RM'000**	**2011 RM'000**	**2012 RM'000**	**Sub Total RM'000**
At the end of underwriting year		310,464	305,287	317,442	496,557	537,097	579,366	556,166	631,329	
One year later		309,925	328,514	418,288	480,442	545,681	557,852	707,118	-	
Two years later		316,181	366,752	439,019	476,158	549,676	626,114	-	-	
Three years later		331,467	371,474	441,390	479,882	593,617	-	-	-	
Four years later		325,088	350,446	437,100	546,688	-	-	-	-	
Five years later		309,576	344,994	519,346	-	-	-	-	-	
Six years later		307,374	382,902	-	-	-	-	-	-	
Seven years later		337,577	-	-	-	-	-	-	-	
Current estimate of booked ultimate claims incurred (a)		**337,557**	**382,674**	**518,916**	**543,984**	**586,788**	**607,270**	**649,371**	**369,785**	
At the end of underwriting year		44,469	40,581	52,635	62,609	91,038	70,948	72,009	45,219	
One year later		172,437	194,490	219,484	251,249	296,382	291,065	451,089	-	
Two years later		230,790	257,795	324,757	350,613	415,719	471,728	-	-	
Three years later		255,442	288,807	368,751	402,025	526,099	-	-	-	
Four years later		276,466	307,552	390,048	501,521	-	-	-	-	
Five years later		288,622	320,957	497,241	-	-	-	-	-	
Six years later		295,205	369,377	-	-	-	-	-	-	
Seven years later		330,728	-	-	-	-	-	-	-	
Cumulative payments to-date (b)		**330,728**	**369,377**	**497,241**	**501,521**	**526,099**	**471,728**	**451,089**	**45,219**	
Expected claim liabilities (a) - (b)	26,683	6,829	13,297	21,675	42,463	60,689	135,542	198,282	324,566	830,026
Other portfolios										262,861
Best estimate of claim liabilities										1,092,887
Claim handling expenses										3,067
Fund PRAD at 75% confidence interval										84,595
Less: Retrocession recoveries										(13,992)
Net general reinsurance claim liabilities										1,166,557

32. Financial risk

Transactions in financial instruments may result in the Company assuming financial risks. These include credit risk, liquidity risk and market risk. This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing such risks.

The following table summarises the financial assets and financial liabilities of the Company, and their carrying value and fair values, which are considered by management in monitoring and managing of its financial risks.

	2014		2013	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
Financial and insurance assets				
Financial assets at FVTPL (Note 17)	397	397	5,820	5,820
HTM investments (Note 17)	209,760	204,840	257,858	262,516
AFS financial assets (Note 17)	1,062,840	1,062,840	889,496	889,496
Loans and receivables * (Note 17)	1,105,424	1,105,424	1,004,219	1,004,219
Reinsurance assets	150,215	150,215	224,716	224,716
Insurance receivables *	228,906	228,906	229,470	229,470
Cash and bank balances	4,760	4,760	2,852	2,852
	2,762,302	2,757,382	2,614,431	2,619,089
Financial and insurance liabilities				
Insurance contract liabilities	1,718,028	1,718,028	1,643,324	1,643,324
Insurance payables *	90,447	90,447	91,328	91,328
Other payables and provisions *	14,313	14,313	13,426	13,426
	1,822,788	1,822,788	1,748,078	1,748,078

* The carrying values of these loans and receivables, insurance receivables, insurance payables and other payables and provisions approximate their fair values due to their short term nature.

32. Financial risk (cont'd.)

(a) Credit risk

Credit risk is the risk of financial loss resulting from the failure of counterparties to reinsurance and investment transactions to meet their contractual obligations.

Credit risk includes the following major elements:

(i) Investment credit risk which is the risk of financial loss arising from a change in the value of an investment due to a rating downgrade, default or widening of credit spreads. Changes in credit spreads are largely driven by the different economic cycles and operating cycles while the less liquid securities tend to be priced at a wider spread. The liquidity of the securities is directly determined by its bid-to-ask spread;

(ii) Derivative counterparty risk which is the risk of financial loss arising from a derivative counterparty's default, or the deterioration of the derivative counterparty's financial position. As at the reporting date, the Company did not transact in derivatives and was not exposed to this risk; and

(iii) Reinsurance counterparty risk which is the risk of financial loss arising from a retrocessionaire's default, or the deterioration of the retrocessionaire's solvency position.

The Company is exposed to investment credit risk on its investment portfolio, primarily from investments in corporate bonds. A creditworthiness assessment for new and existing investments is undertaken by the Company in accordance with the Investment Policy as approved by the Investment Committee. In addition, the credit ratings of fixed income securities are regularly monitored and any downgrade in credit ratings will be evaluated to determine actions required. As at the reporting date, the Company's fixed income securities have no material exposure below investment grade.

The Company is exposed to reinsurance counterparty risks of three different types:

(i) as a result of recoveries owing from retrocessionaires for claims of the Company;

(ii) from amounts due from ceding companies; and

(iii) as a result of reserves held by reinsurers which would have to be met by the Company in the event of default.

The reinsurers' share of unearned premiums have been excluded from the analysis as they are not contractual obligations.

32. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

Management of credit risk

In order to manage and mitigate credit risk, the following policies and procedures were set in place:

(i) Investment policies prescribe the minimum credit rating for fixed income securities that may be held. In addition, the policies are further aimed at investing in a diverse portfolio of fixed income securities in order to reduce the potential impact that may arise from individual companies defaulting;

(ii) Counterparty limits are set for investments, cash deposits and foreign exchange trade exposure to ensure that there is no concentration of credit risk;

(iii) The Company's investment portfolio is managed to ensure diversification and focuses on high quality investment grade fixed income securities. For the financial year ended 31 March 2014, the average credit quality of the Company's investment portfolio was AAA as determined by Rating Agency Malaysia ("RAM") or Malaysian Rating Corporation Berhad ("MARC"); and

(iv) To mitigate reinsurance counterparty risk, the Company will give due consideration to the credit quality of a reinsurer. To facilitate this process, a list of acceptable reinsurers based on their rating is maintained within the Company. The Company regularly reviews the financial security of its reinsurers.

32. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

Credit exposure by credit rating

The table below provides information regarding the credit risk exposures of the Company by classiying assets according to the credit ratings of counterparties.

	Government guaranteed RM'000	AAA to BBB RM'000	Not subject to credit risk RM'000	Not rated RM'000	Total RM'000
2014					
Financial assets at FVTPL					
Shariah approved equities in Malaysia	-	-	397	-	397
HTM investments					
Malaysian government securities	78,936	-	-	-	78,936
Unquoted corporate debt securities	25,006	-	-	-	25,006
Government investment issues	105,818	-	-	-	105,818
AFS financial assets					
Unquoted shares in Malaysia	-	-	44,503	-	44,503
Unquoted corporate debt securities	115,596	773,795	-	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

32. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

Credit exposure by credit rating (cont'd.)

	Government guaranteed RM'000	AAA to BBB RM'000	Not subject to credit risk RM'000	Not rated RM'000	Total RM'000
2014 (cont'd.)					
Loans and receivables					
Fixed and call deposits with licensed:					
Commercial banks	-	294,520	-	-	294,520
Investment banks	-	420,005	-	-	420,005
Islamic investment accounts with licensed					
Islamic banks		295,267	-	-	295,267
Uncallable Negotiable Islamic Deposits	-	18,743	-	-	18,743
Secured staff loans:					
Receivable within 12 months	-	-	-	473	473
Receivable after 12 months	-	-	-	3,901	3,901
Due from insurance Pool accounts	-	-	-	35,266	35,266
Income due and accrued	-	-	-	20,032	20,032
Due from fellow subsidiaries	-	-	-	130	130
Other receivables and deposits	-	-	-	17,087	17,087
Reinsurance assets *	-	53,266	-	91,613	144,879
Insurance receivables *	-	41,007	-	187,899	228,906
Cash and bank balances	-	4,760	-	-	4,760
Financial and other assets	378,199	1,901,363	114,888	362,516	2,756,966

* Non-rated balances primarily relate to balances due/recoverable from local insurers and/or takaful operators licensed under the FSA and Islamic Financial Services Act ("IFSA") 2013 respectively.

32. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

Credit exposure by credit rating

The table below provides information regarding the credit risk exposures of the Company by classiying assets according to the credit ratings of counterparties.

	Government guaranteed RM'000	AAA to BBB RM'000	Not subject to credit risk RM'000	Not rated RM'000	Total RM'000
2013					
Financial assets at FVTPL					
Quoted Shariah approved equities in Malaysia	-	-	326	-	326
Structured products	-	-	-	5,494	5,494
HTM investments					
Malaysian government securities	79,131	-	-	-	79,131
Unquoted corporate debt securities	50,012	5,002	-	-	55,014
Government investment issues	108,831	-	-	-	108,831
Short term commercial papers	-	14,882	-	-	14,882
AFS financial assets					
Unquoted shares in Malaysia	-	-	44,503	-	44,503
Unquoted corporate debt securities	75,271	747,357	-	6,791	829,419
Government investment issues	13,760	-	-		13,760
Quoted Shariah approved equities in Malaysia	-	-	1,621	-	1,621
Quoted shares outside Malaysia	-	-	193	-	193

32. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

Credit exposure by credit rating (cont'd.)

	Government guaranteed RM'000	AAA to BBB RM'000	Not subject to credit risk RM'000	Not rated RM'000	Total RM'000
2013 (cont'd.)					
Loans and receivables					
Fixed and call deposits with licensed:					
Commercial banks	-	164,863	-	-	164,863
Investment banks	-	514,222	-	-	514,222
Islamic investment accounts with licensed:					
Co-operative bank	-	13,020	-	-	13,020
Islamic banks	-	153,873	-	-	153,873
Institutional trust deposit	57,165	-	-	-	57,165
Uncallable Negotiable Islamic Deposits	-	27,226	-	-	27,226
Secured staff loans:					
Receivable within 12 months	-	-	-	666	666
Receivable after 12 months	-	-	-	3,413	3,413
Due from insurance Pool accounts	-	-	-	32,020	32,020
Income due and accrued	-	-	-	18,247	18,247
Due from fellow subsidiaries	-	-	-	942	942
Other receivables and deposits	-	-	-	18,562	18,562
Reinsurance assets *	-	93,581	-	124,579	218,160
Insurance receivables *	-	30,190	-	199,280	229,470
Cash and bank balances	-	2,852	-	-	2,852
Financial and other assets	384,170	1,767,068	46,643	409,994	2,607,875

* Non-rated balances primarily relate to balances due/recoverable from local insurers and/or takaful operators licensed under the FSA and IFSA 2013 respectively.

32. Financial risk (cont'd.)

(a) Credit risk (cont'd.)

Impaired financial assets

	2014 RM'000	2013 RM'000
Insurance receivables:		
At beginning of year	7,442	4,298
Reversal of impairment losses for the year	(2,147)	-
Impairment losses for the year	-	3,144
At end of year	5,295	7,442

(b) Liquidity risk

Liquidity risk is the risk that a company will not have sufficient cash resources available to meet its payment obligations without incurring significant additional costs.

The Company assesses its liquidity risk by ensuring the following:

(i) the Company is able to meet its payment obligations under normal and stressed operating environments without suffering any loss;

(ii) additions/withdrawals from the company's investment funds are managed efficiently; and

(iii) appropriate measures are in place to respond to liquidity risk.

As part of its liquidity management strategy, the Company has in place a framework capable of measuring and reporting on:

(i) daily cash flows;

(ii) minimum liquidity holdings;

(iii) cash flows forecast covering a minimum period of 2 months and up to a maximum of 1 year;

(iv) the composition and market values of the Company's investment portfolios, including liquid holdings; and

(v) the Company's insurance funds.

32. Financial risk (cont'd.)

(b) Liquidity risk (cont'd.)

In order to manage the liquidity of the insurance fund, the investment mandate requires that a certain proportion of the insurance fund is maintained as liquid assets. Accordingly, the Company is required to maintain a minimum holding of low risk assets of 10% and has no maximum limit on its placements in fixed and call deposits.

Maturity profiles

The table below summarises the maturity profile of the financial assets and liabilities of the Company based on the remaining undiscounted contractual obligations, including interest payable and receivable.

For insurance contracts liabilities and reinsurance assets, maturity profiles are determined based on the estimated timing of net cash outflows from the recognised insurance liabilities. Unearned premiums and the reinsurers' share of unearned premiums have been excluded from the analysis as they are not contractual obligations.

32. Financial risk (cont'd.)

(b) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)

2014	Carrying value RM'000	Up to 1 year RM'000	1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
Financial assets at FVTPL						
Shariah approved equities in Malaysia	397	-	-	-	397	397
HTM investments						
Malaysian government securities	78,936	3,276	13,115	106,983	-	123,374
Unquoted corporate debt securities	25,006	1,033	25,620	-	-	26,653
Government investment issues	105,818	4,365	17,471	113,835	-	135,671
AFS financial assets						
Unquoted shares in Malaysia	44,503	-	-	-	44,503	44,503
Unquoted corporate debt securities	895,506	116,236	492,386	487,483	-	1,096,105
Government investment issues	23,562	849	14,995	12,825	-	28,669
Malaysian government securities	29,281	1,011	22,180	10,145	-	33,336
Quoted shares in Malaysia:						
Shariah approved equities	41,885	-	-	-	41,885	41,885
Others	27,823	-	-	-	27,823	27,823
Quoted shares outside Malaysia	280	-	-	-	280	280

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32. Financial risk (cont'd.)

(b) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)

	Carrying value RM'000	Up to 1 year RM'000	1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
2014 (cont'd.)						
Loans and receivables						
Fixed and call deposits with licensed:						
Commercial banks	294,520	295,891	-	-	-	295,891
Investment banks	420,005	420,846	-	-	-	420,846
Islamic investment accounts with licensed						
Islamic banks	295,267	296,442	-	-	-	296,442
Uncallable Negotiable Islamic Deposit	18,743	18,846	-	-	-	18,846
Secured staff loans:						
Receivable within 12 months	473	473	-	-	-	473
Receivable after 12 months	3,901	-	2,370	1,531	-	3,901
Due from insurance Pool accounts	35,266	35,266	-	-	-	35,266
Income due and accrued	20,032	20,032	-	-	-	20,032
Due from fellow subsidiaries	130	130	-	-	-	130
Other receivables and deposits	17,087	17,087	-	-	-	17,087
Reinsurance assets	144,879	55,475	71,736	6,146	11,522	144,879
Insurance receivables	228,906	228,906	-	-	-	228,906
Cash and bank balances	4,760	4,760	-	-	-	4,760
Financial and other assets	2,756,966	1,520,924	659,873	738,948	126,410	3,046,155

32. Financial risk (cont'd.)

(b) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)

	Carrying value RM'000	Up to 1 year RM'000	1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
2014 (cont'd.)						
Insurance contract liabilities	(1,449,068)	(560,629)	(724,962)	(62,112)	(101,365)	(1,449,068)
Insurance payables	(90,447)	(90,447)	-	-	-	(90,447)
Other payables	(14,313)	(14,313)	-	-	-	(14,313)
Financial and other liabilities	(1,553,828)	(665,389)	(724,962)	(62,112)	(101,365)	(1,553,828)
Surplus/(deficit)	1,203,138	855,535	(65,089)	676,836	25,045	1,492,327

32. Financial risk (cont'd.)

(b) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)

2013	Carrying value RM'000	Up to 1 year RM'000	1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
Financial assets at FVTPL						
Shariah approved equities in Malaysia	326	-	-	-	326	326
Structured products	5,494	5,494	-	-	-	5,494
HTM investments						
Malaysian government securities	79,131	3,285	13,115	110,444	-	126,844
Unquoted corporate debt securities	55,014	26,995	31,687	-	-	58,682
Government investment issues	108,831	10,803	16,923	114,065	-	141,791
Short term commercial papers	14,882	14,882	-	-	-	14,882
AFS financial assets						
Unquoted shares in Malaysia	44,503	-	-	-	44,503	44,503
Unquoted corporate debt securities	829,419	91,042	468,985	464,131	-	1,024,158
Government investment issues	13,760	491	1,961	14,801	-	17,253
Quoted Shariah approved equities in Malaysia	1,621	-	-	-	1,621	1,621
Quoted shares outside Malaysia	193	-	-	-	193	193

32. Financial risk (cont'd.)

(b) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)

2013 (cont'd.)	Carrying value RM'000	Up to 1 year RM'000	1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
Loans and receivables						
Fixed and call deposits with licensed:						
Commercial banks	164,863	165,665	-	-	-	165,665
Investment banks	514,222	516,141	-	-	-	516,141
Islamic investment accounts with licensed:						
Co-operative bank	13,020	13,087	-	-	-	13,087
Islamic banks	153,873	154,729	-	-	-	154,729
Institutional trust deposit	57,165	59,874	-	-	-	59,874
Uncallable Negotiable Islamic Deposit	27,226	27,543	-	-	-	27,543
Secured staff loans:						
Receivable within 12 months	666	666	-	-	-	666
Receivable after 12 months	3,413	-	1,380	2,033	-	3,413
Due from insurance Pool accounts	32,020	32,020	-	-	-	32,020
Income due and accrued	18,247	18,247	-	-	-	18,247
Due from fellow subsidiaries	942	942	-	-	-	942
Other receivables and deposits	18,562	18,562	-	-	-	18,562
Reinsurance assets	218,160	97,107	95,065	8,135	17,853	218,160
Insurance receivables	229,470	229,470	-	-	-	229,470
Cash and bank balances	2,852	2,852	-	-	-	2,852
Financial and other assets	2,607,875	1,489,897	629,116	713,609	64,496	2,897,118

32. Financial risk (cont'd.)

(b) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)

	Carrying value RM'000	Up to 1 year RM'000	1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
2013 (cont'd.)						
Insurance contract liabilities	(1,384,717)	(621,439)	(608,374)	(52,062)	(102,842)	(1,384,717)
Insurance payables	(91,328)	(91,328)	-	-	-	(91,328)
Other payables	(13,426)	(13,426)	-	-	-	(13,426)
Financial and other liabilities	(1,489,471)	(726,193)	(608,374)	(52,062)	(102,842)	(1,489,471)
Surplus/(deficit)	1,118,404	763,704	20,742	661,547	(38,346)	1,407,647

32. Financial risk (cont'd.)

(c) Market risk

Market risk is the risk of loss arising from a change in the values of, or the income from, financial assets. A risk of loss also arises from volatility in asset prices, interest rates, or exchange rates. Market risk includes the following elements:

(i) Equity price risk which is the risk of fluctuations in the fair value or future cash flows of a financial instrument arising from stock market dynamics impacting equity prices;

(ii) Foreign exchange risk which is the risk of fluctuations in the fair value or future cash flows of a financial instrument arising from a movement of or volatility in exchange rates; and

(iii) Interest rate risk which is the risk of fluctuations in the fair value or future cash flows of a financial instrument arising from variability in interest rates.

Equity price risk

Equity price risk is the risk that the fair values or future cash flows of a financial instrument fluctuates because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting similar financial instruments traded in the market.

The Company's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices.

The Company's equity price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans and limits on investments in each country, sector, market and issuer, having regard also to such limits as stipulated by BNM. The Company complied with such limits as stipulated by BNM during the financial year and had no significant concentration of equity price risk.

The analysis below is performed for reasonably possible movements in key variables, with all other variables held constant, showing the impact on profit before tax and equity. The correlation of variables will have significant effect in determining the ultimate impact on equity price risk, but to demonstrate the impact due to changes in market indices, the impact of other variables are not considered.

32. Financial risk (cont'd.)

(c) Market risk (cont'd.)

	Changes in variable	Impact on profit before tax RM'000	Impact on equity* RM'000
2014			
Price	+5%	20	2,857
Price	-5%	(360)	(2,857)
2013			
Price	+5%	291	295
Price	-5%	(318)	(295)

* The impact on equity reflects adjustments for tax, where applicable.

Foreign exchange risk/currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

As the Company’s business is conducted primarily in Malaysia, the Company’s financial assets are also primarily maintained in Malaysia as required under the Financial Services Act 2013, and hence, primarily denominated in the same currency as its insurance contract liabilities, which are in Malaysian Ringgit.

As the Company's main foreign exchange risk from recognised assets and liabilities arises from reinsurance transactions for which the net balances are expected to be settled and realised on net basis within 12 months, the impact arising from sensitivity in foreign exchange rates is deemed to be minimal.

Interest rate risk

The Company is exposed to fair value interest rate risk where changes to interest rates result in changes to fair values rather than cash flows on assets such as fixed interest income assets. Conversely, floating rate loans expose the Company to cash flow interest rate risk.

The earnings of the Company are affected by changes in market interest rates due to the impact such changes have on interest income from cash and cash equivalents, including investments in fixed deposits. The value of the Company's fixed income portfolio is inversely related to profit rates and hence is the source of portfolio volatility.

32. Financial risk (cont'd.)

(c) Market risk (cont'd.)

Interest rate risk (cont'd.)

The Company manages its interest rate risk by matching, where possible, the duration and profile of assets and liabilities to minimise the impact of mismatches between the value of assets and liabilities from interest rate movements.

The nature of the Company's exposure to interest rate risk and its objectives, policies and processes for managing interest rate risk have not changed significantly from the previous financial year.

Sensitivity analysis

A change of 25 basis points ("bp") in interest rates at the reporting date would have (decreased)/increased the fair values of the Company's fixed income investments by the amounts shown below. The impact on profit before tax has not been disclosed as the Company did not classify its fixed income investments at FVTPL.

	Changes in variable	Impact on equity* RM'000
2014		
Interest/profit rates	+25 bp	(7,440)
Interest/profit rates	-25 bp	7,440
2013		
Interest/profit rates	+25 bp	(7,262)
Interest/profit rates	-25 bp	7,262

* The impact on equity reflects adjustments for tax, where applicable.

33. Other risks

(a) Property risk

Property risk is the risk associated with the Company’s investment in property or real estate for own occupancy, investment or rental purposes. The operational risk of the Company's property is controlled by having a detailed operation manual. The manual describes the responsibilities in relation to management of the properties to maintain quality and satisfied tenants.

33. Other risks (cont'd.)

(a) Property risk

The financial risk of declining tenants are managed through careful selection of properties, having quality tenants with long term tenancies and continuously maintaining and upgrading facilities.

The Company has no significant exposure to property risk.

(b) Operational risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Company cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit. Business risks such as changes in environment, technology and the industry are monitored through the Company's strategic planning and budgeting process.

(c) Compliance risk

Compliance risk is the risk arising from violations of, or non conformance with, business principles, internal policies and procedures, related laws and rules and regulations governing the Company's products, services and activities.

Consequently, the exposure to this risk can damage the Company's reputation, lead to legal or regulatory sanctions and/or financial loss.

The Company has established a Compliance Department to oversee and monitor all compliance aspects in observing regulatory requirements. In this respect, it has developed internal policies and procedures to ensure compliance with all applicable laws and guidelines issued by the regulatory authorities.

34. 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:

34. Fair values of assets (cont'd.)

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.

<u>Description of significant unobservable inputs:</u>

	Valuation technique	**Significant unobservable inputs**	**Range**
<u>Property, plant and equipment</u>			
Office building	Income approach	Yield Rental per square foot	6.0% to 6.5% RM4.50
<u>Investment property</u>			
Shoplots	Income approach	Rental per square metre	RM3.46
<u>AFS financial assets</u>			
Unquoted corporate debt securities	Income approach	Estimated haircut based on projected performance	45%

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

34. Fair values of assets (cont'd.)

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2014				
Assets measured at fair value:				
(a) Property, plant and equipment				
Freehold land (Note 13)	-	-	32,260	32,260
Buildings (Note 13)	-	-	80,341	80,341
	-	-	112,601	112,601
(b) Investment property (Note 14)	-	-	6,900	6,900
(c) Non-current assets held for sale *	1,696	-	-	1,696
(d) Financial assets at FVTPL				
Quoted shariah approved equities in Malaysia	397	-	-	397
(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
	69,988	942,234	6,115	1,018,337
	72,081	942,234	125,616	1,139,931

* The fair valuation of the non-current assets held for sale is non-recurring.

34. Fair values of assets (cont'd.)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2014 (cont'd.)				
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
	-	204,840	-	204,840
2013				
Assets measured at fair value:				
(a) Financial assets at FVTPL				
Quoted shariah approved equities in Malaysia	326	-	-	326
Structured products	5,494	-	-	5,494
	5,820	-	-	5,820
(b) AFS financial assets				
Unquoted corporate debt securities	-	829,419	-	829,419
Government investment issues	-	13,760	-	13,760
Quoted Shariah approved equities in Malaysia	1,621	-	-	1,621
Quoted shares outside Malaysia	193	-	-	193
	1,814	843,179	-	844,993
	7,634	843,179	-	850,813

The fair value hierarchy for non-financial assets and assets for which fair values are disclosed is being presented for the first time in the financial year ended 31 March 2014 and in line with the transitional provisions of MFRS 13, the comparative information has not been presented in the financial statements.

34. Fair values of assets (cont'd.)

Reconciliation of Level 3 fair value hierarchy

	AFS financial assets RM'000
2014	
At 1 April 2013	-
Unquoted corporate debt securities transferred from Level 2	6,115
At 31 March 2014	6,115