Building a better working world

AmGeneral Insurance Berhad
(44191-P)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 March 2017

Company No: 44191-P

AmGENERAL INSURANCE BERHAD
(Incorporated in Malaysia)

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AmGENERAL INSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Company for the financial year ended 31 March 2017.

PRINCIPAL ACTIVITY

The Company is engaged principally in the underwriting of all classes of general insurance business.

RESULTS

	RM'000
Net profit for the year	190,750

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

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

DIVIDENDS

The amount of dividends paid by the Company since 31 March 2016 were as follows:

	RM'000
In respect of financial year ended 31 March 2016:	
Irredeemable non-cumulative convertible preference shares ("INCPS"):	
Dividend of 5.5% per INCPS on 6,100,000 INCPS based on issue price of RM10.00 each declared on 29 June 2016 and paid on 26 September 2016	3,355
Redeemable non-cumulative convertible preference shares ("RNCPS"):	
Dividend of 5.5% per RNCPS on 40,000,000 RNCPS based on issue price of RM10.00 each declared on 29 June 2016 and paid on 26 September 2016	22,000
	25,355

SHARE OPTIONS

There were no options granted during the financial year by the Company to any parties to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As at the end of the financial year, there were no unissued shares of the Company under options.

DIRECTORS

The directors of the Company in office since the beginning of the financial year to the date of this report are:

Tan Sri Azman Hashim (Chairman)
(Non-independent, non-executive director)
Duncan Victor Brain
(Non-independent, non-executive director)
Raymond Fam Chye Soon
(Independent, non-executive director)
Wong Teck Kat
(Independent, non-executive director)
Sathasivan Kunchamboo
(Independent, non-executive director)
Dato' Sulaiman Bin Mohd Tahir (Appointed on 1 November 2016)
(Non-independent, non-executive director)
Aidan Richard Pallister (Resigned on 27 March 2017)
(Non-independent, non-executive director)

CORPORATE GOVERNANCE

The Company has complied with the prescriptive requirements of, and adopted management practices that are consistent with the principles prescribed under BNM Policy Document on Corporate Governance.

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CORPORATE GOVERNANCE (CONT'D.)

Directors' Profile

The following are the profile of Directors of the Company:

TAN SRI AZMAN HASHIM
Chairman / Non-Independent Non-Executive Director

Tan Sri Azman Hashim ("Tan Sri Azman"), a Malaysian, male, aged 78, is the Chairman of the Board of Directors of the Company since 26 September 2012.

Tan Sri Azman is also the Chairman of the Board of AMMB Holdings Berhad ("AMMB") and several subsidiaries of AMMB, namely AmBank (M) Berhad, AmInvestment Bank Berhad, AmMetlife Insurance Berhad, AmGeneral Holdings Berhad, AmInvestment Group Berhad and AMFB Holdings Berhad.

Tan Sri Azman, a Fellow Chartered Banker (FCB), a Chartered Accountant (FCPA), a Fellow of the Institute of Chartered Accountants and a Fellow of the Institute of Chartered Secretaries and Administrators, has been in the banking industry since 1960 when he joined Bank Negara Malaysia and served there until 1964. He practised as a Chartered Accountant in Azman Wong Salleh and Co. from 1964 to 1971. He then joined the board of Malayan Banking Berhad from 1966 until 1980 and was its Executive Director from 1971 until 1980. He was the Executive Chairman of Kwong Yik Bank Berhad, a subsidiary of Malayan Banking Berhad, from 1980 until April 1982 when he acquired AmInvestment Bank Berhad.

Tan Sri Azman is the Executive Chairman of Amcorp Group Berhad and Chairman of the Asian Institute of Finance Berhad, the Asian Institute of Chartered Bankers, Asian Banking School Sdn Bhd, Malaysian Investment Banking Association, the Malaysia Productivity Corporation, Malaysia South-South Corporation Berhad and Chairman Emeritus of Pacific Basin Economic Council (PBEC).

He is the President of Malaysia South-South Association, Malaysia-Japan Economic Association, Malaysia Prison FRIENDS Club and a Member of the APEC Business Advisory Council and East Asia Business Council. He is also the Leader of the ASEAN Japanese Business Meeting (Malaysia Committee, Keizai Doyukai). He is the Pro-Chancellor of Open University of Malaysia and a member of the Governing Body of Asian Productivity Organisation.

Tan Sri Azman is also involved in several charitable organisations as Chairman and Trustee AmGroup Foundation and Perdana Leadership Foundation and Trustee for Yayasan Azman Hashim, Malaysian Liver Foundation, Yayasan Tuanku Najihah and Yayasan Canselor Open University Malaysia. Tan Sri Azman is also the Founder and Council Member of Azman Hashim Family (L) Foundation and Azman Hashim Charatible (L) Foundation.

CORPORATE GOVERNANCE (CONT'D.)

Directors' Profile (Cont'd.)

DUNCAN VICTOR BRAIN
Non-Independent Non-Executive Director

Mr Duncan Victor Brain ("Mr Duncan Brain"), an Australian, male, aged 52, was appointed as a Non-Independent Non-Executive Director of the Company on 26 September 2012.

Mr Duncan Brain holds a Bachelor of Applied Science (Mathematics) from Victoria University, Melbourne, as well as a Master of Business Administration from the Macquarie Graduate School of Management, Macquarie University, Sydney.

Mr Duncan Brain is also a Director of AmGeneral Holdings Berhad, Bohai Property Insurance Company Limited, China, IAG (Asia) General Pte Ltd, Singapore, NHCT Limited, Thailand, NHCT Holding (Thailand) Company Limited, Safety Insurance Public Company Limited, Thailand, Safety Thailand Holding Pty Limited, Australia, SBI General Insurance Company Limited, India and Thailand Insurance Holdings Pty Limited, Australia.

RAYMOND FAM CHYE SOON
Independent Non-Executive Director

Mr Raymond Fam Chye Soon ("Mr Raymond Fam"), a Malaysian, male, aged 54, was appointed as an Independent Non-Executive Director of the Company on 23 September 2008.

Mr Raymond Fam also sits on the board of AmBank (M) Berhad ("AmBank"), a subsidiary of AMMB Holdings Berhad as Independent Non-Executive Director. He is the Chairman of the Audit and Examination Committee of Directors and a Member of the Risk Management Committee of Directors of AmBank.

Mr Raymond Fam holds a Master in Financial Planning from University of Sunshine Coast, Australia and Corporate Finance qualification from ICAEW. He is also a member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants.

Mr Raymond Fam has extensive experience in corporate finance, banking and business knowledge from his wide and extensive experiences. He started his career with an international accounting firm for 6 years from 1984 to 1990. He was with the Corporate Finance Department of CIMB from 1990 to 1992 and 1993 to early 1996. In between 1992 and 1993, he served as the Accounting Manager for a multinational engineering firm. In 1996, he left CIMB and joined AIC Corporation Berhad, a listed manufacturing group. He was the Senior Vice President, Group Corporate Services from 1996 to 2002. He was later appointed the Deputy Chief Executive Officer of Jotech Holdings Berhad, a listed manufacturing company within the AIC Group from 2003 to 2006. He left Jotech Holding Berhad at end of 2006 and ventured into his private businesses in digital media advertising, investment holding and provision of consultancy services, in which he sits on the board of the private limited companies involved in some of those businesses.

CORPORATE GOVERNANCE (CONT'D.)

Directors' Profile (Cont'd.)

RAYMOND FAM CHYE SOON
Independent Non-Executive Director (Cont'd.)

Mr Raymond Fam is the Chairman of the Company's Audit and Examination Committee of Directors, Nomination and Remuneration Committee of Directors and Investment Committee of Directors. He is also a Member of Risk Management Committee of Directors of the Company.

WONG TECK KAT
Independent Non-Executive Director

Mr Wong Teck Kat ("Mr Wong"), a Malaysian, male, aged 67, was appointed as an Independent Non-Executive Director of the Company on 1 March 2016.

Mr Wong holds a Master in Business Administration from Henley, Brunel University, United Kingdom, and a Master in Christian Study from Seminari Theoloji Malaysia. He is a Chartered Insurer and an Associate of Chartered Insurance Institute, United Kingdom.

Mr Wong has about 39 years' general insurance experiences. He began his career with the Commercial Union Assurance Co. Ltd. in 1970 and was the first trained Fire Surveyor in Malaysia in 1974. He served as the Chief Executive Officer ("CEO") of Malaysia & Nippon Insurans Berhad and later the CEO of Zurich Insurance Malaysia Berhad. Mr Wong retired in 2009 from the merged entity of MCIS Zurich Insurance Berhad.

Mr Wong has also served as a Member of the Management Committee of the Persatuan Insurans Am Malaysia and Chairman of its Fire Sub-Committee, Chairman and a Council Member of the Insurance Mediation Bureau of Malaysia, a Board Member of the ISM Insurance Malaysia Sdn Bhd, Chairman of the Council of the Motor Insurance Bureau of West Malaysia and a Board Member of the Financial Mediation Bureau.

Mr Wong is a Member of the Company's Audit and Examination Committee of Directors, Nomination and Remuneration Committee of Directors and Risk Management Committee of Directors.

CORPORATE GOVERNANCE (CONT'D.)

Directors' Profile (Cont'd.)

SATHASIVAN KUNCHAMBOO
Independent Non-Executive Director

Mr Sathasivan Kunchamboo ("Mr Sathasivan"), a Malaysian, male, aged 59, was appointed as an Independent Non-Executive Director of the Company on 1 March 2016.

Mr Sathasivan is also a Director of AmMetLife Insurance Berhad ("AmMetLife"), a subsidiary of AMMB Holdings Berhad, and a Member of Risk Management Committee of Directors of AmMetLife.

Mr Sathasivan holds a Master in Business Administration from University of Birmingham, United Kingdom and Bachelor of Business Administration from National University of Malaysia. He also holds Bachelor of Law from University of London and Certificate of Legal Practice from Legal Profession Qualifying Board, Malaysia.

Mr Sathasivan has over 17 years of experience in regulation and supervision of the Insurance industry of Malaysia, in particular general insurance, offshore insurance, reinsurance and Takaful.

Mr Sathasivan joined Bank Negara Malaysia ("BNM") from year 1982 to 2013. From December 2005 to November 2013, Mr Sathasivan held a position as Senior General Manager of Credit Guarantee Corporation Malaysia Berhad, a subsidiary of BNM. Prior to that, Mr Sathasivan held various positions in Insurance Regulation Department namely, Deputy Director of Strategic Planning Division, Deputy Director of General Insurance Division, Senior Manager of Motor Insurance Unit, Senior Manager of Reinsurance Unit and Manager of Labuan Offshore Insurance Unit. He also held positions as Manager of Legal Department, Senior Executive of Personnel Department as well as Training Officer of Staff Training Centre.

Mr Sathasivan is the Chairman of the Company's Risk Management Committee of Directors and a Member of the Nomination and Remuneration Committee of Directors. Mr Sathasivan was also appointed as a Member of the Audit and Examination Committee of Directors on 28 April 2017.

CORPORATE GOVERNANCE (CONT'D.)

Directors' Profile (Cont'd.)

DATO' SULAIMAN MOHD TAHIR
Non-Independent Non-Executive Director

Dato' Sulaiman Mohd Tahir ("Dato' Sulaiman"), a Malaysian, male, aged 54, was appointed as Non-Independent Non-Executive Director of the Company on 1 November 2016.

Dato' Sulaiman is the Group Chief Executive Officer (Group CEO) of AMMB Holdings Berhad ("AMMB") and Chief Executive Officer of AmBank (M) Berhad ("AmBank") (a wholly-owned subsidiary of AMMB), the commercial banking arm of AmBank Group, positions he has held since November 2015.

Dato' Sulaiman also sits on the Board of several other subsidiaries of AMMB, namely AmGeneral Holdings Berhad, AmMetLife Insurance Berhad and AmMetLife Takaful Berhad.

Dato' Sulaiman holds a Bachelor of Business in Accountancy from Royal Melbourne Institute of Technology in Australia.

He has a wealth of experience backed by 28 years of managing and spearheading growth in consumer banking, as well as in commercial and corporate banking in Malaysia.

Prior to joining AmBank Group, he has held many prominent positions at one of the largest bank in Malaysia, where he led the overall Bank's development, management and performance of the consumer banking business.

Dato' Sulaiman is a Member of the Company's Nomination and Remuneration of Committee of Directors and Investment Committee of Directors.

Directors' Training

The Board recognised the importance of ensuring that Directors are continuously being developed to acquire or enhance the requisite knowledge and skills to discharge their duties effectively.

CORPORATE GOVERNANCE (CONT'D.)

Directors' Training (Cont'd.)

All new Directors appointed to the Board would attend a formal induction programme to familiarise themselves with the company's strategy and operating structure, financial highlights, product and marketing strategies, risk management strategy, legal and regulatory compliance requirements, people initiatives presented by the Chief Executive Officer with various Head of Departments, and organised by the Group Learning and Development unit. The Company Secretary would also provide the new Directors with an information kit regarding disclosure obligations of a director, Board Charter, Code of Ethics, Memorandum and Articles of Association of the Company, Board Committees' Terms of Reference, Schedule of Matters Reserved for the Board, amongst others.

Apart from the Financial Institutions Directors' Education (FIDE) Programme accredited by ICLIF, all Directors appointed to the Board, have also attended other relevant training programmes and seminars organised by the regulatory authorities and professional bodies to further enhance their business acumen and professionalism in discharging their duties to the Company. The Directors also attend Strategy Meeting to have an in-depth understanding and continuous engagement with Management pertaining to the Company's strategic direction. In addition, the Directors are constantly updated on information relating to the Group's development and industry development through discussion at Board meetings with the Senior Management team.

Board responsibilities

The Board of Directors (the "Board") remains fully committed in ensuring that the principles and best practices in corporate governance are observed by the Company. The Board supervises the management of the Company in business policies and affairs with the goal of enhancing shareholder's value.

Board meetings are scheduled at least six (6) times per year where the Board addresses key matters concerning strategy, finance, organisation structure, business development, human resource, and establishes guidelines for overall business, risk and control policies, capital allocation as well as approves all key business developments.

Board activities

As at reporting date, the Board comprises six (6) members with wide-ranging skills and experience. The Board is represented by three (3) non-independent, non-executive directors and three (3) independent, non-executive directors of calibre, and with necessary skills and diverse corporate experience to ensure that strategies proposed by the management are fully discussed and examined, as well as to take into account the long term interests of various stakeholders. During the financial year, the Board has met seven (7) times.

CORPORATE GOVERNANCE (CONT'D.)

Board activities (Cont'd.)

All directors review the Board reports prior to the Board meetings. The reports are issued with sufficient time to enable the directors to obtain further explanations, where necessary, before the meetings.

In addition, the Board decides on matters reserved specifically for its decision, including the approval of corporate and business plans and budgets, acquisitions and disposals of assets that are material to the Company, major investments, changes to the management and control structure of the Company, including key policies, procedures and authority limits.

The Board has also adopted a policy for induction and education of directors. The program is to provide essential and comprehensive information to a new director in order for him to be familiar with relevant insurance industry regulatory requirements and the Company's nature of business. The directors may also request independent professional advice, at the Company's expense. The Company Secretary, to whom the directors have independent access, assists the Board and keeps it appraised of relevant laws and regulations.

Membership and board meetings for the financial year ended 31 March 2017

Members	Number of Meetings (Attended/Held)
Tan Sri Azman Hashim (Chairman)	7/7
Duncan Victor Brain	7/7
Raymond Fam Chye Soon	7/7
Wong Teck Kat	7/7
Sathasivan Kunchamboo	7/7
Dato' Sulaiman Bin Mohd Tahir (Appointed on 1 November 2016)	4/4*
Aidan Richard Pallister (Resigned on 27 March 2017)	6/7

Note:

* There were four board meetings held from 1 November 2016 to 31 March 2017.

Board Committees

The Board delegates certain responsibilities to the Board Committees. The Committees which were set up to assist the Board in certain areas of deliberation are as follows:

(1) Nomination and Remuneration Committee of Directors
(2) Risk Management Committee of Directors
(3) Audit and Examination Committee of Directors
(4) Investment Committee of Directors

Nomination and Remuneration Committee

As at reporting date, the Committee comprises three (3) independent, non-executive directors and one (1) non-independent, non-executive director. The Chairman of the Committee is an independent, non-executive director.

The functions of the Committee are:

(a) regularly reviewing the board structure, size and composition, as well as making recommendation to the Board of the Company with regard to any changes that are deemed necessary;

(b) recommending the appointment of Directors to the Board and Committees of the Board as well as annually review the mix of skills, experience and competencies that Non-Executive and Executive Directors should bring to the Board;

(c) on an annual basis, assessing the effectiveness of the Board as a whole and the Committees as well as the contributions of the Chairman and each Director to the effectiveness of the Board;

(d) recommending the appointments of Chief Executive Officer and key senior management positions as deemed necessary by the Committee to the Board;

(e) recommending the removal of Director/Chief Executive Officer and his direct reports/Company Secretary if the Director/Chief Executive Officer and his direct reports/Company Secretary is ineffective, errant and negligent in discharging his responsibilities; and

(f) recommending to the Board the framework/methodology for the remuneration of the Directors, Chief Executive Officer and other Senior Management staff, benchmarked against the industry. Remuneration is determined at levels, which enable the Company to attract and retain the Directors, Chief Executive Officer and Senior Management staff with the relevant experience and expertise needed to assist in managing the Company effectively. The services of consultants are utilised to review the methodology for rewarding Executive Directors and Management staff according to the Key Performance Indicators required to be achieved.

CORPORATE GOVERNANCE (CONT'D.)

Membership and meetings of the Nomination and Remuneration Committee for the financial year ended 31 March 2017

Members	Number of Meetings (Attended/Held)
Raymond Fam Chye Soon (Chairman)	7/7
Wong Teck Kat	7/7
Sathasivan Kunchamboo	7/7
Dato' Sulaiman Bin Mohd Tahir (Appointed on 1 November 2016)	3/3*
Aidan Richard Pallister (Resigned on 27 March 2017)	6/7

Note:

* There were three meetings of the Nomination and Remuneration Committee held from 1 November 2016 to 31 March 2017.

Risk Management Committee

As at reporting date, the Committee comprises three (3) independent, non-executive directors. The Chairman of the Committee is an independent, non-executive director. The primary objective of the Risk Management Committee is to oversee senior management's activities in managing the key risk areas of the Company and to determine that the risk management process is in place and functioning effectively.

The functions of the Committee are:

(a) exercise oversight over all risk and compliance matters;

(b) review and recommend risk management strategies, policies and risk tolerance levels for the Board's approval;

(c) continually assess the adequacy of overall risk and compliance activities;

(d) ensure adequate infrastructure and resources are in place to support effective risk management activities;

(e) provide assurance to the Board that the Company is operating within the risk appetite and thresholds set by the Board.

Membership and meetings of the Risk Management Committee for the financial year ended 31 March 2017

Members	Number of Meetings (Attended/Held)
Sathasivan Kunchamboo (Chairman)	5/5
Raymond Fam Chye Soon	5/5
Wong Teck Kat	5/5
Aidan Richard Pallister (Resigned on 27 March 2017)	4/5

Risk Management Functions

Risk Management Department is independent of the various business units within the Company and functions as an enabler for adoption of appropriate risk management strategies, frameworks, policies and procedures in support of the Company's business objectives. The Risk Management Department employs an Enterprise Risk Management approach that holistically identifies, assesses, treats, monitors and reports the various risks, in line with the Board approved Risk Appetite Statement. The Risk Appetite Statement is reviewed annually and defines the risk acceptance thresholds that guide appropriate levels of risk taking throughout the Company. The Risk Management Department provides continued assurance of appropriate levels of risk to Management and to the Board through periodic reporting of risks through Key Risk Indicators, departmental and enterprise wide risk profiles, risk incident reporting, risk control testing and risk self-assessment regimes. Risk Management Department works closely with the other independent functions such as the internal audit function, the actuarial function and the compliance function to achieve an effective enterprise-wide risk management outcome for the Company.

Actuarial Functions

The Actuarial department ensures the financial soundness of the Company in line with regulatory guidelines and requirements.

The department performs calculation of technical reserves, stress test of the Company's capital position, independent reviews on product pricing, and conducts analysis and investigations to monitor the performance of the business and its capital position. The department communicates its findings to Management and to the Board through periodic reporting of the insurance liabilities and capital position. The department works closely with other functions in the Company in order to ensure the financial stability of the Company. The department is led by the Chief Actuary who reports independently to the Board of Directors and operationally to the CEO in his capacity as the Appointed Actuary ("AA").

CORPORATE GOVERNANCE (CONT'D.)

Compliance Functions

The Compliance Function of AmGeneral works within a defined Compliance Framework. This Framework ensures that the management of Compliance Risk is done in a structured manner and inculcates a strong compliance culture in the company. The Framework promotes the safety and soundness of AmGeneral by minimising financial, reputational and operational risks arising from legal and regulatory non-compliance. The Framework defines the roles and responsibilities of various stakeholders in managing Compliance Risk. The Chief Compliance Officer is the central point of authority for AmGeneral's compliance matters and is responsible for providing an institution-wide view on the management of compliance risk. The Compliance Department is a dedicated department established to provide necessary focus on the management of compliance risk ranging from dissemination of new regulatory guidelines, compliance advisory and support on business initiatives, assessment, monitoring and reporting of Compliance Risk company-wide.

Internal Control Framework

The Company's Board approved Internal Control Framework serves as a foundation to ensure that the internal control system is appropriately designed and is performing effectively to ensure the Company complies with its statutory and regulatory obligations.

The Internal Control Framework comprises Activity and Company Level controls which correspond to the activities of the business units as well as company-wide assurance and oversight functions based on the Three Lines of Defence approach.

The internal controls at the Company are assessed and reviewed periodically based on a predetermined methodology to ensure their effectiveness and to facilitate further improvements. The Company Internal Control Framework itself is reviewed and updated on an annual basis to ensure its continued relevance.

Audit and Examination Committee

The Board has appointed the Audit and Examination Committee ("AEC") to assist in discharging its duties of maintaining a sound system of internal control to safeguard the Company's assets and shareholder's investments. As at reporting date, the Committee comprises two (2) independent, non-executive directors. The Chairman of the Committee is an independent, non-executive director.

CORPORATE GOVERNANCE (CONT'D.)

Audit and Examination Committee (Cont'd.)

The primary objective of the AEC is to provide assistance to and review and report to the Board in relation to:

(i) fulfilling the statutory and fiduciary responsibilities of the Board; and

(ii) monitoring of the accounting and financial reporting practices of the Company.

The AEC also determines that the Company has adequate policies, procedures and guidelines as well as operating and internal controls, and that they are being complied with and are operating effectively in promoting efficiency and proper conduct, including protection of the assets of the Company.

Membership and meetings of the Audit and Examination Committee for the financial year ended 31 March 2017

Members	Number of Meetings (Attended/Held)
Raymond Fam Chye Soon (Chairman)	5/5
Wong Teck Kat	5/5
Aidan Richard Pallister (Resigned on 27 March 2017)	4/5

Internal Audit Function

The Internal Audit function is established at AMMB Group level, headed by the Group Chief Internal Auditor.

The Group Chief Internal Auditor reports to the AEC. Group Internal Audit assists the AEC in assessing and reporting on business risks and internal controls, operating within the framework defined in the Audit Charter.

The AEC approves Group Internal Audit's annual audit plan, which covers the audit of all major business units and operations within the Bank. The results of each audit are submitted to the AEC and significant findings are discussed during the AEC meeting. The minutes of the AEC meetings are formally tabled to the Board for notation and action, where necessary. The Group Chief Internal Auditor attends the AEC meeting by invitation. The AEC also holds separate meetings with the Group Chief Internal Auditor and the external auditor whenever necessary.

CORPORATE GOVERNANCE (CONT'D.)

Internal Audit Function (Cont'd.)

The scope of internal audit includes the review of risk management processes, operational controls, financial controls, compliance with laws and regulations, and information technology systems and security.

Group Internal Audit prioritises its efforts on performing audits in accordance with the audit plan, based on a comprehensive risk assessment of all areas of banking activities. The risk-based audit plan is reviewed at least semi-annually taking into account of the changing business and risk environment.

Group Internal Audit also performs investigations and special reviews, and participates actively in major system development activities and projects to advise on risk management and internal control measures.

Investment Committee

As at reporting date, the Committee comprises one (1) non-independent, non-executive director and one (1) independent, non-executive director. The Chairman of the Committee is an independent, non-executive director. The primary objective of the Investment Committee is to oversee Investment Management's activities in managing the investment funds of the insurer and that the risk management and compliance process are effective.

The functions of the Committee are:

(a) reviewing the performances of the investment portfolio by the internal investment department and external fund managers;

(b) reviewing and recommending investment strategies within approved risk levels for the Committee's approval;

(c) reviewing the investment outlook and strategies with regards to the various asset classes of all funds under management; and

(d) reviewing the risk management activities and the portfolio risk exposures.

CORPORATE GOVERNANCE (CONT'D.)

Investment Committee (Cont'd.)

Membership and meetings of the Investment Committee for the financial year ended 31 March 2017

Members	Number of Meetings (Attended/Held)
Raymond Fam Chye Soon (Chairman)	4/4
Aidan Richard Pallister (Resigned on 27 March 2017)	4/4
Dato' Sulaiman Bin Mohd Tahir (Appointed on 1 November 2016)	1/2*

Note:

* There were two meetings of the Investment Committee held from 1 November 2016 to 31 March 2017.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the scheme shares and options granted pursuant to the Executives' Share Scheme of AMMB Holdings Berhad, the ultimate holding company.

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit (other than the benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 25) by reason of a contract made by the Company or a related corporation with any director or with a firm in which he is a member, or with a company in which he has a substantial financial interest, except for the related party transactions as shown in Note 31 to the financial statements.

INDEMNIFICATION OF DIRECTORS

The Company through its ultimate holding company, AMMB Holdings Berhad ("AMBB") has maintained a Directors' and Officers' Liability Insurance on a group basis up to an aggregate limit of RM300 million against any legal liability incurred by the Directors and Officers in the discharge of their duties while holding office in the Company. The Directors and Officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

DIRECTORS' INTERESTS

None of the Directors in office at the end of the financial year had any interest in the Company or its related corporations during the financial year.

MANAGEMENT INFORMATION

The Directors review Board papers and reports prior to the Board meetings. Information and materials relating to the operations of the Company that are important to the Directors' understanding of the items in the agenda and related topics, are distributed in advance of the meeting. The Board reports include among others, minutes of meetings of all Committees of the Board, monthly performance of the Company, review of business strategy, credit risk management, asset liability and market risk management and industry benchmarking as well as prevailing regulatory developments and the economic and business environment.

These reports are issued in sufficient time to enable the Directors to obtain further explanations, where necessary, in order to be briefed properly before the meeting. The Board provides input on Company policies.

OTHER STATUTORY INFORMATION

(a) Before the statement of financial position, income statement and statement of comprehensive income of the Company were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowances for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowances had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

(i) the amount written off for bad debts or the amount of allowances for doubtful debts in the financial statements of the Company inadequate to any substantial extent; and

(ii) the values attributed to the current assets in the financial statements of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

OTHER STATUTORY INFORMATION (CONT'D.)

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Company which would render any amount stated in the financial statements misleading.

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

  (i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

  (ii) any contingent liability of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

  (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Company to meet its obligations when they fall due; and

  (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

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

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

SIGNIFICANT AND SUBSEQUENT EVENTS

The significant and subsequent events during the financial year is disclosed in Note 6.5, Note 12 and Note 39 to the financial statements.

Company No: 44191-P

AmGENERAL INSURANCE BERHAD
(Incorporated in Malaysia)

IMMEDIATE, PENULTIMATE AND ULTIMATE HOLDING COMPANIES

The immediate holding, penultimate holding and ultimate holding companies are AmGeneral Holdings Berhad, AMAB Holdings Sdn Bhd and AMMB Holdings Berhad, respectively. All the aforesaid companies are incorporated and domiciled in Malaysia. The ultimate holding company, AMMB Holdings Berhad is listed on the Main Market of Bursa Malaysia Securities Berhad.

AUDITORS

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

The auditors' remuneration is disclosed in Note 25 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 29 May 2017.

Tan Sri Azman Hashim

Duncan Victor Brain

Kuala Lumpur, Malaysia

Company No: 44191-P

AmGENERAL INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016

We, Tan Sri Azman Hashim and Duncan Victor Brain, being two of the directors of AmGeneral Insurance Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 25 to 137 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 March 2017 and of its financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 29 May 2017.

Tan Sri Azman Hashim

Duncan Victor Brain

Kuala Lumpur, Malaysia

STATUTORY DECLARATION PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT, 2016

I, Derek Llewellyn Roberts, being the officer primarily responsible for the financial management of AmGeneral Insurance Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 25 to 137 are in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named Derek Llewellyn Roberts at Kuala Lumpur in Wilayah Persekutuan on 29 May 2017

Derek Llewellyn Roberts

Before me,

PESURUHJAYA SUMPAH
No. W 530
TAN SEOK KETT
MALAYSIA

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Jalan Raja Chulan,
50200 Kuala Lumpur.

Building a better
working world

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Company No : 44191-P

Independent auditors' report to the member of AmGeneral Insurance Berhad (Incorporated in Malaysia)

Report on the financial statements

Opinion

We have audited the financial statements of AmGeneral Insurance Berhad, which comprise the statement of financial position as at 31 March 2017, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 25 to 137.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2017, and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report (including the Corporate Governance disclosures), but does not include the financial statements of the Company and our auditors' report thereon.

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

Company No : 44191-P

**Independent auditors' report to the member of
AmGeneral Insurance Berhad (Cont'd.)
(Incorporated in Malaysia)**

Information other than the financial statements and auditors' report thereon (Cont'd.)

In connection with our audit of the financial statements of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Company No : 44191-P

**Independent auditors' report to the member of AmGeneral Insurance Berhad (Cont'd.)
(Incorporated in Malaysia)**

Auditors' responsibilities for the audit of the financial statements (Cont'd.)

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

- Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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Company No : 44191-P

Independent auditors' report to the member of AmGeneral Insurance Berhad (Cont'd.) (Incorporated in Malaysia)

Other matters

This report is made solely to the member of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Brandon Bruce Sta Maria
No. 2937/09/17(J)
Chartered Accountant

Kuala Lumpur, Malaysia
29 May 2017

Company No: 44191-P

AmGENERAL INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017

	Note	2017 RM'000	2016 RM'000
Assets			
Property and equipment	3	44,079	77,230
Investment properties	4	5,388	5,584
Intangible assets	5	61,422	44,500
Investments	6	3,741,793	3,436,667
Reinsurance assets	7	333,532	423,932
Insurance receivables	8	69,580	72,809
Other receivables	9	107,975	127,746
Deferred tax assets	10	15,939	10,538
Tax recoverable		52,964	54,727
Cash and short-term deposits	11	164,750	274,549
Non-current assets held for sale	12	21,817	18,399
Total assets		4,619,239	4,546,681
Equity			
Share capital	13.1	1,061,000	646,100
Share premium	13.2	-	414,900
Available-for-sale ("AFS") fair value reserves		(234)	2,703
Retained earnings		615,795	450,611
Total equity		1,676,561	1,514,314
Liabilities			
Insurance contract liabilities	14	2,582,425	2,643,897
Other liabilities	15	15,480	12,399
Insurance payables	16	84,418	116,792
Other payables	17	241,007	240,028
Provision for retirement benefits	18	19,348	19,251
Total liabilities		2,942,678	3,032,367
Total equity and liabilities		4,619,239	4,546,681

The accompanying notes form an integral part of the financial statements.

Company No: 44191-P

AmGENERAL INSURANCE BERHAD
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 RM'000	2016 RM'000
Gross earned premiums	19.1	1,571,492	1,581,565
Earned premiums ceded to reinsurers	19.2	(133,849)	(133,726)
Net earned premiums	19.3	1,437,643	1,447,839
Investment income	20	152,293	148,747
Realised gains and losses	21	17,835	(909)
Fair value gains and losses	22	(279)	1,368
Fees and commission income		31,441	29,713
Other operating income	23	3,958	3,720
Other revenue		205,248	182,639
Gross benefits and claims paid	24	(1,065,909)	(888,808)
Claims ceded to reinsurers	24	188,604	87,158
Gross change in contract liabilities	24	69,563	(190,570)
Change in contract liabilities ceded to reinsurers	24	(96,809)	65,163
Net claims	24	(904,551)	(927,057)
Fees and commission expenses		(195,604)	(188,364)
Management expenses	25	(325,769)	(312,358)
Other operating expenses	23	-	(596)
Other expenses		(521,373)	(501,318)
Profit before taxation		216,967	202,103
Taxation	26	(26,217)	(9,332)
Net profit for the year		190,750	192,771

The accompanying notes form an integral part of the financial statements.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 RM'000	2016 RM'000
Net profit for the year		190,750	192,771
Other comprehensive (loss)/income:			
Other comprehensive (loss)/income to be reclassified to the income statement in subsequent periods:			
AFS fair value reserve:			
(Losses)/gains on fair value changes of AFS financial assets		(2,077)	522
Cumulative impairment losses transferred to the income statement	23	-	359
Realised (gains)/losses transferred to the income statement	21	(1,787)	1,248
		(3,864)	2,129
Tax effects thereon	10	927	(497)
Net other comprehensive (loss)/income to be reclassified to the income statement in subsequent periods		(2,937)	1,632
Other comprehensive (loss)/income not to be reclassified to the income statement in subsequent periods:			
Re-measurement (losses)/gain on defined benefit plans	18.3	(226)	780
Tax effects thereon	18.3	54	(154)
Net other comprehensive (loss)/income not to be reclassified to the income statement in subsequent periods		(172)	626
Total other comprehensive (loss)/income for the year, net of taxation		(3,109)	2,258
Total comprehensive income for the year		187,641	195,029
Earnings per share (sen)			
Basic	27.1	32	32
Diluted	27.2	30	30

The accompanying notes form an integral part of the financial statements.

Company No: 44191-P

AmGENERAL INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017

	Note	Share capital RM'000 (Note 13.1)	Share premium RM'000 (Note 13.2)	AFS fair value reserves RM'000	Retained earnings RM'000	Total equity RM'000
		<---------------- Non-distributable		*--------------->*	*Distributable*	
At 1 April 2015		646,100	414,900	1,071	682,629	1,744,700
Net profit for the year		-	-	-	192,771	192,771
Other comprehensive income		-	-	1,632	626	2,258
Total comprehensive income for the year		-	-	1,632	193,397	195,029
Dividends on INCPS and RNCPS	28	-	-	-	(25,355)	(25,355)
Dividends on ordinary shares	28	-	-	-	(400,000)	(400,000)
Transfer of Executive Share Scheme ("ESS") shares recharged - difference on purchase price for shares vested		-	-	-	(60)	(60)
At 31 March 2016		646,100	414,900	2,703	450,611	1,514,314
At 1 April 2016		646,100	414,900	2,703	450,611	1,514,314
Net profit for the year		-	-	-	190,750	190,750
Other comprehensive loss		-	-	(2,937)	(172)	(3,109)
Total comprehensive (loss)/income for the year		-	-	(2,937)	190,578	187,641
Dividends on INCPS and RNCPS	28	-	-	-	(25,355)	(25,355)
Transfer from/(to) share premium/paid up share capital	13	414,900	(414,900)	-	-	-
Transfer of ESS shares recharged - difference on purchase price for shares vested		-	-	-	(39)	(39)
At 31 March 2017		1,061,000	-	(234)	615,795	1,676,561

The accompanying notes form an integral part of the financial statements.

AmGENERAL INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 RM'000	2016 RM'000
Operating activities			
Profit before taxation		216,967	202,103
Adjustments for:			
Investment income	20	(152,293)	(148,747)
Realised gains and losses	21	(17,835)	909
Fair value gains and losses	22	279	(1,368)
Depreciation of property and equipment	3/25	13,065	12,471
Intangible assets written-off	5/25	152	5
Property and equipment written-off	25	2	1,013
Depreciation of investment properties	4/25	196	196
Amortisation of intangible assets	5/25	5,437	4,520
(Reversal of)/allowance for impairment losses on mortgage loans	6.4/23	(147)	237
Allowance for impairment losses on AFS investments	6.4/23	-	359
Reversal of allowance for impairment losses on reinsurance assets	7/25	-	(1,019)
(Write back of)/allowance for impairment losses on insurance receivables	8/25	(617)	4,680
Recovery of bad debts written-off	25	(345)	(813)
Retirement benefits expense	18.2/25.1	2,008	2,058
Total adjustments		(150,098)	(125,499)
Changes in working capital:			
Purchase of AFS financial investments	6.4	(1,080,975)	(108,158)
Purchase of FVTPL financial investments	6.4	(884,639)	(368,333)
Maturity of AFS financial assets	6.4	5,000	-
Proceeds from sale of AFS financial assets	6.4	295,171	133,501
Proceeds from sale of FVTPL financial assets	6.4	1,358,678	530,000
LAR financial assets		(183)	2,352
Reinsurance assets		90,400	(58,685)
Insurance receivables		4,191	(12,905)
Other receivables		20,792	(6,878)
Insurance contract liabilities		(61,472)	176,391
Other liabilities		3,081	2,507
Insurance payables		(32,374)	45,137
Other payables		1,118	(21,967)
Net (decrease)/increase in working capital		(281,212)	312,962

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017 (CONT'D.)

	Note	2017 RM'000	2016 RM'000
Operating activities (Cont'd.)			
Dividend income received		146,008	144,181
Interest income received		4,617	4,272
Rental income received		832	63
Retirement benefits paid		(2,137)	(1,522)
Income tax paid		(28,874)	(38,597)
Net cash (used in)/generated from operating activities		(93,897)	497,963
Investing activities			
Proceeds from disposal of non-current assets held for sale		38,072	84,101
Proceeds from disposal of property and equipment		128	456
Purchase of property and equipment	3	(6,689)	(30,496)
Purchase of intangible assets	5	(22,058)	(35,796)
Net cash generated from investing activities		9,453	18,265
Financing activities			
Dividend paid on INCPS and RNCPS	28	(25,355)	(25,355)
Dividend paid on ordinary shares	28	-	(400,000)
Net cash used in financing activities		(25,355)	(425,355)
Net (decrease)/increase in cash and cash equivalents		(109,799)	90,873
Cash and cash equivalents at beginning of year		274,549	183,676
Cash and cash equivalents at end of year		164,750	274,549
Cash and cash equivalents comprise:			
Cash at banks and on hand	11	71,541	61,748
Short-term deposits (with original maturity of less than three months) with:			
Licensed banks	11	93,209	212,801
Cash and cash equivalents		164,750	274,549

The accompanying notes form an integral part of the financial statements.

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at 22nd Floor, Bangunan AmBank Group, No. 55 Jalan Raja Chulan, 50200 Kuala Lumpur.

The principal place of business of the Company is located at Menara Shell, No 211 Jalan Tun Sambanthan, 50470 Kuala Lumpur.

The immediate holding, penultimate holding and ultimate holding companies are AmGeneral Holdings Berhad, AMAB Holdings Sdn. Bhd. and AMMB Holdings Berhad ("AMMB"), respectively. All the aforesaid companies are incorporated and domiciled in Malaysia. The ultimate holding company, AMMB is listed on the Main Market of Bursa Malaysia Securities Berhad.

The Company is engaged principally in the underwriting of all classes of general insurance business. There has been no significant changes in the nature of the principal activity 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 29 May 2017.

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 ("MFRS") as issued by the Malaysian Accounting Standards Board ("MASB") and International Financial Reporting Standards ('IFRS") as issued by the International Accounting Standards Board and the requirements of the Companies Act, 2016 in Malaysia.

At the beginning of the current financial year, the Company had fully adopted the amended and new MFRS as described fully in Note 2.3.

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 ("RBC") Framework issued by Bank Negara Malaysia ("BNM").

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.1 Basis of preparation (Cont'd.)

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense will not be offset in the income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

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

Enactment of Companies Act, 2016

Companies Act, 2016 ("CA 2016") was enacted to replace the Companies Act, 1965 ("CA 1965"), and all of the provisions in CA 2016 other than Section 241 and Division 8 of Part III came into operations on 31 January 2017.

Amongst others, CA 2016 abolished the concept of par or nominal value of shares that was applied under CA 1965. Concepts tied to par value under CA 1965, such as authorised share capital, share premium and capital redemption reserve have similarly been abolished. Accordingly, the Company is no longer required to a maintain a share premium account from 31 January 2017, and any amount standing to the credit of the share premium account as of that date has become part of the Company's share capital, as presented in the statement of changes in equity.

In addition, the disclosure requirements under the Ninth Schedule of CA 1965 have also been removed upon the commencement of CA 2016. This change is applicable to all financial statements for the financial year ending on or after 31 January 2017. Nevertheless, this change will not result in any significant impact to the financial statements of the Company for the financial year ended 31 March 2017 as a majority of the disclosure requirements under the Ninth Schedule of CA 1965 are also required by the applicable approved accounting standards.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies

(a) Investments in subsidiaries and a joint venture and basis of non-consolidation

Investments in subsidiaries:

Subsidiaries are those entities over which the Company has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee;

(iii) The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries, which relate to investments in collective investment schemes, are carried at fair value.

On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is recognised as gain or loss on disposal in the income statement.

The Company is exempted from presenting consolidated financial statements based on the criteria set out in paragraph 4 of MFRS 10 Consolidated Financial Statements ("MFRS 10").

The immediate holding company, AmGeneral Holdings Berhad, prepares consolidated financial statements in accordance with MFRS in Malaysia, which are available for inspection at the registered office of the immediate holding company.

Investment in a joint venture:

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(a) Investments in subsidiaries and a joint venture and basis of non-consolidation (Cont'd.)

Investment in a joint venture (Cont'd.):

The considerations made in determining joint control is similar to those necessary to determine control over subsidiaries.

In the Company's separate financial statements, investment in a joint venture, which relate to investments in collective investment scheme, is accounted for at cost less impairment losses. On disposal of such investment, the difference between net disposal proceeds and its carrying amounts is recognised as gain or loss on disposal in the income statement.

The Company is exempted from applying equity method based on the criteria set out in Paragraph 17 of MFRS 128 Investments in Associates and Joint Ventures.

The immediate holding company, AmGeneral Holdings Berhad, prepares consolidated financial statements in accordance with MFRS in Malaysia, which are available for inspection at the registered office of the immediate holding company.

(b) Property and equipment

All items of property and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

The policy for recognition and measurement of impairment losses is in accordance with Note 2.2(e).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(b) Property and equipment (Cont'd.)

Freehold land is not depreciated. Leased assets are depreciated over the shorter of the lease terms and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Depreciation of property and equipment is provided 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:

Leasehold land	79 years
Buildings	50 years
Office improvements	3 to 5 years
Furniture and fittings	3 to 10 years
Office equipment and computers	3 to 10 years
Motor vehicles	5 years

The residual values, useful lives and depreciation methods are reviewed at each financial year-end 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 and equipment.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the income statement.

(c) Investment properties

Investment properties are properties which are owned or held under a freehold/leasehold interest to earn rental income or for capital appreciation or for both.

Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation of investment properties is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life of fifty years.

The investment properties related to freehold land is not depreciated.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(c) Investment properties (Cont'd.)

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 period in which they arise.

(d) Intangible assets

Intangible assets with finite lives are amortised over the useful economic life 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 at the end of each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Computer application software work-in-progress is not amortised until the asset is fully completed and brought in use.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Intangible assets which comprise computer application software are amortised over their estimated finite useful lives of 5 to 10 years.

The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(e).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(e) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's CGUs that is expected to benefit from the synergies of the combination.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. An impairment loss recognised in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

An impairment loss is recognised in the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods. A reversal of impairment loss for an asset other than goodwill is recognised in the income statement, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(f) Investments and other financial assets

The Company classifies its investments and other financial assets into financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity ("HTM"), loans and other receivables ("LAR") and available-for-sale ("AFS").

The classification depends on the purpose for which the investments and other financial assets were acquired or originated.

The AFS and HTM categories are used when the related liability is passively managed and/or carried at amortised cost.

All regular way purchases and sales of financial assets are recognised on the trade date which is the date that the Company commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the period generally established by regulation or convention in the market place.

FVTPL

Financial assets at FVTPL include financial assets held-for-trading and those designated as FVTPL at inception. Investments typically bought with the intention to sell in the near future are classified as held-for-trading. For investments designated as FVTPL, the following must be met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis, or

- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value. Subsequent to initial recognition these investments are measured at the fair value. Fair value adjustments and realised gains and losses are recognised in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(f) Investments and other financial assets (Cont'd.)

HTM

Non-derivative 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 until maturity. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. After initial measurement, HTM financial assets are measured at amortised cost, using the effective yield method, less allowance for impairment. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

Any sale or reclassification of more than an insignificant amount of HTM investments before maturity (other than in certain specific circumstances), would result in the entire category being tainted and having to be reclassified as AFS. Furthermore, the Company would be prohibited from classifying any investments as HTM during the following two years. On such reclassification, the difference between their carrying amount and fair value shall be accounted for in accordance with AFS investment recognition.

LAR

LAR are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the financial assets. All transaction costs directly attributable to the acquisition are also included in the cost of the financial assets. After initial measurement, LAR are measured at amortised cost, using the effective yield method, less allowance for impairment. Gains and losses are recognised in the income statement when the financial assets are derecognised or impaired, as well as through the amortisation process.

AFS

AFS are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. These investments are initially recorded at fair value. After initial measurement, AFS are measured at fair value. Any gains or losses from changes in fair value of the investments are recognised in AFS reserve in the statement of comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(f) Investments and other financial assets (Cont'd.)

AFS (Cont'd.)

Fair value gains and losses of monetary and non-monetary securities are reported as a separate component of equity until the investment is derecognised or is determined to be impaired. Fair value gains and losses of monetary and non-monetary securities denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on non-monetary securities are reported as a separate component of equity until the investment is derecognised.

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

On derecognition or impairment, the cumulative fair value gains and losses previously reported in equity is transferred to the income statement.

(g) Fair value measurement

The Company measures certain financial instruments at fair value at each reporting date.

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

- In the principal market for the asset or liability; or

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(g) Fair value measurement (Cont'd.)

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.

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

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

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 that are actively traded in organised financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the reporting date.

For investments in unit and property trust funds and collective investment schemes, fair value is determined by reference to published net asset values.

For financial instruments where there is no active market such as unquoted fixed income securities i.e. unquoted bonds, fair value is obtained from Bond Pricing Agency Malaysia Sdn. Bhd. ("BPAM").

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(g) Fair value measurement (Cont'd.)

The investment properties of the Company are stated at cost less accumulated depreciation and any accumulated impairment losses. The fair value is disclosed in the financial statements.

External valuers are involved for valuation of the investment properties. Involvement of external valuers is decided upon annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Revaluations are performed on an annual basis.

At each reporting date, management analyses the movements in the values of properties which are required to be re-assessed. Management and the Company's external valuers also compare the changes in the fair value of each property with relevant external sources to determine whether the change is reasonable.

(h) Impairment of financial assets

The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Objective evidence that a financial asset is impaired includes observable data about loss events such as significant financial difficulty of the issuer or obligor, significant adverse changes in the business environment in which the issuer or obligor operates and the disappearance of an active market for that investment because of financial difficulties which indicate that there is a measurable decrease in the estimate future cash flows. However, it may not be possible to identify a single discrete event that caused the impairment. Rather, the combined effect of several events is considered in determining whether an investment is impaired.

Assets carried at amortised cost

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(h) Impairment of financial assets (Cont'.d)

Assets carried at amortised cost (Cont'd.)

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 the 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 each reporting date.

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 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.

AFS financial assets

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in other comprehensive income, is transferred from other comprehensive income to income statement. Reversals of impairment losses in respect of equity instruments classified as AFS are not recognised in the income statement. Reversals of impairment losses on debt instruments classified as AFS are reversed through the income statement if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in the income statement.

When assessing the impairment of an equity instrument, the Company considers, in addition to observable data about loss events, whether there is significant or prolonged decline in the fair value of the equity instrument, and whether the cost of the investment in the equity instrument may be recovered. Where there is evidence that the cost of the investment in the equity instrument may not be recovered, impairment loss is provided.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(i) Derecognition of financial assets

A financial asset is derecognised when:

- the contractual right to receive cash flows from the financial asset expired.
- the Company retains the contractual rights to receive cash flow from the asset but has assumed obligation to pay them in full without material delay to a third party.
- the Company has transferred its rights to receive cash flows from the asset and either:

  (a) has transferred substantially all the risks and rewards of the asset; or

  (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

(j) Equity instruments

Share capital and share issuance expenses

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity.

Dividend on ordinary share capital

Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(j) Equity instruments (Cont'd.)

INCPS and RNCPS

INCPS and RNCPS are classified as equity as they are non-redeemable and are redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity. The terms of the INCPS and RNCPS are disclosed in Note 13.

(k) Product classification

The Company may issue contracts that transfer insurance risk or financial risk or both.

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 the risk other than financial risk.

Insurance contracts are those contracts when the Company has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing claims paid with claims payable if the insured event did not occur.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can however be reclassified as insurance contracts after inception if insurance risk becomes significant.

The Company currently only issues contracts that transfer insurance risk.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(l) Reinsurance

The Company cedes insurance risk in the normal course of business for all its business. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provisions or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contracts.

Ceded reinsurance arrangements do not relieve the Company from the obligations to policyholders. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairments occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliable measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in the income statement.

The Company also assumes reinsurance risk in the normal course of business when applicable.

Premiums and claims on assumed reinsurance are recognised as revenue or expense in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

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

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective yield method when accrued.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(m) General insurance underwriting results

The general insurance underwriting results are determined for each class of business after taking into account premiums, movements in premium and claim liabilities and commissions.

Gross premiums

Gross premiums are recognised as income in the financial period in respect of risks assumed during that particular financial period.

Reinsurance premiums

Inwards facultative reinsurance premiums are recognised in the financial period in respect of the facultative risk assumed during that particular financial period, as in the case of direct policies, following individual risks' inception dates.

Inward treaty reinsurance premiums comprise both proportional and non-proportional treaties. In respect of reinsurance premiums relating to proportional treaties, it is recognised on the basis of periodic advices received from the cedants given that the periodic advices reflect the individual underlying risks being incepted and reinsured at various inception dates of these risks and contractually accounted for, as such to reinsurers under the terms of the proportional treaties. In respect of reinsurance premiums relating to non-proportional treaties which cover losses occurring during a specified treaty period, the inwards treaty reinsurance premiums are recognised based on the contractual premiums already established at the start of the treaty period under the non-proportional treaty contract.

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. In determining premium liabilities at reporting date, the method that most accurately reflects the actual unearned premium is used, as described in Note 2.2(o).

Claim liabilities

A liability for outstanding claims is recognised in respect of both direct insurance and inward reinsurance.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(m) General insurance underwriting results (Cont'd.)

Claim liabilities (Cont'd.)

The amount of claim liabilities is the best estimate of the expenditure required together with related expenses less recoveries to settle the present obligation at the reporting date.

Provision is also made for the cost of claims, together with related expenses, incurred but not reported at reporting date, using a mathematical method of estimation.

Acquisition costs

The gross costs of acquiring and renewing insurance policies and income derived from ceding reinsurance premiums are recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

(n) Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost using the effective yield method.

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2.2(h).

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.2(i), have been met.

(o) General insurance contract liabilities

General insurance contract liabilities are recognised when contracts are entered into and premiums are charged. The valuation of general insurance contract liabilities is in accordance with the RBC Framework issued by BNM.

These liabilities comprise claim liabilities and premium liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(o) General insurance contract liabilities (Cont'd.)

Claim liabilities

Claim liabilities are recognised in respect of both direct insurance and inward reinsurance. Claim liabilities refer to the obligation by the Company, whether contractual or otherwise to make future payments in relation to all claims that have been incurred as at valuation date. These include provision for claims reported, claims incurred but not reported ("IBNR"), claims incurred but not enough reserved ("IBNER") and together with related claims handling costs. Claim liabilities consist of the best estimate value of the claim liabilities and the Provision of Risk Margin for Adverse Deviation ("PRAD") calculated at the overall level. The liability is discounted at a risk free rate. No provision for equalisation or catastrophe reserve is recognised. The liabilities are derecognised when the claim is paid and settled, discharged or cancelled.

Premium liabilities

Premium liabilities are the higher of the following:

(a) aggregate of the unearned premium reserves ("UPR"); and

(b) the best estimate value of the Company's unexpired risk reserves ("URR") as at the valuation date and the PRAD calculated at the overall level.

UPR

The UPR represent the portion of the premiums of insurance policies written less deductible acquisition costs that relate to the unexpired period of the policies at the end of the financial period.

In determining UPR at the end of the reporting period, the method that most accurately reflects the actual unearned premium used is as follows:

(a) 25% method for Malaysian marine cargo, aviation cargo and transit business

(b) Daily time apportionment method for all other classes

(c) 1/24th method for inward treaty business

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(o) General insurance contract liabilities (Cont'd.)

URR

The URR is the prospective estimate of the expected future payments arising from future events insured under policies in force as at the valuation date and also includes allowance for the Company's expenses, including overheads and cost of reinsurance, expected to be incurred during administration of these policies and settling the relevant claims, and expected future premium refunds. The URR is discounted at a risk free rate.

Liability adequacy test

At each reporting date, the Company reviews its unexpired risks and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows (taking into consideration current loss ratios) after taking account of the investment return expected to arise on assets relating to the relevant general insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums less related deferred acquisition costs is inadequate, the deficiency is recognised in the income statement by setting up a provision for liability adequacy.

(p) Other revenue recognition

Other 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. The following specific recognition criteria must also be met before revenue is recognised:

Rental income

Rental income is recognised on an accrual basis except where default in payment of rent has already occurred and rent due remains outstanding for more than six months, in which case recognition of rental income is suspended. Subsequent to suspension, rental income is recognised on the receipt basis until all arrears have been paid.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(p) Other revenue recognition (Cont'd.)

Interest income

Interest income is recognised in the financial statements on an accrual basis using the effective interest method except for interest on loans which are considered non-performing, i.e., where repayments are in arrears for more than six months, in which case recognition of such interest is suspended. Subsequent to suspension, interest income is recognised on the receipt basis until all arrears have been paid.

Dividend income

Dividend income represents gross dividends from quoted and unquoted investments and is recognised when the right to receive payment is established.

Realised gains and losses on investments

Realised gains and losses recorded in the income statement on investments include gains and losses on financial assets. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the carrying value and are recorded on occurrence of the sale transaction.

Fees and commission income

Reinsurance commission income is recognised in the income statement for policy administration services, in the period in which they are incurred.

(q) Taxation

Income tax on the income statement for the year/period comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the period and is measured using the tax rates that have been enacted at the reporting date.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(q) Taxation (Cont'd.)

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 reporting date.

Deferred tax is recognised as income or an expense and included in the income statement for the year/period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity.

(r) 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, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(s) Employee benefits

Short-term benefits

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

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years/periods. Such contributions are recognised as an expense in the income statement as incurred. As required by law, the Company makes such contributions to the Employees Provident Fund ("EPF").

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(s) Employee benefits (Cont'd.)

Defined benefit plans

The calculation of defined benefit obligations is performed annually by qualified actuaries using the projected unit credit method.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in the statement of comprehensive income in the period in which they occur and recorded in defined benefit reserve. Remeasurements are not reclassified to the income statement in subsequent periods.

Past service costs are recognised in the income statement on the earlier of:

- The date of the plan amendment or curtailment; or

- The date that the Company recognises restructuring-related costs.

Net interest and other expenses relating to defined benefit plans are calculated by applying the discount rate to the net defined benefit liability or asset and recognised in the income statement.

Share-based compensation

The ultimate holding company, AMMB, operates an equity-settled share-based compensation scheme wherein shares or options to subscribe for shares of AMMB are granted to eligible directors or employees of the AMMB Group of Companies ("AMMB Group") based on the financial and performance criteria and such conditions as it may deem fit.

The cost of this equity--settled share-based compensation for the Company (being the fair value at grant date) is recognised in the income statement as "Employee benefits expenses", together with a corresponding increase in prepayment to the ultimate holding company, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date").

The estimated number of grants to be ultimately vested and its financial impact are reviewed quarterly and adjustments made accordingly to the income statement to reflect changes in the non-market vesting conditions.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(s) Employee benefits (Cont'd.)

Share-based compensation (Cont'd.)

Upon vesting, any losses arising from the differences between the fair value of vested shares or options at vesting date and the fair value of vested shares or options at grant date is payable to AMMB with the corresponding amount recognised directly in retained earnings.

(t) Foreign currencies

(i) Functional and presentation currency

The financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(ii) Foreign currency transactions

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currencies are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

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

(u) Financial liabilities

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(u) Financial liabilities (Cont'd.)

Financial liabilities 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.

All financial liabilities of the Company, comprising insurance payables and other payables, except for those covered under MFRS 4 and MFRS 119, are classified as other financial liabilities.

Insurance payables 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.

(v) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and at banks, and deposits held at call with financial institutions with original maturities of three months or less. It excludes deposits which are held for investment purposes.

The statement of cash flows is prepared using the indirect method.

(w) Leased assets

(i) Finance leases

Leases, where the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition the asset is accounted for in accordance with the accounting policy applicable to the asset.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(w) Leased assets (Cont'd.)

(i) Finance leases (Cont'd.)

Minimum lease payments made under finance lease are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property and equipment.

(ii) Operating leases

Leases, where the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the Company's statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in income statement as an integral part of the total lease expense, over the term of the lease.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

(x) Non-current assets held for sale

Non-current assets are classified as asset held for sale and stated at the lower of carrying amount and fair value less cost to sell if their carrying amounts are recovered principally through a sale transaction rather than through continuing use.

(y) Goods and Service Tax ("GST")

GST, is a multistage consumption tax on domestic consumption.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(y) Goods and Service Tax ("GST") (Cont'd.)

For the Company, revenues, expenses and assets are recognised net of the amount of GST except where GST incurred on a purchase of assets or services is not recoverable from the tax authority, in which case GST is recognised as part of the expense item as applicable. Receivable and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to the tax authority is included as part of the receivables and payables in the balance sheet.

2.3 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 April 2016, the Company adopted the following new and amended MFRS for annual financial periods beginning on or after 1 January 2016.

- Annual Improvements to MFRSs 2012-2014 Cycle
- Amendments to MFRS 116 and MFRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants
- Amendments to MFRS 11 Accounting for Acquisitions of Interests in Joint Operations
- Amendments to MFRS 127 Equity Method in Separate Financial Statements
- Amendments to MFRS 101 Disclosure Initiatives
- Amendments to MFRS 10, MFRS 12 and MFRS 128 Investment Entities: Applying the Consolidation Exception
- MFRS 14 Regulatory Deferral Accounts

The adoption of the above pronouncements did not have any significant impact on the financial statements of the Company.

2.4 Standards issued but not yet effective

The following are standards, amendments to standards and interpretation issued by MASB, but not yet effective, up to the date of issuance of the Company's financial statements. The Company intends to adopt these standards, amendments to standards and interpretation, if applicable, when they become effective:

Effective for financial periods beginning on or after 1 January 2017

- Amendments to MFRS 12 Annual Improvements to MFRS Standards 2014-2016 Cycle

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Standards issued but not yet effective (Cont'd.)

Effective for financial periods beginning on or after 1 January 2017 (Cont'd.)

- Amendments to MFRS 107 Disclosures Initiatives
- Amendments to MFRS 112 Recognition of Deferred Tax for Unrealised Losses

Effective for financial periods beginning on or after 1 January 2018

- Amendments to MFRS 1 Annual Improvements to MFRS Standards 2014-2016
- Amendments to MFRS 2 Classification and Measurement of Share-based Payment transactions
- Amendments to MFRS 4 Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
- Amendments to MFRS 128 Annual Improvements to MFRS Standards 2014-2016 Cycle
- Amendments to MFRS 140 Transfers of Investment Property
- IC Interpretation 22 Foreign Currency Transactions and Advance Consideration
- MFRS 9 Financial Instruments
- MFRS 15 Revenue from Contracts with Customers

Effective for financial periods beginning on or after 1 January 2019

- MFRS 16 Leases

Deferred

- Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The management expects that the adoption of the above pronouncements issued by MASB, but not yet effective, will have no material impact on the financial statements in the period of initial application except as discussed below:

MFRS 9 *Financial Instruments*

In July 2014, the MASB issued the final version of MFRS 9 Financial Instruments that replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. MFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Standards issued but not yet effective (Cont'd.)

MFRS 9 *Financial Instruments (Cont'd.)*

MFRS 9 is issued by the MASB in respect of its application in Malaysia. It is equivalent to IFRS 9 as issued by IASB, including the effective and issuance dates. The areas with expected significant impact from application of MFRS 9 are summarised below:

(a) Classification and measurement

The Company expects to have mixed business models. The Company intends to hold its loans and receivable to collect contractual cash flows, and accordingly measure at amortised cost when it applies MFRS 9. The Company intends to hold debt securities either to collect contractual cash flows and to sell or to hold for trading, and this is accordingly measured either at fair value through other comprehensive income ("FVOCI") or at fair value through profit or loss ("FVTPL") respectively. The Company may make an election to measure its debt securities currently measured as AFS at FVTPL if by doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets and liabilities or recognising the gains and losses on them on different bases. The Company is currently assessing the impact arising from these changes.

For equity securities, the Company will continue to measure its currently held for trading equity securities at FVTPL. The Company may make an election to measure its AFS equity securities that is not held for trading at FVOCI. In addition, the Company currently measures its investments in unquoted securities whose fair value cannot be reliably measured at cost less impairment losses. Under MFRS 9, the Company will be required to measure such investments at fair value. Any difference between the previous carrying amount under MFRS 139 and the fair value would be recognised in the opening retained earnings when the Company applies MFRS 9. The Company is currently assessing the impact arising from this change.

(b) Impairment

The MFRS 9 impairment requirements are based on an expected credit loss ("ECL") model that replaces the incurred loss model under the current accounting standard. The Company is required to recognise either a 12-month or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. The ECL model will apply to financial assets measured at amortised cost or at FVOCI, trade and other receivables, irrevocable loan commitments and financial guarantee contracts, which will include loans, advances and financing, and debt instruments held by the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Standards issued but not yet effective (Cont'd.)

MFRS 9 *Financial Instruments (Cont'd.)*

(b) Impairment (Cont'd.)

The Company expects to apply the simplified approach and record lifetime ECL on all trade and other receivables.

A more detailed analysis considering all reasonable and supportable information, including forward looking elements is required to determine the extent of the impact.

(c) Hedge accounting

The requirements for general hedge accounting have been simplified for hedge effectiveness testing and may result in more designations of hedged items for accounting purposes.

However, hedge accounting is not expected to have a significant impact on the Company.

(d) Transition

The Company plans to adopt the new standard on the required effective date without restating prior year's information and recognise any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings. The Company is in the process of assessing the impact of MFRS 9 and is not yet able to reasonably estimate the impact on its financial statements.

Amendments to MFRS 4 Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts

In December 2016, the MASB issued amendments to MFRS 4 to address issues arising from the different effective dates of MFRS 9 and the upcoming new insurance contracts standard (IFRS 17). Amendments to MFRS 4 is issued by the MASB in respect of its application in Malaysia. It is equivalent to the amendments to IFRS 4 as issued by the IASB.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Standards issued but not yet effective (Cont'd.)

Amendments to MFRS 4 Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts (Cont'd.)

The amendments introduce two alternative options for entities issuing contracts within the scope of MFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of MFRS 9 for annual periods beginning before 1 January 2021 at the latest. An entity may apply the temporary exemption from MFRS 9 if:

(i) it has not previously applied any version of MFRS 9 before; and

(ii) its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016.

The overlay approach allows an entity applying MFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied MFRS 139 to these designated financial assets.

An entity can apply the temporary exemption from MFRS 9 for annual periods beginning on or after 1 January 2018. An entity may start applying the overlay approach when it applies MFRS 9 for the first time.

However, the Company intends to adopt MFRS 9 on the required effective date without applying any of the alternative options.

MFRS 15 Revenue from Contracts with Customers

The Company will continue to apply MFRS 4 to its insurance contracts. However, the Company will need to apply MFRS 15 to non-insurance contracts.

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied i.e, when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Standards issued but not yet effective (Cont'd.)

MFRS 15 Revenue from Contracts with Customers (Cont'd.)

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Company is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date.

MFRS 16 Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach on transition to the new standard.

The Company is currently assessing the impact of MFRS 16 and plans to adopt the new standard on the required effective date.

2.5 Significant accounting judgements, estimates and assumptions

(a) Critical judgements made in applying accounting policies

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. These are areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Significant accounting judgements, estimates and assumptions (Cont'd.)

(a) Critical judgements made in applying accounting policies (Cont'd.)

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates, by definition, may cause material adjustments to the carrying amounts of assets and liabilities within the next financial year such as those discussed below:

(i) Deferred tax assets (Note 10)

Deferred tax assets are recognised for various allowances and provisions to the extent that it is probable that taxable profit will be available against which these allowances and provisions can be utilised. Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing of future taxable profits together with future tax planning strategies.

(ii) Income taxes (Note 26)

The Company is subject to income taxes in Malaysia. Significant judgement is required in determining the allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

(iii) Property and equipment (Note 3)

Property and equipment requires the review of the residual value and remaining useful live of an item of property and equipment at least at each financial year end.

Management estimates that the residual values and remaining useful lives of the Company's assets continue to be applicable for the current financial year.

(iv) Impairment of AFS financial assets (Note 2.2(h) and Note 6)

The Company reviews its AFS financial assets at each reporting date to assess whether there are any objective evidence that these financial assets are impaired. If there are indicators or objective evidence, these assets are subjected to impairment review.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Significant accounting judgements, estimates and assumptions (Cont'd.)

(a) Critical judgements made in applying accounting policies (Cont'd.)

(iv) Impairment of AFS financial assets (Note 2.2(h) and Note 6) (Cont'd.)

In carrying out the impairment review, the following judgments are required:

(i) Determination whether the investment is impaired based on certain indicators such as, amongst others, prolonged decline in fair value, significant financial difficulties of the issuer or obligors, the disappearance of an active trading market and deterioration of the credit quality of the issuers or obligors; and

(ii) Determination of "significant" or "prolonged" requires judgment and management evaluation on various factors, such as historical fair value movement, the duration and extent of reduction in fair value.

(v) Impairment of receivables (Notes 8 and 9)

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. In line with the requirements of BNM Guidelines, where receivables that are individually assessed for impairment is past due for more than 90 days or 3 months, objective evidence of impairment is deemed to exist. Accordingly, management will assess such receivables to determine if an impairment event has occurred. Other factors considered by the Company are probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where evidence exists that a receivable is impaired, the Company will recognise the impairment loss in the income statement.

(b) Key sources of estimation uncertainty and assumptions

(i) Valuation of general insurance contract liabilities (Note 14)

For general insurance contracts, estimates have to be made for both the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported at the reporting date ("IBNR").

It can take a significant period of time before the ultimate claims costs can be established with certainty and for some type of policies, IBNR claims form the majority of the liability at the reporting date. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Link Ratios, Chain Ladder and Bornheutter-Ferguson methods.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Significant accounting judgements, estimates and assumptions (Cont'd.)

(b) Key sources of estimation uncertainty and assumptions (Cont'd.)

(i) Valuation of general insurance contract liabilities (Note 14) (Cont'd.)

The main assumption underlying these techniques is that the Company's past claims development experience can be used to project future claims development and hence, ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier periods and expected loss ratios. Historical claims development is mainly analysed by accident periods, but can also be further analysed by geographical areas, as well as by significant business lines and claims type. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. We use discounting and in most cases, explicit assumptions are made regarding future rates of claims inflation or loss ratios. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (for example, to reflect once-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, level of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

The sensitivity of key assumptions applied in deriving the general insurance contract liabilities and the consequential impact to profit or loss and equity is disclosed in Note 34.

(ii) Uncertainty in accounting estimates for general insurance business (Note 14)

The principal uncertainty in the Company's general insurance business arises from the technical provisions which include the premium liabilities and claim liabilities. The premium liabilities comprise unearned premium reserves, unexpired risk reserves and provision for risk margin for adverse deviation while claim liabilities comprise provision for outstanding claims.

Generally, premium and 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 premiums and claims liabilities will not exactly develop as projected and may vary from the insurance/reinsurance subsidiaries' projections.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Significant accounting judgements, estimates and assumptions (Cont'd.)

(b) Key sources of estimation uncertainty and assumptions (Cont'd.)

(ii) Uncertainty in accounting estimates for general insurance business (Note 14) (Cont'd.)

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 premiums and claims liabilities may vary from the initial estimates.

There may be significant reporting lags between the occurrence of an insured event and the time it is actually reported to the Company. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude of the claim.

There are many factors that will determine the level of uncertainty such as inflation, inconsistent judicial interpretations, legislative changes and claims handling procedures.

At each reporting date, these estimates are reassessed for adequacy and changes will be reflected as adjustments to the liability.

(iii) Fair value of assets determined using valuation techniques (Notes 2.2(g) and 36)

Fair value, in the absence of an active market, is estimated by using valuation techniques, such as recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis, valuation by third party experts and/or option pricing models. For reference to similar instruments, instruments must have similar credit ratings.

For discounted cash flow analysis, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions (including country specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity and financial conditions of counter-parties. Discount rates are influenced by risk-free interest rates and credit risk.

The valuation techniques described above are calibrated annually.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Significant accounting judgements, estimates and assumptions (Cont'd.)

(b) Key sources of estimation uncertainty and assumptions (Cont'd.)

(iv) Pipeline premium

The Company has recognised gross pipeline premium amounting to approximately RM16.3 million (2016 : RM16.3 million) for the current financial year. Estimation made by management is based on the actual pipeline trend during the past 2 years. As estimations are inherently uncertain, actual premiums may differ from the estimated premiums.

(v) Amortisation of intangible assets (Note 5)

The Company recognises the costs of significant development of knowledge based software and computer applications as intangible assets with finite useful lives. Such software and applications are unique to the requirements of the insurance business and the Company establishes that these development costs will generate economic benefits beyond one period.

The Company estimates the useful lives of these software costs to be between 5 to 10 years.

The Company expects that amortisation on software under development will only commence after the software and computer applications are available to be used and generate future economic benefits.

(vi) Defined benefits plans (Note 18)

The cost of the defined benefit plan and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, expected rate of returns on investments, future salary increases, mortality rates, resignation rates and future increases. Due to the complexity of the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of high quality government bonds in their respective currencies and extrapolated maturity corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future

Further details about the assumptions used, including a sensitivity analysis, are given in Note 18.

AmGENERAL INSURANCE BERHAD
(Incorporated in Malaysia)

3. PROPERTY AND EQUIPMENT

	Freehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Office impro-vements RM'000	Furniture and fittings RM'000	Office equipment and computers RM'000	Motor vehicles RM'000	Total RM'000
Cost								
At 1 April 2015	8,784	2,475	34,239	5,923	19,539	95,652	1,933	168,545
Additions	-	-	-	11,176	7,447	11,873	-	30,496
Disposals	-	-	(550)	-	-	-	-	(550)
Written-off	-	-	-	-	(13,457)	(28,776)	-	(42,233)
Transferred to non-current assets held for sale	(4,286)	-	(7,564)	-	-	-	-	(11,850)
Reclassified to intangible assets (Note 5)	-	-	-	-	-	(4,992)	-	(4,992)
At 31 March 2016	4,498	2,475	26,125	17,099	13,529	73,757	1,933	139,416
Additions	-	-	-	991	1,685	4,003	10	6,689
Disposals	-	-	-	-	-	(225)	(515)	(740)
Written-off	-	-	-	-	-	(18)	-	(18)
Transferred to non-current assets held for sale	(4,258)	(2,185)	(22,707)	-	-	-	-	(29,150)
Reclassified to intangible assets (Note 5)	-	-	-	(73)	72	(582)	-	(583)
Charge to income statement	-	-	-	(154)	(6)	(18)	-	(178)
At 31 March 2017	240	290	3,418	17,863	15,280	76,917	1,428	115,436
Accumulated depreciation								
At 1 April 2015	-	150	3,705	5,316	15,865	65,566	1,463	92,065
Charge for the year	-	221	680	1,484	1,070	8,802	214	12,471
Disposals	-	-	(107)	-	-	-	-	(107)
Written-off	-	-	-	-	(12,883)	(28,337)	-	(41,220)
Transferred to non-current assets held for sale	-	-	(1,150)	-	-	-	-	(1,150)
At 31 March 2016	-	371	3,128	6,800	4,052	46,031	1,677	62,059
Charge for the year	-	9	180	2,467	1,354	8,876	179	13,065
Disposals	-	-	-	-	-	(223)	(501)	(724)
Written-off	-	-	-	-	-	(16)	-	(16)
Transferred to non-current assets held for sale	-	(165)	(2,989)	-	-	-	-	(3,154)
At 31 March 2017	-	215	319	9,267	5,406	54,668	1,355	71,230

3. PROPERTY AND EQUIPMENT (CONT'D.)

	Freehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Office impro-vements RM'000	Furniture and fittings RM'000	Office equipment and computers RM'000	Motor vehicles RM'000	Total RM'000
Accumulated impairment								
At 1 April 2015	-	-	141	-	-	-	-	141
Transferred to non-current assets held for sale	-	-	(14)	-	-	-	-	(14)
At 31 March 2016/2017	-	-	127	-	-	-	-	127
Net carrying amounts								
At 31 March 2016	4,498	2,104	22,870	10,299	9,477	27,726	256	77,230
At 31 March 2017	240	75	2,972	8,596	9,874	22,249	73	44,079

During the current financial year, the Company reclassified its freehold land and buildings with a net carrying amount of RM25,996,000 (2016: RM10,686,000) to non-current assets held for sale as disclosed in Note 12.

4. INVESTMENT PROPERTIES

	2017 RM'000	2016 RM'000
Cost		
At 1 April 2016/2015	9,795	17,508
Transferred to non-current assets held for sale (Note 12)	-	(7,713)
At 31 March 2017/2016	9,795	9,795
Accumulated depreciation		
At 1 April 2016/2015	4,211	4,015
Charge for the year	196	196
At 31 March 2017/2016	4,407	4,211
Carrying amount	5,388	5,584
Fair value	9,200	9,200

The Company's investment properties consist of office floors. In the previous year, investment properties also included freehold land which has been transferred to non-current assets held for sale.

The fair value of the properties disclosed above are based on valuations performed by PPC International Sdn Bhd, an accredited independent valuer. PPC International Sdn Bhd are specialists in valuing these types of properties. The valuation model applied is in accordance with that recommended by the International Valuation Standards Committee and meets the requirements of MFRS 13.

Description of valuation techniques used and key inputs to valuation of the investment properties are as follows:

Description	Fair value as at 31 March 2017 RM'000	Valuation techniques	Unobservable inputs	Range
Office floors	9,200	Comparison/ income approach	Estimated sales value per sq. ft. Estimated rental value per sq. ft.	RM415 to RM472 RM2.30 to RM3.50

4. INVESTMENT PROPERTIES (CONT'D.)

Description	Fair value as at 31 March 2016 RM'000	Valuation techniques	Unobservable inputs	Range
Office floors	9,200	Comparison/ income approach	Estimated sales value per sq. ft. Estimated rental value per sq. ft.	RM390 to RM654 RM3.00 to RM8.50

An increase or decrease in the unobservable inputs used in the valuation might result in a correspondingly higher or lower fair value.

Fair value hierarchy disclosures for investment properties have been provided in Note 36.

The Company has determined that the highest and best use of the properties are its current use.

The amount of rental income and expenses related to investment properties recorded in the income statement are as follows:

	2017 RM'000	2016 RM'000
Rental income derived from investment properties	-	241
Direct operating expenses (including repairs and maintenance) generating rental income	(427)	(439)
Loss arising from investment properties	(427)	(198)

The Company has no restrictions on the realisability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties.

5. INTANGIBLE ASSETS

	Computer application software - in use RM'000	Computer application software - work in progress RM'000	Total RM'000
Cost			
At 1 April 2015	22,308	203	22,511
Additions	-	35,796	35,796
Written-off	(150)	-	(150)
Reclassified from property and equipment (Note 3)	-	4,992	4,992
At 31 March 2016	22,158	40,991	63,149
Additions	20,040	2,018	22,058
Written-off	(152)	-	(152)
Reclassified from property and equipment (Note 3)	-	583	583
Charge to income statement	-	(130)	(130)
At 31 March 2017	42,046	43,462	85,508
Accumulated amortisation			
At 1 April 2015	14,274	-	14,274
Amortisation for the year	4,520	-	4,520
Written-off	(145)		(145)
At 31 March 2016	18,649	-	18,649
Amortisation for the year	5,437	-	5,437
At 31 March 2017	24,086	-	24,086
Net carrying amount			
At 31 March 2016	3,509	40,991	44,500
At 31 March 2017	17,960	43,462	61,422

Intangible assets comprise computer application software which were developed or acquired to meet the specific requirements of the Company and computer application software under development which are not yet available for use.

6. INVESTMENTS

	Note	2017 RM'000	2016 RM'000
Debt securities		-	5,060
Equity securities		49,487	48,001
Unit and property trust funds		1,380	-
Loans		2,058	5,065
Fixed and call deposits		13,435	10,098
Investments in subsidiaries:			
Collective investment schemes	6.5	3,536,433	3,368,443
Investments in joint venture:			
Collective investment schemes	6.6	139,000	-
		3,741,793	3,436,667

The Company's investments are summarised by categories as follows:

	Note	2017 RM'000	2016 RM'000
Loans and receivables ("LAR")	6.1	15,493	15,163
Available-for-sale ("AFS")	6.2	1,314,040	535,368
Fair value through profit or loss ("FVTPL")	6.3	2,412,260	2,886,136
		3,741,793	3,436,667

6.1 LAR

	Note	2017 RM'000	2016 RM'000
At amortised cost:			
Fixed and call deposits with licensed banks		13,435	10,098
Loans:			
Commercial loans		-	2,250
Mortgage loans		1,938	2,665
Other loans		210	387
		2,148	5,302
Less: Impairment loss		(90)	(237)
		2,058	5,065
		15,493	15,163
Movement in the provision for impairment losses of LAR:			
At 1 April 2016/2015		237	-
(Reversal)/charge for the year	23	(147)	237
At 31 March 2017/2016		90	237

The carrying value of the fixed and call deposits with licensed banks approximates fair value due to the relatively short term maturities.

6. INVESTMENTS (CONT'D.)

6.1 LAR (Cont'd.)

The carrying values of the commercial loans, mortgage loans and other loans are reasonable approximates of fair values due to the insignificant impact of discounting.

6.2 AFS

	2017 RM'000	2016 RM'000
At fair value:		
Equity securities:		
Quoted in Malaysia	48,057	46,571
Unit and property trust funds:		
Quoted in Malaysia	1,380	-
Collective investment schemes - subsidiaries (Note 6.5):		
Quoted in Malaysia	1,124,173	482,307
Collective investment schemes - joint venture (Note 6.6):		
Quoted in Malaysia	139,000	-
Debt securities:		
Unquoted in Malaysia	-	5,060
	1,312,610	533,938
At cost less impairment loss:		
Equity securities:		
Unquoted in Malaysia	1,430	1,430
	1,314,040	535,368

Movement in the provision for impairment losses of AFS:

	2017 RM'000	2016 RM'000
At 1 April 2016/2015	-	-
Charge for the year	-	359
Transfer to realised gain upon disposal	-	(359)
At 31 March 2017/2016	-	-

6.3 FVTPL

	2017 RM'000	2016 RM'000
At fair value:		
Collective investment schemes - subsidiaries (Note 6.5):		
Quoted in Malaysia	2,412,260	2,886,136

6. INVESTMENTS (CONT'D.)

6.4 Carrying values of investments

	LAR RM'000	AFS RM'000	FVTPL RM'000	TOTAL RM'000
At 1 April 2016	15,163	535,368	2,886,136	3,436,667
Purchases	3,337	1,080,975	884,639	1,968,951
Maturities	(3,154)	(5,000)	-	(8,154)
Disposals	-	(295,171)	(1,358,678)	(1,653,849)
Realised gain recorded in:				
Income statement	-	1,787	442	2,229
Fair value losses recorded in:				
Income statement	-	-	(279)	(279)
Other comprehensive losses	-	(3,864)	-	(3,864)
Movement in impairment allowance	147	-	-	147
Amortisation net of accretion	-	(55)	-	(55)
At 31 March 2017	15,493	1,314,040	2,412,260	3,741,793
At 1 April 2015	17,752	560,255	3,046,435	3,624,442
Purchases	3,266	108,158	368,333	479,757
Maturities	(5,618)	-	-	(5,618)
Disposals	-	(133,501)	(530,000)	(663,501)
Realised losses recorded in:				
Income statement	-	(1,248)	-	(1,248)
Fair value gains recorded in:				
Income statement	-	-	1,368	1,368
Other comprehensive income	-	2,129	-	2,129
Movement in impairment allowance	(237)	(359)	-	(596)
Amortisation net of accretion	-	(66)	-	(66)
At 31 March 2016	15,163	535,368	2,886,136	3,436,667

6. INVESTMENTS (CONT'D.)

6.5 Investments in subsidiaries - collective investment schemes

	2017 RM'000	2016 RM'000
At fair value:		
AFS (Note 6.2)	1,263,173	482,307
FVTPL (Note 6.3)	2,412,260	2,886,136
	3,675,433	3,368,443

Details of the Company's investments in subsidiaries - collective investment schemes in Malaysia are as follows:

Name of wholesale unit trust fund	Principal activities	% of ownership interest held by the Company 2017	2016
AmCash Institutional 1	Investment in money market	75.34%	83.65%
AmIncome Institutional 1	Investment in debt securities and money market	99.89%	99.74%
AmIncome Institutional 3	Investment in debt securities and money market	99.95%	99.96%
Philip Institutional Fixed Income Fund	Investment in debt securities and money market	-	100.00%

On 24 May 2016, the Company redeemed all units held in Philip Institutional Fixed Income Fund ("Philip") for cash. The realised gain recognised upon redemption of the said units amounted to RM2.1 million. Philip ceased to be subsidiary of the Company effective from that date.

6.6 Investments in joint venture - collective investment schemes

	2017 RM'000	2016 RM'000
At fair value:		
AFS (Note 6.2)	139,000	-

6. INVESTMENTS (CONT'D.)

6.6 Investments in joint venture - collective investment schemes (Cont'd.)

Details of the Company's investments in joint venture - collective investment schemes in Malaysia are as follows:

Name of wholesale unit trust fund	Principal activities	% of ownership interest held by the Company 2017	2016
AmCash Premium	Investment in deposits and money market instruments	58.16%	-

7. REINSURANCE ASSETS

	Note	2017 RM'000	2016 RM'000
Reinsurance assets on:			
Claims liabilities	14.1	286,725	383,534
Premium liabilities	14.2	54,321	47,912
		341,046	431,446
Allowance for impairment losses		(7,514)	(7,514)
		333,532	423,932

Movement in the provision for impairment losses of reinsurance assets:

	Individually impaired 2017 RM'000	2016 RM'000
At 1 April 2016/2015	7,514	8,533
Recovery for the year	-	(1,019)
At 31 March 2017/2016	7,514	7,514

During the previous year, the Company reversed impairment losses of RM1,019,000 in respect of repayment received from a reinsurer on which balances were considered doubtful of recovery.

8. INSURANCE RECEIVABLES

	2017 RM'000	2016 RM'000
Due premiums including agents, brokers and co-insurers balances	82,508	85,967
Due from reinsurers and cedants	20,268	20,719
	102,776	106,686
Allowance for impairment losses	(33,196)	(33,877)
	69,580	72,809

Movement in the provision for impairment losses of insurance receivables:

	Individually impaired RM'000	Collectively impaired RM'000	Total RM'000
At 1 April 2015	28,814	4,734	33,548
Charge for the year	3,137	1,543	4,680
Amounts written-off	(4,351)	-	(4,351)
At 31 March 2016	27,600	6,277	33,877
At 1 April 2016	27,600	6,277	33,877
(Reversal)/charge for the year	(858)	241	(617)
Amounts written-off	(64)	-	(64)
At 31 March 2017	26,678	6,518	33,196

The carrying amounts disclosed above approximate fair value at the reporting date.

The Company's insurance receivables that have been offset against insurance payable are as follows:

	2017 RM'000	2016 RM'000
Gross amount of recognised insurance receivables	115,809	120,574
Less:		
Gross amount of recognised insurance payables set-off against the insurance receivables that met the criteria of legally enforceable right to set-off	(13,033)	(13,888)
Net amount of recognised in insurance receivables	102,776	106,686

9. OTHER RECEIVABLES

	2017 RM'000	2016 RM'000
Income due and accrued	13,630	13,448
Malaysian Insurance Institute ("MII") bonds	400	400
Share of net assets held under Malaysian Motor Insurance Pool ("MMIP")**	58,003	73,591
Amounts owing by ultimate holding, holding and other related companies *	1,993	1,299
Reinsurance deposits	17,354	16,813
Sundry receivables	16,766	22,366
	108,146	127,917
Allowance for impairment losses	(171)	(171)
	107,975	127,746

Movement in the provision for impairment losses (individually impaired) of other receivables:

	2017 RM'000	2016 RM'000
At 1 April 2016/2015 and 31 March 2017/2016	171	171

The carrying amounts (other than share of net assets held under MMIP) disclosed above approximate fair value at the reporting date due to the relatively short-term maturity of these balances.

* The amounts owing by ultimate holding, holding and other related companies are unsecured, interest free and repayable on demand.

** As a participating member of MMIP, the Company shares a proportion of the Pool's net assets/liabilities. At each reporting date, the Company accounts for its share of the assets, liabilities and performance of the Pool. The net assets held under MMIP represents the Company's share of the Pool's net assets, before insurance contract liabilities. The Company's share of the Pool's insurance contract liabilities is disclosed in Notes 14.

10. DEFERRED TAXATION

	2017 RM'000	2016 RM'000
At 1 April 2016/2015	10,538	14,343
Recognised in:		
Income statement (Note 26)	4,420	(3,154)
Other comprehensive income	981	(651)
At 31 March 2017/2016	15,939	10,538

10. DEFERRED TAXATION (CONT'D.)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. Net deferred tax assets shown on the statement of financial position have been determined after considering appropriate offsetting as follows:

	2017 RM'000	2016 RM'000
Deferred tax assets	27,963	25,423
Deferred tax liabilities	(12,024)	(14,885)
	15,939	10,538

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

Deferred tax assets:

	AFS fair value reserves RM'000	Provisions RM'000	Total RM'000
At 1 April 2015	-	21,475	21,475
Recognised in:			
Income statement	-	3,948	3,948
At 31 March 2016	-	25,423	25,423
Recognised in:			
Income statement	-	2,467	2,467
Other comprehensive income	73	-	73
At 31 March 2017	73	27,890	27,963

Deferred tax liabilities:

	AFS fair value reserves RM'000	Property and equipment RM'000	Others RM'000	Total RM'000
At 1 April 2015	(357)	(4,932)	(1,843)	(7,132)
Recognised in:				
Income statement	-	(7,941)	839	(7,102)
Other comprehensive income	(497)	-	(154)	(651)
At 31 March 2016	(854)	(12,873)	(1,158)	(14,885)
Recognised in:				
Income statement	-	2,102	(149)	1,953
Other comprehensive income	854	-	54	908
At 31 March 2017	-	(10,771)	(1,253)	(12,024)

11. CASH AND SHORT-TERM DEPOSITS

	2017 RM'000	2016 RM'000
Cash at banks and on hand	71,541	61,748
Short-term deposits (with original maturity of less than three months) with:		
Licensed banks	93,209	212,801
	164,750	274,549

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

In previous year, included in short-term deposits of the Company is a cash call amount of RM41.9 million received from reinsurers for a large loss.

12. NON-CURRENT ASSETS HELD FOR SALE

	Note	2017 RM'000	2016 RM'000
At 1 April 2016/2015		18,399	83,775
Disposals (i)		(22,578)	(83,775)
Transferred from property and equipment (ii)	3	25,996	10,686
Transferred from investment properties (ii)	4	-	7,713
At 31 March 2017/2016		21,817	18,399

During the current financial year, the Company:

(i) Completed the disposals of certain leasehold land and buildings and others related assets to a third party for a total cash consideration of RM39,278,000 (2016 : RM83,775,000), recognising a gain thereon of RM15,494,000 (2016 : RM326,000) as disclosed in Note 21.

(ii) Entered into Sale and Purchase Agreements, for the proposed disposals of its self-occupied and investment properties. The disposals have not been completed as at the date of this report as certain conditions precedent have yet to be met.

13. SHARE CAPITAL AND SHARE PREMIUM

13.1 Share capital

	<------ No. of shares ------>		<---------- Amount ---------->	
	2017 ('000)	2016 ('000)	2017 RM'000	2016 RM'000
Ordinary shares (a)	600,000	600,000	600,000	600,000
INCPS (b)	6,100	6,100	61,000	6,100
RNCPS (c)	40,000	40,000	400,000	40,000
	646,100	646,100	1,061,000	646,100

(a) Ordinary shares

	<---------- 2017 ---------->		<---------- 2016 ---------->	
	No. of shares ('000)	Amount RM'000	No. of shares ('000)	Amount RM'000
Issued and paid up:				
At 1 April 2015 and at 31 March 2017/2016	600,000	600,000	600,000	600,000

(b) INCPS

	<---------- 2017 ---------->		<---------- 2016 ---------->	
	No. of shares ('000)	Amount RM'000	No. of shares ('000)	Amount RM'000
Issued and paid up:				
At 1 April 2015 and at 31 March 2017/2016	6,100	61,000	6,100	6,100

The salient features of the INCPS issued by the Company are as follows:

(i) Subject always to the prior approval of BNM and the discretion of the Board, the INCPS confer on the holders the right to a non-cumulative preferential dividend calculated at 5.5% per annum each year to be declared and paid within six months from the end of each financial year, calculated based on the issue price of the INCPS, in priority to any other classes of shares to the extent that there are profits available for the distribution and compliance with the capital adequacy requirements as stipulated by BNM.

(ii) The INCPS holders are entitled at any time to convert all or any of the INCPS held to ordinary shares in the Company, pari passu as between themselves, on the basis of one (1) INCPS for one (1) new ordinary share.

(iii) The INCPS shall not be transferable (in whole or in part) and shall not be redeemed by the Company.

13. SHARE CAPITAL AND SHARE PREMIUM (CONT'D.)

13.1 Share capital (Cont'd.)

(c) RNCPS

	<---------- 2017 ----------->		<---------- 2016 ----------->	
	No. of shares ('000)	Amount RM'000	No. of shares ('000)	Amount RM'000
Issued and paid up:				
At 1 April 2015 and at 31 March 2017/2016	40,000	400,000	40,000	40,000

The salient features of the RNCPS issued by the Company are as follows:

(i) Subject always to the prior approval of BNM and the discretion of the Board, the RNCPS confer on the holders the right to a non-cumulative preferential dividend calculated at 5.5% per annum each year to be declared and paid within six months from the end of each financial year, calculated based on the issue price of the RNCPS, in priority to any other classes of shares to the extent that there are profits available for the distribution and compliance with the capital adequacy requirements as stipulated by BNM.

(ii) The RNCPS holders are entitled at any time to convert all or any of the RNCPS held to ordinary shares in the Company, pari passu as between themselves, on the basis of one (1) RNCPS for one (1) new ordinary share.

(iii) The RNCPS shall not be transferable (in whole or in part). Subject to the prior approval of BNM and the provisions of Section 61 of the Companies Act, 1965 in Malaysia, the RNCPS may at the sole discretion of the Company be redeemed at a redemption price which is equal to the issue price at which the relevant RNCPS have been issued. It should be redeemed upon and subject to the terms hereunder, provided that the Company shall not redeem any RNCPS during the first five years of the issue of the RNCPS.

13. SHARE CAPITAL AND SHARE PREMIUM (CONT'D.)

13.2 Share premium

	2017 RM'000	2016 RM'000
INCPS (Note 13.1(b))	-	54,900
RNCPS (Note 13.1(c))	-	360,000
	-	414,900

The share premium arose as a result of:

- Issuance of 6,100,000 INCPS of RM1.00 each at an issue price of RM10.00 per INCPS, resulting in a share premium of RM54,900,000; and

- Issuance of 40,000,000 RNCPS of RM1.00 each at an issue price of RM10.00 per RNCPS, resulting in a share premium of RM360,000,000.

Share premium was used to record premium arising from new shares issued by the Company under the Companies Act, 1965. Pursuant to the amendments in Section 74 of the Companies Act, 2016 ("CA 2016"), all shares issued before or upon commencement of CA 2016 shall have no par or nominal value i.e. any amount outstanding in the share premium account shall be part of the entity's paid up share capital upon commencement of CA 2016. Under the CA 2016, companies are given a transitional period of 24 months to utilise the balances in share premium account. As at the effective date of CA 2016 on 31 January 2017, the entire balance of share premium had been transferred to paid up share capital of the Company.

14. INSURANCE CONTRACT LIABILITIES

	Note	2017 Gross RM'000	2017 Reinsurance RM'000	2017 Net RM'000	2016 Gross RM'000	2016 Reinsurance RM'000	2016 Net RM'000
Provision for claims reported by policyholders		958,208	(161,109)	797,099	1,090,505	(265,793)	824,712
Provision for incurred but not reported claims ("IBNR")		759,281	(102,756)	656,525	692,727	(87,362)	605,365
Provision for fund provision of risk margin for adverse deviation ("FPRAD")		138,500	(22,860)	115,640	142,320	(30,379)	111,941
Claim liabilities	14.1	1,855,989	(286,725)	1,569,264	1,925,552	(383,534)	1,542,018
Less: Impairment loss on reinsurance assets		-	7,514	7,514	-	7,514	7,514
		1,855,989	(279,211)	1,576,778	1,925,552	(376,020)	1,549,532
Premium liabilities	14.2	726,436	(54,321)	672,115	718,345	(47,912)	670,433
		2,582,425	(333,532)	2,248,893	2,643,897	(423,932)	2,219,965

As at 31 March 2017, the insurance contract liabilities above includes the Company's share of MMIP's claims and premium liabilities amounting to RM43.6 million (2016: RM69.4 million) and RM4.1 million (2016: RM6.9 million) respectively.

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(Incorporated in Malaysia)

14. INSURANCE CONTRACT LIABILITIES (CONT'D.)

14.1 Claim liabilities

	Note	2017 Gross RM'000	2017 Reinsurance RM'000	2017 Net RM'000	2016 Gross RM'000	2016 Reinsurance RM'000	2016 Net RM'000
At 1 April 2016/2015		1,925,552	(383,534)	1,542,018	1,734,982	(318,371)	1,416,611
Claims incurred in the current accident year (direct and facultative)		1,213,003	(119,661)	1,093,342	1,070,130	(72,516)	997,614
Adjustment to claims incurred in prior accident year (direct and facultative)		(203,463)	27,866	(175,597)	(3,952)	(79,805)	(83,757)
Claims incurred during the year (treaty inwards claims)		(13,194)	-	(13,194)	13,200	-	13,200
Claims paid during the year	24	(1,065,909)	188,604	(877,305)	(888,808)	87,158	(801,650)
At 31 March 2017/2016	24	1,855,989	(286,725)	1,569,264	1,925,552	(383,534)	1,542,018

14.2 Premium liabilities

	Note	2017 Gross RM'000	2017 Reinsurance RM'000	2017 Net RM'000	2016 Gross RM'000	2016 Reinsurance RM'000	2016 Net RM'000
At 1 April 2016/2015		718,345	(47,912)	670,433	732,524	(54,390)	678,134
Premiums written during the year	19	1,579,583	(140,258)	1,439,325	1,567,386	(127,248)	1,440,138
Premiums earned during the year	19	(1,571,492)	133,849	(1,437,643)	(1,581,565)	133,726	(1,447,839)
At 31 March 2017/2016		726,436	(54,321)	672,115	718,345	(47,912)	670,433

15. OTHER LIABILITIES

	2017 RM'000	2016 RM'000
Treaty deposits from reinsurers	181	769
Performance bond deposits	15,299	11,630
	15,480	12,399

Performance bond deposits are collateral deposits received from policyholders for guarantees issued on behalf of policyholders.

The carrying amounts of treaty deposits from reinsurers disclosed above approximate fair value at the reporting date due to the relatively short term maturities.

The carrying value of performance bond deposits is a reasonable approximate of fair value due to the discounting impact being immaterial.

16. INSURANCE PAYABLES

	2017 RM'000	2016 RM'000
Due to agents, brokers, co-insurers and insured	29,898	25,269
Due to reinsurers and cedants	54,520	91,523
	84,418	116,792

The carrying amounts disclosed above approximate fair values at the reporting date. All amounts are payable within one year.

The Company's insurance payables that have been offset against insurance receivables are as follows:

	2017 RM'000	2016 RM'000
Gross amount of recognised insurance payables	106,331	145,460
Less:		
Gross amount of recognised insurance receivables set-off against the insurance payables that met the criteria of legally enforceable right to set-off	(21,913)	(28,668)
Net amount recognised in insurance payables	84,418	116,792

17. OTHER PAYABLES

	2017 RM'000	2016 RM'000
Financial liabilities:		
Amount owing to other related companies *	7,046	6,929
Sundry payables	17,089	26,675
	24,135	33,604
Non-financial liabilities:		
Accrued expenses and deposits	67,241	52,271
Other accruals	112,764	112,184
Commutation accounts	36,867	41,969
	216,872	206,424
	241,007	240,028

The carrying amounts disclosed above approximate fair values at the reporting date.

* The amounts owing to other related companies are unsecured, interest free and repayable on demand.

18. PROVISION FOR RETIREMENT BENEFITS

18.1 The movements in the present value of the defined benefit obligation recognised in the statement of financial position are as follows:

	Note	2017 RM'000	2016 RM'000
Defined benefit obligation at 1 April 2016/2015		19,251	19,495
Actuarial loss/(gain)	18.3	226	(780)
Benefits paid		(2,137)	(1,522)
Service costs and interest	18.2	2,008	2,058
Defined benefit obligation at 31 March 2017/2016		19,348	19,251
Present value of unfunded obligation		19,348	19,251
Recognised liability for defined benefit obligation		19,348	19,251

18.2 Expense recognised in the income statement as retirement benefits cost (Note 25.1):

	2017 RM'000	2016 RM'000
Service cost	1,026	1,054
Interest cost	982	1,004
	2,008	2,058

18. PROVISION FOR RETIREMENT BENEFITS (CONT'D.)

18.3 Actuarial gains and losses recognised directly in other comprehensive income

	2017 RM'000	2016 RM'000
Amount accumulated in retained earnings at 1 April 2016/2015	2,874	2,248
Recognised during the year (Note 18.1)	(226)	780
Tax effects thereon	54	(154)
Amount accumulated in retained earnings at 31 March 2017/2016	2,702	2,874

18.4 Actuarial assumptions

Principal actuarial assumptions used at the end of the reporting year:

	2017	2016
Discount rate at 31 March 2017/2016 (per annum)	5.00%	5.10%
Future salary increases (per annum)	5.50%	5.50%
Fixed deposit rate (per annum)	3.40%	3.50%

The discount rate used is based on market yields at the end of the reporting year on high quality corporate bonds. The amount and terms of the corporate bonds are consistent with the current and estimated future post employment benefit obligation.

The assumption regarding future mortality is based on the experience of Malaysian insured lives between 1999 to 2003 with no allowance for improvement in mortality rate. The average expected future working lives has been estimated at 8.6 years.

Calculation of the unfunded defined retirement benefits involves the projection of the present value for unfunded obligations using certain principal actuarial assumptions such as the rate of interest at which to discount the future retirement benefits payments at the valuation date and the assumed rate of growth of liabilities, namely the rate of salary escalation. There are elements of significant uncertainty on the assumptions used and thus the projected future retirement benefits payable may be different from the actual retirement benefit paid.

Under the scheme, eligible employees who have completed a minimum of 10 years of service are entitled to retire at 56 years of age or optional retirement age of 50 years. Employees who leave before the attainment of the normal retirement age or optional retirement age, are not entitled to the benefit.

All new employees who are hired after 18 March 2011 are not entitled to the retirement benefit.

18. PROVISION FOR RETIREMENT BENEFITS (CONT'D.)

18.4 Actuarial assumptions (Cont'd.)

The following table demonstrates the sensitivity of provision for retirement benefits to a reasonable change in discount rate and fixed deposit rate on profit or loss, other comprehensive income and equity:

	2017		
	Increase/(Decrease)		
	Impact on profit before taxation RM'000	Impact on other comprehensive income RM'000	Impact on equity RM'000
Discount rate:			
Increase 100 basis points	1,471	(1,246)	171
Decrease 100 basis points	(1,658)	1,884	172
Fixed deposit rate:			
Increase 100 basis points	(1,664)	1,890	172
Decrease 100 basis points	1,502	(1,276)	172

	2016		
	Increase/(Decrease)		
	Impact on profit before taxation RM'000	Impact on other comprehensive income RM'000	Impact on equity RM'000
Discount rate:			
Increase 100 basis points	1,533	(2,314)	(594)
Decrease 100 basis points	(1,735)	956	(592)
Fixed deposit rate:			
Increase 100 basis points	(1,735)	944	(601)
Decrease 100 basis points	1,558	(2,329)	(586)

19. NET EARNED PREMIUMS

	Note	2017 RM'000	2016 RM'000
19.1 Gross earned premiums			
Premium written during the year	14.2	1,579,583	1,567,386
Change in premium liabilities		(8,091)	14,179
	14.2	1,571,492	1,581,565
19.2 Earned premiums ceded to reinsurers			
Premium ceded during the year	14.2	(140,258)	(127,248)
Change in premium liabilities		6,409	(6,478)
	14.2	(133,849)	(133,726)
19.3 Net earned premiums			
Net premium written during the year	14.2	1,439,325	1,440,138
Change in premium liabilities		(1,682)	7,701
	14.2	1,437,643	1,447,839

20. INVESTMENT INCOME

	2017 RM'000	2016 RM'000
Rental income	578	342
Financial assets at FVTPL:		
Dividend/distribution income:		
- Collective investment schemes quoted in Malaysia	109,421	120,630
AFS financial assets:		
Interest income	178	219
Dividend/distribution income:		
- Equity securities quoted in Malaysia	1,334	1,343
- Equity securities unquoted in Malaysia	147	147
- Unit and property trust funds quoted in Malaysia	35	-
- Collective investment schemes quoted in Malaysia	35,998	22,060
LAR:		
Interest income:		
- Commercial, mortgage and other loans	164	499
- Deposits with financial institutions	-	682
- Cash and short-term deposits	4,438	2,825
	152,293	148,747

21. REALISED GAINS AND LOSSES

	2017 RM'000	2016 RM'000
Property and equipment:		
Realised gains on disposal of property and equipment	112	13
Non-current assets held for sale		
Realised gains on disposal of non-current assets held for sale	15,494	326
FVTPL financial assets:		
Realised (losses)/gains:		
- Collective investment schemes quoted in Malaysia	442	-
AFS financial assets:		
Realised (losses)/gains:		
- Equity securities quoted in Malaysia	(389)	(1,248)
- Unit and property trust funds quoted in Malaysia	2,176	-
Total realised gains/(losses) for AFS financial assets	1,787	(1,248)
Total realised gains/(losses)	17,835	(909)

22. FAIR VALUE GAINS AND LOSSES

	2017 RM'000	2016 RM'000
FVTPL financial assets:		
- Collective investment schemes quoted in Malaysia	(279)	1,368

23. OTHER OPERATING INCOME/(EXPENSES)

	2017 RM'000	2016 RM'000
Other operating income:		
Transfer fees and other contract fees	161	171
Other income	3,650	3,549
Reversal for impairment losses on mortgage loans	147	-
	3,958	3,720
Other operating expenses:		
Allowance for impairment losses on mortgage loans	-	(237)
Allowance for impairment losses on AFS investments	-	(359)
	-	(596)

24. NET CLAIMS

	Note	2017 RM'000	2016 RM'000
Gross benefits and claims paid	14.1	1,065,909	888,808
Claims ceded to reinsurers	14.1	(188,604)	(87,158)
Net claims paid	14.1	877,305	801,650
Gross change in contract liabilities			
At 31 March 2017/2016	14.1	1,855,989	1,925,552
At 1 April 2016/2015		(1,925,552)	(1,734,982)
		(69,563)	190,570
Change in contract liabilities ceded to reinsurers			
At 31 March 2017/2016	14.1	(286,725)	(383,534)
At 1 April 2016/2015		383,534	318,371
		96,809	(65,163)
		904,551	927,057

25. MANAGEMENT EXPENSES

	Note	2017 RM'000	2016 RM'000
Employee benefits	25.1	152,911	151,141
Chief Executive Officer's remuneration	25.2	1,608	1,476
Non-executive directors' fees and remunerat	25.3	1,394	1,664
Auditors' remuneration:			
- Statutory audits		500	473
- Regulatory-related services		65	65
- Other services		45	60
Rental of offices and premises from third parties		14,665	9,582
Rental of offices and premises from other related companies		249	554
Depreciation of property and equipment	3	13,065	12,471
Depreciation of investment properties	4	196	196
Amortisation of intangible assets	5	5,437	4,520
Intangible assets written-off	5	152	5
Property and equipment written-off		2	1,013
Reversal of allowance for impairment losses on reinsurance assets	7	-	(1,019)
(Reversal of)/allowance for impairment losses on insurance receivables	8	(617)	4,680

25. MANAGEMENT EXPENSES (CONT'D.)

	Note	2017 RM'000	2016 RM'000
Recovery of bad debts written-off		(345)	(813)
Advertisement expenses		7,841	3,490
Bank charges		15,573	15,219
Electronic Data Processing expenses		24,771	18,321
Printing expenses		8,678	8,722
Office expenses		12,390	15,247
Professional fees		13,584	19,960
Share of group charges		14,605	11,246
Other expenses		39,000	34,085
		325,769	312,358

25.1 Employee benefits

	Note	2017 RM'000	2016 RM'000
Wages and salaries		115,356	113,007
Social securities contributions		1,036	904
Contribution to Employees' Provident Fund		18,706	17,746
Contribution to defined benefit plans	18.1	2,008	2,058
Other benefits		15,805	17,426
		152,911	151,141

25.2 Chief Executive Officer's remuneration including benefits-in-kind

The details of remuneration received by the Chief Executive Officer during the year was as follows:

	2017 RM'000	2016 RM'000
Non-deferred:		
Fixed remuneration:		
Salaries	900	900
Contribution to Employees' Provident Fund	144	144
	1,044	1,044
Variable remuneration:		
Bonus	210	133
Contribution to Employees' Provident Fund	34	21
Other benefits-in-kind	320	278
Non-monetary benefits	7	7
	571	439
Deferred*:		
Share options*	28	-
Total remuneration	1,643	1,483

25. MANAGEMENT EXPENSES (CONT'D.)

25.2 Chief Executive Officer's remuneration including benefits-in-kind (Cont'd.)

* Deferred remuneration is refers to remuneration that set aside to be paid at a later date, which includes share options granted pursuant to the Executives' Share Scheme of AMMB Holdings Berhad, the ultimate holding company.

25.3 Non-executive directors' fees and remuneration

The details of remuneration received by the non-executive directors during the year was as follows:

	2017 RM'000	2016 RM'000
Fees	960	1,124
Allowances and other emoluments	434	540
	1,394	1,664

The total remuneration (including benefits-in-kind) of the non-executive directors of the Company are as follows:

	<---------------- Non-deferred * ---------------->		
	Fixed Remuneration	Variable Remuneration	
2017	Fees RM'000	Others RM'000	Total RM'000
Tan Sri Azman Hashim	150	7	157
Duncan Victor Brain	150	6	156
Aidan Richard Pallister	148	123	271
Raymond Fam Chye Soon	150	125	275
Wong Teck Kat	150	84	234
Sathasivan Kunchamboo	150	64	214
Dato' Sulaiman Bin Mohd Tahir	62	25	87
	960	434	1,394

25. MANAGEMENT EXPENSES (CONT'D.)

25.3 Non-executive directors' fees and remuneration (Cont'd.)

2016	<--- Non-deferred * ---> Fixed Remuneration Fees RM'000	Variable Remuneration Others RM'000	Total RM'000
Tan Sri Azman Hashim	150	6	156
Duncan Victor Brain	150	5	155
Aidan Richard Pallister	150	105	255
Raymond Fam Chye Soon	150	85	235
Wong Teck Kat	13	5	18
Sathasivan Kunchamboo	13	4	17
Leung Hoong Kuan @ Leong Thong Ku	137	109	246
AmGeneral Insurance B	137	74	211
Datuk Mohamed Azmi Bin Mahmood	137	76	213
Chin Yuen Yin	87	71	158
	1,124	540	1,664

* Deferred remuneration refers to remuneration that is set aside to be paid at a later date, which includes defined benefits plans and stock options.

The directors' fees are subject to the recommendation of the Remuneration Committee of the Board of Directors for endorsement and approval by the shareholder at the Annual General Meeting.

The number of directors of the Company whose total remuneration received during the financial year that fall within the following bands is analysed below:

	Number of directors 2017	2016
Non-executive directors:		
Up to RM50,000	-	2
RM50,001 - RM100,000	1	-
RM100,001 - RM150,000	-	-
RM150,001 - RM200,000	2	3
RM200,001 - RM250,000	2	4
Above RM250,001	2	1

26. TAXATION

	Note	2017 RM'000	2016 RM'000
Current tax:			
Malaysia - current		36,869	22,041
Malaysia - over provision in prior year		(6,232)	(15,863)
		30,637	6,178
Deferred tax:	10		
Origination and reversal of temporary differences		(4,306)	5,110
Reduction in Malaysian income tax rate		-	724
Over provision in prior year		(114)	(2,680)
		(4,420)	3,154
Total tax expense		26,217	9,332

Domestic income tax is calculated at the Malaysian statutory rate of 24% (2016: 24%) of the estimated assessable profit for the year:

	2017 RM'000	2016 RM'000
Profit before taxation	216,967	202,103
Taxation at Malaysian statutory tax rate of 24%	52,072	48,505
Real Property Gain Tax	448	-
Effect on opening deferred tax of reduction in Malaysian income tax rate	-	724
Expenses not deductible for tax purposes	18,754	13,492
Tax exempt income	(38,711)	(34,846)
Over provision of income tax in prior years	(6,232)	(15,863)
Over provision of deferred tax in prior years	(114)	(2,680)
	26,217	9,332

27. EARNINGS PER ORDINARY SHARE

27.1 Basic earning per ordinary share

Basic earnings per ordinary share is calculated based on the net profit for the year ended 31 March 2017 of RM190,750,000 (2016: RM192,771,000) divided by the weighted average number of ordinary shares in issue during the year, calculated as follows:

	2017 RM'000	2016 RM'000
Net profit attributable to equity holder of the Company	190,750	192,771

Weighted average number of ordinary shares:

	2017 '000	2016 '000
Issued ordinary shares	600,000	600,000

	2017 Sen	2016 Sen
Basic earnings per ordinary share	32	32

27.2 Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share for the year ended 31 March 2017 and 31 March 2016 were based on profit attributable to ordinary shareholder and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

Weighted average number of ordinary shares:

	2017 '000	2016 '000
Weighted average number of ordinary shares	600,000	600,000
Effect of assumed conversion of outstanding INCPS and RNCPS	46,100	46,100
Weighted average number of ordinary shares at 31 March	646,100	646,100

	2017 Sen	2016 Sen
Diluted earnings per ordinary share	30	30

28. DIVIDENDS

The amount of dividends paid by the Company since 31 March 2016 were as follows:

	2017 RM'000	2016 RM'000
In respect of financial year ended 31 March 2016/2015:		
INCPS:		
Dividend of 5.5% per INCPS on 6,100,000 INCPS based on issue price of RM10.00 each declared on 29 June 2016 and paid on 26 September 2016	3,355	3,355
RNCPS:		
Dividend of 5.5% per RNCPS on 40,000,000 RNCPS based on issue price of RM10.00 each declared on 29 June 2016 and paid on 26 September 2016	22,000	22,000
	25,355	25,355
Ordinary share:		
Interim single tier dividend of 41.67 sen per ordinary share on 600,000,000 ordinary shares declared on 27 April 2015 and paid on 15 May 2015	-	250,000
Final single tier dividend of 25 sen per ordinary share on 600,000,000 ordinary shares declared on 10 June 2015 and paid on 5 October 2015	-	150,000
	-	400,000
	25,355	425,355

29. OPERATING LEASE ARRANGEMENTS

29.1 The Company as lessee

The Company has entered into lease agreements for rental of office premises. The future aggregate minimum lease payments under operating leases contracted for as at the reporting date but not recognised as liabilities, are as follows:

	2017 RM'000	2016 RM'000
Not later than 1 year	12,824	12,563
Later than 1 year and not later than 5 years	5,113	16,048
	17,937	28,611

29.2 The Company as lessor

The Company has entered into lease agreements on its investment and other properties. These leases have remaining lease term of between 1 to 3 years. The future aggregate minimum lease receivables under the operating leases contracted for as at the reporting date but not recognised as assets, are as follows:

	2017 RM'000	2016 RM'000
Not later than 1 year	101	352
Later than 1 year and not later than 5 years	76	202
	177	554

30. CAPITAL COMMITMENTS

	2017 RM'000	2016 RM'000
Capital expenditure:		
Approved and contracted for:		
Computer hardware and software	14,930	16,275
Approved and but not contracted for:		
Computer hardware and software	2,299	28,034

31. SIGNIFICANT RELATED PARTIES DISCLOSURES

(a) Related parties

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.

Name	Relationship
AMMB Holdings Berhad	Ultimate holding company
AMAB Holdings Sdn. Bhd.	Penultimate holding company
AmGeneral Holdings Berhad	Immediate holding company
Insurance Australia Group Limited	Corporate shareholder
IAG Re Labuan (L) Berhad	Subsidiary of corporate shareholder
Insurance Australia Limited	Subsidiary of corporate shareholder
AmMetLife Insurance Berhad	Subsidiary of penultimate holding company
AmInvestment Bank Berhad	Other related company
AmBank (M) Berhad	Other related company
AmFunds Management Berhad	Other related company
AmCard Services Berhad	Other related company
AmBank Islamic Berhad	Other related company
AmMetLife Takaful Berhad	Other related company
AmIslamic Funds Management Sdn Bhd	Other related company

31. SIGNIFICANT RELATED PARTIES DISCLOSURES (CONT'D.)

(a) Related parties (Cont'd.)

Name	Relationship
Phillip Institutional Fixed Income Fund*	Subsidiary
AmCash Institutional 1*	Subsidiary
AmIncome Institutional 1*	Subsidiary
AmIncome Institutional 3*	Subsidiary
AmCash Premium**	A joint venture
Harpers Travel (M) Sdn. Bhd.	Company in which a director, Tan Sri Azman
AON Insurance Brokers (Malaysia) Sdn Bhd	Company in which a director, Tan Sri Azman Hashim's family has financial interests
Petronas Dagangan Berhad	Company in which a director, has financial interests

* In accordance with MFRS 10, the investments are considered as subsidiaries of the Company.

** In accordance with MFRS 10, the investment is considered as joint venture of the Company.

In the normal course of business, the Company undertakes various transactions with subsidiaries, joint venture and associated companies of its ultimate holding company, AMMB Holdings Berhad, AMAB Holdings Sdn Bhd and other companies deemed related parties by virtue of common director's shareholdings and a corporate shareholder's interest in the ultimate holding company. The Directors are of the opinion that the Company sold insurance policies to the related companies and related parties on terms and conditions no more favourable than those available in similar transactions with other customers or employees. Other related party transactions (other than dividends / distributions received from subsidiaries and joint venture) were also carried out on terms and conditions no more favourable than those available on similar transactions with unrelated parties, unless otherwise stated.

31. SIGNIFICANT RELATED PARTIES DISCLOSURES (CONT'D.)

(a) Related parties (Cont'd.)

The Company had the following balances with related parties as at 31 March 2017 and 31 March 2016:

	2017 RM'000	2016 RM'000
Included in insurance receivables (Note 8):		
Due from agents, brokers and co-insurers:		
AmBank (M) Berhad	10,465	7,908
AmCard Services Berhad	6	4
AmInvestment Bank Berhad	117	251
AON Insurance Brokers (Malaysia) Sdn Bhd	451	426
	11,039	8,589
Included in amount owing by ultimate holding, holding and other related companies (Note 9):		
AMMB Holdings Berhad	-	101
AmMetLife Insurance Berhad	-	71
Insurance Australia Limited	1,993	895
AmGeneral Holdings Berhad	-	232
	1,993	1,299
Included in income due and accrued (Note 9):		
AmBank (M) Berhad	9,702	1
Philip Institutional Fixed Income Fund	-	1,300
AmCash Institutional 1	519	908
AmIncome Institutional 1	3,843	1,755
AmIncome Institutional 3	8,447	9,309
AmCash Premium	408	-
	22,919	13,273
Included in insurance payables (Note 16):		
Due to agents, brokers and co-insurers:		
AmBank (M) Berhad	5,353	5,024
AmInvestment Bank Berhad	109	315
AON Insurance Brokers (Malaysia) Sdn Bhd	149	144
	5,611	5,483

31. SIGNIFICANT RELATED PARTIES DISCLOSURES (CONT'D.)

(a) Related parties (Cont'd.)

The Company had the following balances with related parties as at 31 March 2017 and 31 March 2016 (Contd.):

	2017 RM'000	2016 RM'000
Included in amount owing to other related companies (Note 17):		
AmBank (M) Berhad	5,973	6,709
AmGeneral Holdings Berhad	220	220
AmMetLife Insurance Berhad	12	-
AMMB Holdings Berhad	807	-
AmFunds Management Berhad	34	-
	7,046	6,929
Included in accrued expenses and deposits (Note 17):		
AmBank (M) Berhad	6,042	4,668
Insurance Australia Limited	3,219	2,067
	9,261	6,735

The significant transactions of the Company with related parties during the financial year are as follows:

	2017 RM'000	2016 RM'000
Interest and dividend income from:		
AmBank (M) Berhad	539	663
AmCash Institutional 1	11,951	17,833
AmIncome Institutional 1	29,417	18,487
AmIncome Institutional 3	103,384	105,071
AmCash Premium	408	-
Philip Institutional Fixed Income Fund	259	1,300
	145,958	143,354
Commission income from:		
IAG Re Labuan (L) Berhad	12,146	11,014
Gross premium income from:		
AmBank (M) Berhad	3,196	3,997
AMMB Holdings Berhad	4,323	3,215
AmMetLife Insurance Berhad	284	-
AmInvestment Bank Berhad	69	67
AmBank Islamic Berhad	59	46
AmFunds Management Berhad	22	15
AmMetLife Takaful Berhad	9	10
AmIslamic Funds Management Sdn Bhd	3	3
AmCard Services Berhad	1	23
	7,966	7,376

31. SIGNIFICANT RELATED PARTIES DISCLOSURES (CONT'D.)

(a) Related parties (Cont'd.)

The significant transactions of the Company with related parties during the financial year are as follows (Cont'd.):

	2017 RM'000	2016 RM'000
Commission expenses to:		
AmBank (M) Berhad	(20,183)	(21,251)
AmInvestment Bank Berhad	(78)	(292)
AmCard Services Berhad	(4)	(5)
AON Insurance Brokers (Malaysia) Sdn Bhd	(695)	(1,016)
	(20,960)	(22,564)
Administration and operating expenses to:		
AmBank (M) Berhad	(22,149)	(17,915)
AmFunds Management Berhad	(152)	(431)
AmMetLife Insurance Berhad	(4,631)	(3,621)
AmTrustee Berhad	-	(3)
Insurance Australia Limited	(4,597)	(2,896)
Harpers Travel (M) Sdn. Bhd.	(882)	(754)
Petronas Dagangan Berhad	(66)	-
	(32,477)	(25,620)
Reinsurance premiums ceded to:		
IAG Re Labuan (L) Berhad	(32,036)	(25,346)
Claims recovery from:		
IAG Re Labuan (L) Berhad	13,748	9,916
Rental expenses to:		
AmMetLife Insurance Berhad	(278)	(550)
Rental income from:		
AmBank (M) Berhad	1	4
AmMetLife Insurance Berhad	194	161
	195	165

31. SIGNIFICANT RELATED PARTIES DISCLOSURES (CONT'D.)

(a) Related parties (Cont'd.)

The significant transactions of the Company with related parties during the financial year/period are as follows (Cont'd.):

	2017 RM'000	2016 RM'000
Reimbursement of expenses to:		
Insurance Australia Group Limited	-	(202)
Dividends on INCPS, RNCPS and ordinary share paid to:		
AmGeneral Holdings Berhad	25,355	425,355

(b) Compensation of Key Management Personnel

The remuneration of directors and other member of key management during the year was as follows:

	2017 RM'000	2016 RM'000
Chief Executive Officers' remuneration:		
Salaries and bonus	1,110	1,033
Contribution to Employees' Provident Fund	178	165
Other benefits-in-kind	355	285
	1,643	1,483
Non-executive directors' fees and remuneration:		
Fees	960	1,124
Allowances and other emoluments	434	540
	1,394	1,664
	3,037	3,147

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly.

The key management personnel of the Company are the directors and the Chief Executive Officer.

32. FINANCIAL INSTRUMENTS BY CATEGORY

2017	Note	LAR RM'000	AFS RM'000	FVTPL RM'000	Sub-total RM'000	Assets not in scope of MFRS 139 RM'000	Total RM'000
Assets							
Property and equipment	3	-	-	-	-	44,079	44,079
Investment properties	4	-	-	-	-	5,388	5,388
Intangible assets	5	-	-	-	-	61,422	61,422
Investments	6	15,493	1,314,040	2,412,260	3,741,793	-	3,741,793
Reinsurance assets	7	-	-	-	-	333,532	333,532
Insurance receivables	8	69,580	-	-	69,580	-	69,580
Other receivables	9	107,975	-	-	107,975	-	107,975
Deferred tax assets	10	-	-	-	-	15,939	15,939
Tax recoverable		-	-	-	-	52,964	52,964
Cash and short-term deposits	11	164,750	-	-	164,750	-	164,750
Non-current assets held for sale	12	-	-	-	-	21,817	21,817
Total assets		357,798	1,314,040	2,412,260	4,084,098	535,141	4,619,239

	Note	Other financial liabilities RM'000	FVTPL RM'000	Sub-total RM'000	Liabilities not in scope of MFRS 139 RM'000	Total RM'000
Liabilities						
Insurance contract liabilities	14	-	-	-	2,582,425	2,582,425
Other liabilities	15	15,480	-	15,480	-	15,480
Insurance payables	16	84,418	-	84,418	-	84,418
Other payables	17	24,135	-	24,135	216,872	241,007
Provision for retirement benefits	18	-	-	-	19,348	19,348
Total liabilities		124,033	-	124,033	2,818,645	2,942,678

32. FINANCIAL INSTRUMENTS BY CATEGORY (CONT'D.)

2016	Note	LAR RM'000	AFS RM'000	FVTPL RM'000	Sub-total RM'000	Assets not in scope of MFRS 139 RM'000	Total RM'000
Assets							
Property and equipment	3	-	-	-	-	77,230	77,230
Investment properties	4	-	-	-	-	5,584	5,584
Intangible assets	5	-	-	-	-	44,500	44,500
Investments	6	15,163	535,368	2,886,136	3,436,667	-	3,436,667
Reinsurance assets	7	-	-	-	-	423,932	423,932
Insurance receivables	8	72,809	-	-	72,809	-	72,809
Other receivables	9	127,746	-	-	127,746	-	127,746
Deferred tax assets	10	-	-	-	-	10,538	10,538
Tax recoverable		-	-	-	-	54,727	54,727
Cash and short-term deposits	11	274,549	-	-	274,549	-	274,549
Non-current assets held for sale	12	-	-	-	-	18,399	18,399
Total assets		490,267	535,368	2,886,136	3,911,771	634,910	4,546,681

	Note	Other financial liabilities RM'000	FVTPL RM'000	Sub-total RM'000	Liabilities not in scope of MFRS 139 RM'000	Total RM'000
Liabilities						
Insurance contract liabilities	14	-	-	-	2,643,897	2,643,897
Other liabilities	15	12,399	-	12,399	-	12,399
Insurance payables	16	116,792	-	116,792	-	116,792
Other payables	17	33,604	-	33,604	206,424	240,028
Provision for retirement benefits	18	-	-	-	19,251	19,251
Total liabilities		162,795	-	162,795	2,869,572	3,032,367

33. RISK MANAGEMENT FRAMEWORK

33.1 Risk governance framework

The Company's Enterprise Risk Management (ERM) Framework is focused on embedding effective risk mitigation mechanisms and risk disciplines within the Company to manage risks within the Board-approved tolerances and risk appetites while protecting it from uncertainties and threats, thus enabling the achievement of its business objectives.

The objectives of managing the risks (uncertainties) are essential to sustain the Company's business in order to:

- Protect the investments of the Company's shareholder
- Create value for the Company's shareholder
- Fulfil its obligations to the Company's customers and other stakeholders
- Prepare the Company's resilience to face expected and unexpected events
- Support the Company's objectives and the achievement of its long term strategic intent
- Instil confidence in customers, shareholders and other stakeholders on the Company's financial strength, capability and reliability

The ERM Framework set the foundation in managing all sources of risk facing the Company by defining the standards and expectations consistent with the views of the Board of Directors, regulatory requirements, industry guidelines and risk management best practices.

The ERM Framework enables the Board of Directors and the Management to maintain and manage a full view of the risk profiles of all facets of the company, through transparency, reporting and escalation of risk matters.

The ERM is implemented through a Risk Governance structure which includes:

- Board of Directors & Board Committees: Responsible for ensuring the continued appropriateness and effectiveness of the ERM Framework, setting the risk appetite and risk tolerance thresholds, endorsing risk profiling and approving the risk management policies and procedures;

33. RISK MANAGEMENT FRAMEWORK (CONT'D.)

33.1 Risk governance framework (Cont'd.)

The ERM is implemented through a Risk Governance structure which includes (Cont'd.):

- Risk Management Committee: Includes Chief Executive Officer and Senior Vice Presidents; accountable for the implementation of the requirements of the ERM Framework and Risk Management Strategy across the Company, including the reporting and escalation of risk matters to the Board and Board Committees and the subsequent rectification or mitigation of those matters;

- Risk Management Department: Assists the Board, Risk Management Committee of Directors and the senior management in developing and maintaining an effective ERM Framework in consultation with stakeholders, regulators and industry regulating bodies while remaining accountable for the reporting and escalation of significant risk matters to the Management and the Board and their subsequent resolution or rectification; and

- Business Units: Incorporates the requirements of the ERM Framework into the departmental policies and procedures and ensures the continued effectiveness of risk management practices across each department while continually escalating and reporting significant risks to the Management and Risk Management Department.

33.2 Capital management objectives, policies and approach

The Company's Capital Management Policy ("CMP") has been noted by the regulators and establishes a detailed capital management and response action plan to be taken by the Board and Management of the Company in the event of extreme events that may lead to the Capital Adequacy Ratio ("CAR") falling below the Internal Target Capital Level ("ITCL") and the Supervisory Target Capital Level ("STCL"). The CMP defines general and probable risk scenarios that could threaten the capital position of the Company and establishes appropriate remedial action plans to respond, taking into consideration the Company's financial and business position. The CMP allows the Company to utilize capital more efficiently in a controlled and predictable manner to drive its strategic intent while ensuring that the Company operates above the ITCL and STCL at all times.

33. RISK MANAGEMENT FRAMEWORK (CONT'D.)

33.2 Capital management objectives, policies and approach (Cont'd.)

The Company has established the following capital management objectives, policies and approach to the risks that affect its capital position.

The capital management objectives are:

- For the Company to remain resilient when faced with extreme or unexpected situations or scenarios, maintaining adequate capital to continue to support the business.

- For the Company to maintain adequate capital to support all risks in the business as well as to develop and use better risk management techniques including scenario modelling and stress testing methods in monitoring and managing risks.

- For the Company's Management and Board to develop and establish an internal capital adequacy assessment process through the use of stress testing and scenario modelling to establish capital targets that commensurate with its risk profiles and control environments.

- Maintenance of the available capital, expressed as a multiple of the statutory CAR within a range that supports the shareholder's objectives whilst suitably protecting the interests of the policyholders.

- For the setting of an ITCL which accurately reflects the risk profiles of the Company, taking into consideration the quality and effectiveness of the Company's ERM Framework and Risk Management Strategies.

- For treatment of risks not fully captured under the Risk-Based Capital (RBC) Framework and external risks to be taken up and considered within the Company's internal capital target management.

- For the Company to utilize an effective capital management strategy to create shareholder value whilst maintaining an appropriate level of capital to protect the policyholders' interests and satisfy regulatory requirements.

- For the continued issuance of dividends on ordinary shares through the effective management of the Company's CAR positions at the point of payment and the avoidance of significant deterioration to the CAR after payments.

- Dynamic management of the Company's statement of financial position and capital mix.

33. RISK MANAGEMENT FRAMEWORK (CONT'D.)

33.2 Capital management objectives, policies and approach (Cont'd.)

Approach to capital management

With reference to the Bank Negara Malaysia's (BNM) Guidelines of Stress Testing for Insurers, the impact of adverse scenarios on the capital position of the Company is considered and incorporated into the CMP and the management of the Company's CAR positions. This is also consistent with the Company's Individual Capital Adequacy Assessment Process.

The CMP has been implemented for the Company to monitor and manage the CAR should there be adverse conditions developing that may threaten to lower the CAR below the ITCL and STCL. The CMP also defines conditions and scenarios which may act as indicators of potential or impending adverse situations, allowing the Management to prepare and respond quickly before those adverse situations become a reality.

33.3 Regulatory framework

Through the RBC Framework, BNM is primarily concerned with protecting the interests of the policyholders and monitors insurers closely to ensure that the management of policyholders' interests remain at a satisfactory level. At the same time, BNM is also interested in ensuring that the Company maintains an appropriate capital position to meet the unforeseen liabilities arising from economic shocks or natural disasters.

33.4 Asset-Liability Management ("ALM") framework

The Company manages asset and liability positions within the ALM framework that has been developed with the objectives of achieving sustainable and predictable medium to long-term investment returns while prudently preserving capital to meet the financial and contractual obligations of the Company. The ALM framework considers multiple drivers which include interest rate movements, changes in financial obligations, asset and liability classes etc. to provide the Management and the Board with a transparent, accurate and dynamic ALM monitoring structure for effective oversight and decision making. Scenario modelling and stress testing methodologies are also extensively used to determine possible outcomes and impacts on the Company's ALM management in the event of unpredictable or extreme market and environmental situations. These methods allow for a comprehensive Sensitivity Assessment of the Company's ALM portfolio and removes uncertainties around impacts and outcomes. The Asset and Liability Committee (ALCO) maintains regular oversight, continually assessing the performance and condition of the Company's ALM portfolio while striving to achieve optimized returns on investments within the risk appetites and tolerances stipulated by the Risk Management Framework.

34. INSURANCE RISK

34.1 Nature of risk

The Company principally issues the following types of general insurance contracts: Motor, Household and Commercial Fire, Business Interruption, Personal Accident, Extended Warranty and other Miscellaneous commercial contracts. Risks under these contracts usually cover a twelve-month duration other than Contractors' All Risk & Engineering and Extended Warranty which may be extended for more than a year. For general insurance contracts, the most significant risk arises from the frequency and severity of the claims experience. These risks vary significantly in relation to the location of risk, type of risk insured and industry.

The above risks are mitigated by diversification across a large portfolio of insurance contracts. The volatility of risks is mitigated by implementation of underwriting strategies and claims management policies which attempt to minimise risks while at the same time encouraging reduction in the time taken to settle claims.

The Company limits its exposure to risk via various reinsurance arrangements. Also, claims exposure is limited to individual contracts and loss events basis such as floods and fires, as well as accidents involving multiple insureds.

34.2 Concentration of insurance risk by type of contract

The table below sets out the concentration of insurance contract liabilities by types of contracts issued:

	Gross RM'000	Reinsurance RM'000	Net RM'000
2017			
Motor	2,246,383	(122,941)	2,123,442
Fire	120,196	(88,440)	31,756
Personal accident	19,104	(2,456)	16,648
Miscellaneous	196,742	(127,209)	69,533
	2,582,425	(341,046)	2,241,379
Less:Impairment loss on reinsurance assets	-	7,514	7,514
	2,582,425	(333,532)	2,248,893

34. INSURANCE RISK (CONT'D.)

34.2 Concentration of insurance risk by type of contract (Cont'd.)

The table below sets out the concentration of insurance contract liabilities by types of contracts issued:

	Gross RM'000	Reinsurance RM'000	Net RM'000
2016			
Motor	2,240,829	(148,456)	2,092,373
Fire	187,281	(156,085)	31,196
Personal accident	19,654	(3,714)	15,940
Miscellaneous	196,133	(123,191)	72,942
	2,643,897	(431,446)	2,212,451
Less: Impairment loss on reinsurance assets	-	7,514	7,514
	2,643,897	(423,932)	2,219,965

Included in motor insurance contract liabilities is the Company's proportionate share of claim liabilities and premium liabilities in MMIP of RM43.6 million and RM4.1 million, respectively (2016: claim liabilities of RM69.4 million and premium liabilities of RM6.9 million).

34.3 Insurance contract liabilities for general insurance

The insurance contract liabilities comprised claim and premium liabilities and are computed in accordance with sound actuarial principles and regulatory guidelines.

Claim liabilities

The estimate of (outstanding) claim liabilities is made up of the following components:

- The best estimate value of the outstanding claim payments associated with all claims that have been incurred as at the valuation date,
- An estimate for future claims handling expenses ("CHE") associated with the outstanding claim payments, and
- An estimate of diversified risk margins resulting in the provision of the overall Insurance Liabilities at the company level at 75% level of sufficiency

34. INSURANCE RISK (CONT'D.)

34.3 Insurance contract liabilities for general insurance (Cont'd.)

Premium liabilities

The estimate of Premium Liabilities is the higher of:

- The aggregate of the unearned premium reserve calculated as per BNM guidelines, or

- The unexpired risk provision, which is made up of:

  - the best estimate value of future claim liabilities associated with the unexpired portion of the premiums written up to the valuation date.

  - an estimate for the future policy handling expenses ("PHE") and CHE associated with managing the unexpired policies and the corresponding future claims incurred respectively.

  - an estimate for the future cost of reinsurance for future periods where reinsurance recoveries are expected and reinsurance has not been arranged.

  - an estimate of diversified risk margins resulting in the provision of the overall insurance liabilities at the Company level at 75% level of sufficiency.

34.3.1 Valuation methodology

The valuation methods employed are generally accepted actuarial methods. The following methods have been employed to analyse the experience and to derive the estimate of claim liabilities before CHE:

- Incurred Chain Ladder ("ICL")
- Payments per Claim Incurred ("PPCI")
- Bornhuetter-Ferguson ("BF") ; and
- Expected Loss Ratio ("ELR")

The method(s) employed for each valuation group take into account factors such as characteristics of the claims, recent trends in claims experience, size and stability of each valuation group.

34. INSURANCE RISK (CONT'D.)

34.3 Insurance claim liabilities for general insurance (Cont'd.)

34.3.2 Key assumptions

The principal assumption underlying the estimation of liabilities is that the Company's future claims development will follow a similar pattern to past claims development experience.

Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example, isolated occurrences, changes in the market factors such as public attitude to claiming, economic conditions, as well as internal factors, such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors, such as, judicial decisions and government legislation affect the estimates.

34.3.3 Discounting

The insurance liabilities have been discounted using the risk-free discount rate derived from zero-coupon spot yield curve of MGS.

34.3.4 Sensitivities

The claim liabilities are sensitive to the key assumption shown below. It has not been possible to quantify the sensitivity of certain assumptions, such as, legislative changes or uncertainty in the estimation process.

The analysis below is performed for reasonably possible movements in the key assumption with all other assumptions held constant, showing the impact on gross and net liabilities, profit before taxation and equity. The correlation of assumptions will have a significant effect in determining the ultimate claim liabilities, but to demonstrate the impact due to changes in assumption, the assumption had to be changed on an individual basis.

34. INSURANCE RISK (CONT'D.)

34.3 Insurance claim liabilities for general insurance (Cont'd.)

34.3.4 Sensitivities (Cont'd.)

		<------Increase/(decrease)------>			
	Change in assumption of ultimate claims ratio	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before taxation RM'000	Impact on equity* RM'000
2017					
Motor Act	+30%	51,296	50,047	(50,047)	(38,036)
Motor Others	+4%	48,273	47,100	(47,100)	(35,796)
Fire	+2%	5,326	1,298	(1,298)	(986)
Personal Accident and Medical	+3%	3,219	3,008	(3,008)	(2,286)
2016					
Motor Act	+30%	44,349	43,540	(43,540)	(33,090)
Motor Others	+4%	49,294	48,807	(48,807)	(37,093)
Fire	+2%	9,092	1,159	(1,159)	(881)
Personal Accident and Medical	+3%	3,560	3,054	(3,054)	(2,321)

* *impact on equity reflects adjustments for tax, where applicable. The method used for deriving sensitivity information and significant assumptions did not change from the previous year.*

A reduction in the key assumption at the rates shown above will have an equal but opposite effect on gross and net liabilities, profit before taxation and equity.

34. INSURANCE RISK (CONT'D.)

34.3.5 Claims development table

The following tables show the estimate of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date.

In setting provisions for claims, the Company gives consideration to the probability and magnitude of future claim experience being more adverse than assumed and exercises a degree of caution in setting the reserves when there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin to provide necessary confidence in adequacy is relatively at its highest. As claims develop and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

While the information in the tables provides a historical perspective on the adequacy of the unpaid claims estimate established in previous years, users of these financial statements are cautioned against extrapolating redundancies or deficiencies of the past on current unpaid loss balances.

The management of the Company believes that the estimates of total claims outstanding as of the reporting date are adequate. However, due to the inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate.

Gross general insurance contract liabilities for 2017:

Accident year	Before 2011 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	Sub total RM'000	Inward treaty and MMIP RM'000	Total RM'000
At end of accident year	1,086,817	1,157,126	1,200,371	1,205,506	1,242,423	1,194,736	1,070,130	1,213,002			
One year later	963,725	1,029,375	1,035,887	1,078,539	1,080,837	1,044,184	1,016,538				
Two years later	965,918	1,028,550	1,018,768	1,061,513	1,087,252	979,838					
Three years later	984,497	992,759	1,006,413	1,106,864	1,037,986						
Four years later	951,916	968,326	1,011,446	1,033,624							
Five years later	937,177	961,038	960,011								
Six years later	923,696	925,631									
Seven years later	954,290										
Current estimate of cumulative claims incurred	954,290	925,631	960,011	1,033,624	1,037,986	979,838	1,016,538	1,213,002			
At end of accident year	(363,389)	(356,496)	(394,477)	(391,391)	(382,588)	(350,724)	(362,327)	(404,476)			
One year later	(667,025)	(715,652)	(722,240)	(746,862)	(695,027)	(637,079)	(618,703)				
Two years later	(813,863)	(833,504)	(860,786)	(886,525)	(815,309)	(735,949)					
Three years later	(865,813)	(889,672)	(911,881)	(941,110)	(863,823)						
Four years later	(891,579)	(906,103)	(935,406)	(952,502)							
Five years later	(900,401)	(917,361)	(926,756)								
Six years later	(904,306)	(909,821)									
Seven years later	(899,516)										
Cumulative payments to-date	(899,516)	(909,821)	(926,756)	(952,502)	(863,823)	(735,949)	(618,703)	(404,476)			
Gross general insurance claims liabilities (direct and facultative)	54,774	15,810	33,255	81,122	174,163	243,889	397,835	808,526	1,809,374	46,615	1,855,989

34. INSURANCE RISK (CONT'D.)

34.3.5 Claims development table (Cont'd.)

Net general insurance claims liabilities for 2017:

Accident year	Before 2011 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	Sub total RM'000	Inward treaty and MMIP RM'000	Total RM'000
At end of accident year	931,415	884,131	792,136	926,165	1,028,962	1,089,589	997,614	1,093,342			
One year later	925,617	877,184	793,919	896,635	959,376	951,089	959,398				
Two years later	905,527	863,446	791,977	860,833	982,954	907,365					
Three years later	891,173	848,750	779,481	885,185	935,316						
Four years later	878,021	836,041	794,484	849,501							
Five years later	865,970	839,817	773,169								
Six years later	851,612	821,608									
Seven years later	869,380										
Current estimate of cumulative claims incurred	869,380	821,608	773,169	849,501	935,316	907,365	959,398	1,093,342			
At end of accident year	(344,917)	(328,287)	(323,199)	(329,836)	(362,384)	(333,247)	(344,191)	(392,176)			
One year later	(621,523)	(633,815)	(582,021)	(627,664)	(654,304)	(593,745)	(592,213)				
Two years later	(754,228)	(734,325)	(687,473)	(730,446)	(760,861)	(694,478)					
Three years later	(802,073)	(779,901)	(725,991)	(773,550)	(809,793)						
Four years later	(824,937)	(796,842)	(742,500)	(797,507)							
Five years later	(833,625)	(804,583)	(751,464)								
Six years later	(835,931)	(809,909)									
Seven years later	(838,890)										
Cumulative payments to-date	(838,890)	(809,909)	(751,464)	(797,507)	(809,793)	(694,478)	(592,213)	(392,176)			
Net general insurance claims liabilities (direct and facultative), gross of impairment loss on reinsurance assets	30,490	11,699	21,705	51,994	125,523	212,887	367,185	701,166	1,522,649	46,615	1,569,264

34. INSURANCE RISK (CONT'D.)

34.3.5 Claims development table (Cont'd.)

Gross general insurance contract liabilities for 2016:

Accident year	Before 2010 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	Sub total RM'000	Inward treaty and MMIP RM'000	Total RM'000
At end of accident year	1,287,986	1,086,817	1,157,126	1,200,371	1,205,506	1,242,423	1,194,736	1,070,130			
One year later	1,168,663	963,725	1,029,375	1,035,887	1,078,539	1,080,837	1,044,184				
Two years later	1,140,354	965,918	1,028,550	1,018,768	1,061,513	1,087,252					
Three years later	1,125,278	984,497	992,759	1,006,413	1,106,864						
Four years later	1,119,718	951,916	968,326	1,011,446							
Five years later	1,100,126	937,177	961,038								
Six years later	1,098,296	923,696									
Seven years later	1,219,192										
Current estimate of cumulative claims incurred	1,219,192	923,696	961,038	1,011,446	1,106,864	1,087,252	1,044,184	1,070,130			
At end of accident year	(385,276)	(363,389)	(356,496)	(394,477)	(391,391)	(382,588)	(350,724)	(362,327)			
One year later	(763,655)	(667,025)	(715,652)	(722,240)	(746,862)	(695,027)	(637,079)				
Two years later	(903,440)	(813,863)	(833,504)	(860,786)	(886,525)	(815,309)					
Three years later	(996,601)	(865,813)	(889,672)	(911,881)	(941,110)						
Four years later	(1,032,649)	(891,579)	(906,103)	(935,406)							
Five years later	(1,045,683)	(900,401)	(917,361)								
Six years later	(1,053,200)	(904,306)									
Seven years later	(1,057,660)										
Cumulative payments to-date	(1,057,660)	(904,306)	(917,361)	(935,406)	(941,110)	(815,309)	(637,079)	(362,327)			
Gross general insurance claims liabilities (direct and facultative)	161,532	19,390	43,677	76,040	165,754	271,943	407,105	707,803	1,853,244	72,308	1,925,552

34. INSURANCE RISK (CONT'D.)

34.3.5 Claims development table (Cont'd.)

Net general insurance claims liabilities for 2016:

Accident year	Before 2010 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	Sub total RM'000	Inward treaty and MMIP RM'000	Total RM'000
At end of accident year	1,086,325	931,415	884,131	792,136	926,165	1,028,962	1,089,589	997,614			
One year later	1,124,363	925,617	877,184	793,919	896,635	959,376	951,089				
Two years later	1,097,353	905,527	863,446	791,977	860,833	982,954					
Three years later	1,008,609	891,173	848,750	779,481	885,185						
Four years later	997,677	878,021	836,041	794,484							
Five years later	986,821	865,970	839,817								
Six years later	974,585	851,612									
Seven years later	979,407										
Current estimate of cumulative claims incurred	979,407	851,612	839,817	794,484	885,185	982,954	951,089	997,614			
At end of accident year	(358,787)	(344,917)	(328,287)	(323,199)	(329,836)	(362,384)	(333,247)	(344,191)			
One year later	(693,181)	(621,523)	(633,815)	(582,021)	(627,664)	(654,304)	(593,745)				
Two years later	(823,869)	(754,228)	(734,325)	(687,473)	(730,446)	(760,861)					
Three years later	(913,490)	(802,073)	(779,901)	(725,991)	(773,550)						
Four years later	(943,843)	(824,937)	(796,842)	(742,500)							
Five years later	(954,780)	(833,625)	(804,583)								
Six years later	(962,735)	(835,931)									
Seven years later	(957,091)										
Cumulative payments to-date	(957,091)	(835,931)	(804,583)	(742,500)	(773,550)	(760,861)	(593,745)	(344,191)			
Net general insurance claims liabilities (direct and facultative), gross of impairment loss on reinsurance assets	22,316	15,681	35,234	51,984	111,635	222,093	357,344	653,423	1,469,710	72,308	1,542,018

35. FINANCIAL RISK

35.1 Credit risk

Credit risk is most simply defined as the potential that a borrower or counterparty will fail to meet its obligations in accordance with the agreed terms.

The Company's main exposures to credit risk include:

- Investment credit risk – 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 also affected by the liquidity of the stock, but since the liquidity is usually closely related to credit risk, the risk is managed as credit risk.

- Reinsurance counterparty risk – financial loss arising from a reinsurer's default, or the deterioration of the reinsurer's financial position.

- Insurance and other receivables credit risk - financial loss arising from default by agents and other counterparties in the normal course of business; and staff loans and other receivables.

Investment credit risk

The Company is exposed to investment credit risk on its investment portfolio, primarily from investments in corporate bonds. 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 the bonds are regularly monitored and any downgrade in the credit rating will be evaluated to determine the actions required. The Company's bond portfolio is highly rated, with no material exposure below investment grade.

Reinsurance counterparty risk

The Company is exposed to three types of reinsurance counterparty risk:

- as a result of debts arising from claims made by the Company but not yet paid by the reinsurer;

- from reinsurance premium payments made to the reinsurer in advance; and

- as a result of reserves held by the reinsurer which would have to be met by the Company in the event of default.

In order to mitigate the reinsurance counterparty risk, the Company will give due consideration to the credit quality of a reinsurer before incepting a reinsurance treaty. To facilitate this process, a list of acceptable reinsurers is maintained within the Company.

35. FINANCIAL RISK (CONT'D.)

35.1 Credit risk (Cont'd.)

Insurance and other receivables credit risk

The Company is exposed to insurance receivables credit risk arising from default by agents and other counterparties. One of the credit events would be non-remittance of premium collected on behalf of insureds by the agents. In order to mitigate the insurance receivables credit risk, the Company will give due consideration to the credit quality of an agent before accepting him as an agent and constantly monitor receivable ageing, including conforming to the Cash Before Cover rule.

Loan credit risk

The Company is exposed to loan credit risk in several different areas, the most material of which is commercial loans and mortgage loans to employees of the Company.

Objectives in managing credit risk

To mitigate credit risk:

- investment policies will have a prescribed minimum credit rating of bonds that may be held. Investing in a diverse portfolio reduces the extent of financial impact of default from individual bond issuers.
- counterparty limits are set for investments, cash deposits and foreign exchange trade exposure.
- the Company regularly reviews the financial security of its reinsurers.

At the reporting date, the Company's maximum exposure to credit risk is represented by the maximum amount of each class of financial assets/insurance contracts exposed to credit risk and recognised in the statement of financial position as shown in the table below:

	Note	2017 RM'000	2016 RM'000
LAR:			
Fixed and call deposits	6.1	13,435	10,098
Loans	6.1	2,058	5,065
AFS financial assets:			
Corporate debt securities	6.2	-	5,060
Reinsurance assets	7	333,532	423,932
Insurance receivables	8	69,580	72,809
Other receivables	9	107,975	127,746
Cash and short-term deposits	11	164,750	274,549
Total credit risk exposure		691,330	919,259

35. FINANCIAL RISK (CONT'D.)

35.1 Credit risk (Cont'd.)

35.1.1 Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit rating of counterparties:

2017	Investment grade RM'000	Non-investment grade/ unrated RM'000	Past-due but not impaired RM'000	Total RM'000
LAR:				
Fixed and call deposits	13,435	-	-	13,435
Loans	-	2,058	-	2,058
Reinsurance assets	279,637	53,895	-	333,532
Insurance receivables	2,117	42,900	24,563	69,580
Other receivables	327	107,648	-	107,975
Cash and short-term deposits	164,678	72	-	164,750
Total credit risk exposure	460,194	206,573	24,563	691,330
2016				
LAR:				
Fixed and call deposits	10,098	-	-	10,098
Loans	-	5,065	-	5,065
AFS financial assets:				
Corporate debt securities	5,060	-	-	5,060
Reinsurance assets	371,060	52,872	-	423,932
Insurance receivables	4,196	40,008	28,605	72,809
Other receivables	109	127,637	-	127,746
Cash and short-term deposits	274,094	455	-	274,549
Total credit risk exposure	664,617	226,037	28,605	919,259

35. FINANCIAL RISK (CONT'D)

35.1 Credit risk (Cont'd.)

35.1.1 Credit exposure by credit rating (Cont'd.)

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Rating Agency of Malaysia's ("RAM") or Malaysian Rating Corporation Berhad ("MARC") credit ratings of counterparties. AAA is the highest possible rating.

	AAA	AA	A	BBB	B	Non-rated	Total
2017	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
LAR:							
Fixed and call deposits	13,435	-	-	-	-	-	13,435
Loans	-	-	-	-	-	2,058	2,058
Reinsurance assets	-	94,682	184,955	-	-	53,895	333,532
Insurance receivables	-	624	1,493	-	-	67,463	69,580
Other receivables	326	1	-	-	-	107,648	107,975
Cash and short-term deposits	110,238	53,752	688	-	-	72	164,750
Total credit risk exposure	123,999	149,059	187,136	-	-	231,136	691,330
2016							
LAR:							
Fixed and call deposits	10,098	-	-	-	-	-	10,098
Loans	-	-	-	-	-	5,065	5,065
AFS financial assets:							
Government guaranteed bonds	-	-	-	-	-	-	-
Corporate debt securities	-	5,060	-	-	-	-	5,060
Negotiable instruments of deposits	-	-	-	-	-	-	-
Reinsurance assets	-	134,608	236,439	-	13	52,872	423,932
Insurance receivables	-	1,949	2,247	-	-	68,613	72,809
Other receivables	59	50	-	-	-	127,637	127,746
Cash and short-term deposits	216,880	55,124	2,090	-	-	455	274,549
Total credit risk exposure	227,037	196,791	240,776	-	13	254,642	919,259

35. FINANCIAL RISK (CONT'D)

35.1 Credit risk (Cont'd.)

35.1.2 Age analysis of financial assets past-due but not impaired

The Company maintains an ageing analysis in respect of insurance receivables. The ageing of insurance receivables that are past due as at the reporting date but not impaired is as follows:

	< 30 days RM'000	31 to 60 days RM'000	61 to 90 days RM'000	91 to 180 days RM'000	Total RM'000
2017					
Insurance receivables	1,011	(4)	6,600	16,956	24,563
2016					
Insurance receivables	875	(5)	11,048	16,687	28,605

Information relating to reinsurance assets, insurance receivables and other receivables that are past due and impaired are shown in Note 7, Note 8 and Note 9.

35.2 Liquidity risk

Liquidity risk is the risk that an entity will not have available sufficient cash resources to meet its payment obligations without incurring material additional costs.

The Company will meet its liquidity needs arising in a number of key areas:

- the ability to meet the Company's payment obligations under normal and stressed operating environments without suffering any material loss
- efficient management of additions/withdrawals from the Company's investment funds

35. FINANCIAL RISK (CONT'D.)

35.2 Liquidity risk (Cont'd.)

Part of the Company's liquidity management strategy is to put in place the necessary framework capable of measuring and reporting on:

- daily cash flows
- minimum liquidity holdings
- cash flow forecasting, for a minimum of 2 months up to a maximum of 1 year
- the composition and market values of the Company's investment portfolios, including liquid holdings
- Insurance contract liabilities

For managing the liquidity of the insurance funds, it is appropriate to maintain a certain proportion of the General Insurance Fund in liquid assets which is derived from the investment mandate of the Company.

35.2.1 Maturity profiles

The table below summarises the maturity profile of the financial and insurance 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.

35. FINANCIAL RISK (CONT'D.)

35.2 *Liquidity risk (Cont'd.)*

35.2.1 Maturity profiles (Cont'd.)

Premium liabilities and the reinsurers' share of premium liabilities have been excluded from the analysis as they are not contractual obligations.

2017	Carrying value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
Financial investments:								
LAR	15,493	13,983	581	371	839	37	-	15,811
AFS	1,314,040	1,312,610	-	-	-	-	1,430	1,314,040
FVTPL	2,412,260	2,412,260	-	-	-	-	-	2,412,260
	3,741,793	3,738,853	581	371	839	37	1,430	3,742,111
Reinsurance assets - claim liabilities	279,211	159,253	105,278	21,870	10,967	-	-	297,368
Insurance receivables	69,580	69,580	-	-	-	-	-	69,580
Other receivables	107,975	107,975	-	-	-	-	-	107,975
Cash and short-term deposits	164,750	164,750	-	-	-	-	-	164,750
Total undiscounted financial assets	4,363,309	4,240,411	105,859	22,241	11,806	37	1,430	4,381,784
Insurance contract liabilities - claim liabilities	1,855,989	1,034,356	687,143	144,051	81,504	-	-	1,947,054
Other liabilities	15,480	15,480	-	-	-	-	-	15,480
Insurance payables	84,418	84,418	-	-	-	-	-	84,418
Other payables	24,135	24,135	-	-	-	-	-	24,135
Total undiscounted financial liabilities	1,980,022	1,158,389	687,143	144,051	81,504	-	-	2,071,087
Total liquidity surplus/(gap)	2,383,287	3,082,022	(581,284)	(121,810)	(69,698)	37	1,430	2,310,697

35. FINANCIAL RISK (CONT'D.)

35.2 *Liquidity risk (Cont'd.)*

35.2.1 Maturity profiles (Cont'd.)

2016	Carrying value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
Financial investments:								
LAR	15,163	13,101	865	610	962	86	-	15,624
AFS	535,368	534,113	-	-	-	-	1,430	535,543
FVTPL	2,886,136	2,886,136	-	-	-	-	-	2,886,136
	3,436,667	3,433,350	865	610	962	86	1,430	3,437,303
Reinsurance assets - claim liabilities	376,020	196,263	143,831	36,866	18,852	-	-	395,812
Insurance receivables	72,809	72,809	-	-	-	-	-	72,809
Other receivables	127,746	127,746	-	-	-	-	-	127,746
Cash and short-term deposits	274,549	274,549	-	-	-	-	-	274,549
Total undiscounted financial assets	4,287,791	4,104,717	144,696	37,476	19,814	86	1,430	4,308,219
Insurance contract liabilities - claim liabilities	1,925,552	993,710	726,489	186,229	95,297	-	-	2,001,725
Other liabilities	12,399	12,399	-	-	-	-	-	12,399
Insurance payables	116,792	116,792	-	-	-	-	-	116,792
Other payables	33,604	33,604	-	-	-	-	-	33,604
Total undiscounted financial liabilities	2,088,347	1,156,505	726,489	186,229	95,297	-	-	2,164,520
Total liquidity surplus/(gap)	2,199,444	2,948,212	(581,793)	(148,753)	(75,483)	86	1,430	2,143,699

For the Company's share in the net assets held under MMIP (which is included under other receivables) and share of insurance contract liabilities arising from its participation in MMIP, as disclosed in Note 9 and Note 14, respectively, the carrying value is disclosed in the "up to one year" column as the Company expects that the net receivable will be paid by MMIP (2016:RM9.0 million) as cash contribution within 12-months from the reporting date.

35. FINANCIAL RISK (CONT'D.)

35.2 *Liquidity risk (Cont'd.)*

35.2.1 Maturity profiles (Cont'd.)

The table below summarises the expected utilisation or settlement of assets and liabilities by classifying them into Current and Non-current categories:

	Current* RM'000	Non-current RM'000	Total RM'000
2017			
Assets			
Property and equipment	-	44,079	44,079
Investment properties	-	5,388	5,388
Intangible assets	-	61,422	61,422
Investments	3,738,305	3,488	3,741,793
Reinsurance assets	229,091	104,441	333,532
Insurance receivables	69,580	-	69,580
Other receivables	107,975	-	107,975
Deferred tax assets	15,939	-	15,939
Tax recoverable	52,964	-	52,964
Cash and short-term deposits	164,750	-	164,750
Non-current asset held for sale	21,817	-	21,817
Total assets	4,400,421	218,818	4,619,239
Liabilities			
Insurance contract liabilities	1,648,117	934,308	2,582,425
Other liabilities	15,480	-	15,480
Insurance payables	84,418	-	84,418
Other payables	241,007	-	241,007
Provision for retirement benefits	708	18,640	19,348
Total liabilities	1,989,730	952,948	2,942,678

* *Expected maturities within 12-months from the reporting date.*

35. FINANCIAL RISK (CONT'D.)

35.2 Liquidity risk (Cont'd.)

35.2.1 Maturity profiles (Cont'd.)

The table below summarises the expected utilisation or settlement of assets and liabilities by classifying them into Current and Non-current categories (Cont'd.):

	Current* RM'000	Non-current RM'000	Total RM'000
2016			
Assets			
Property and equipment	-	77,230	77,230
Investment properties	-	5,584	5,584
Intangible assets	-	44,500	44,500
Investments	3,432,422	4,245	3,436,667
Reinsurance assets	229,091	194,841	423,932
Insurance receivables	72,809	-	72,809
Other receivables	127,746	-	127,746
Deferred tax assets	10,538	-	10,538
Tax recoverable	54,727	-	54,727
Cash and short-term deposits	274,549	-	274,549
Non-current asset held for sale	18,399	-	18,399
Total assets	4,220,281	326,400	4,546,681
Liabilities			
Insurance contract liabilities	1,648,117	995,780	2,643,897
Other liabilities	12,399	-	12,399
Insurance payables	116,792	-	116,792
Other payables	240,028	-	240,028
Provision for retirement benefits	708	18,543	19,251
Total liabilities	2,018,044	1,014,323	3,032,367

** Expected maturities within 12-months from the reporting date.*

35. FINANCIAL RISK (CONT'D.)

35.3 Market risk

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

- Foreign exchange risk

- Interest rate risk – the risk of fluctuations in fair value or future cash flows of a financial instrument arising from a change of or volatility in interest rates

- Price risk – the risk of fluctuations in fair value or future cash flows of a financial instrument arising from a change of or volatility in equity values.

35.3.1 Foreign exchange risk

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

At the reporting date, the Company has no significant exposure to foreign exchange risk.
The Company does not engage in derivative transactions for speculative purposes.

35.3.2 Interest rate risk

Interest rate risk is the risk of fluctuations in fair value or future cash flows of a financial instrument arising from volatility in interest rates.

Day-to-day investment decisions around the management of interest rate risk and its impact on the value of the Company's investments are largely undertaken on behalf of the Company by approved fund managers, within the boundaries set by the fund management mandates entered into between the Company and its related company, AmFunds Management Berhad and Phillip Capital Management Sdn. Bhd. The fund managers will assess the extent of interest rate risk allowed by the fund as set out in the fund objectives and relative to the defined performance benchmarks. The methodology to manage interest rate risk within each specific fund is an integral part of the fund manager's approach adopted.

35. FINANCIAL RISK (CONT'D.)

35.3.2 Interest rate risk (Cont'd.)

The following table demonstrates the sensitivity to a reasonable change in interest rates on the fair value or future cash flows of debt securities:

		Increase/(Decrease)			
		<----------- 2017 ----------->		<----------- 2016 ----------->	
	Change in variables	Impact on profit before taxation RM'000	Impact on equity* RM'000	Impact on profit before taxation RM'000	Impact on equity* RM'000
Parallel shift in yield curve	+100 bps	-	-	-	(31)
Parallel shift in yield curve	-100 bps	-	-	-	31

* impact on equity reflects adjustment for tax, where applicable.

The method used for deriving sensitivity information and significant variables did not change from the previous year.

35.3.3 Price risk

The following table demonstrates the sensitivity to a reasonable change in market indices on the equity securities, as well as collective investment schemes and quoted unit and property trust funds:

		<----------- 2017 ----------->		<----------- 2016 ----------->	
	Change in variables	Impact on profit before taxation RM'000	Impact on equity* RM'000	Impact on profit before taxation RM'000	Impact on equity* RM'000
Equity securities:					
Market price	+5%	-	1,826	-	1,770
Market price	-5%	-	(1,826)	-	(1,770)
Unit and property trust funds:					
Market price	+5%	-	52	-	-
Market price	-5%	-	(52)	-	-
Collective investment schemes					
Net asset value	+5%	120,613	139,666	144,307	128,001
Net asset value	-5%	(120,613)	(139,666)	(144,307)	(128,001)

* impact on equity reflects adjustment for tax, where applicable.

35. FINANCIAL RISK (CONT'D.)

35.3.3 Price risk (Cont'd.)

The method used for deriving sensitivity information and significant variables did not change from the previous year.

35.4 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 that cannot be estimated in all operational risks. However, by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage these risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education and assessment processes, as well as 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.

36. FAIR VALUE HIERARCHY

The table below analyses those financial instruments carried at fair value and assets for which fair value is disclosed by their valuation methods.

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

(b) Level 2 - Valuation techniques for which all inputs that are significant to the fair value measurement is directly or indirectly observable

(c) Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

36. FAIR VALUE HIERARCHY (CONT'D.)

2017	Note	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets measured at fair value on a recurring basis:					
AFS financial assets:					
Equity securities	6	48,057	-	-	48,057
Unit and property trust funds	6	1,380	-	-	1,380
Collective investment schemes	6	1,263,173	-	-	1,263,173
FVTPL financial assets:					
Collective investment schemes	6	2,412,260		-	2,412,260
		3,724,870	-	-	3,724,870
Assets for which fair values are disclosed:					
Investment properties	4	-	-	9,200	9,200

2016	Note	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets measured at fair value on a recurring basis:					
AFS financial assets:					
Corporate debt securities	6	-	5,060	-	5,060
Equity securities	6	46,571	-	-	46,571
Collective investment schemes	6	482,307	-	-	482,307
FVTPL financial assets:	6				
Collective investment schemes	6	2,886,136	-	-	2,886,136
		3,415,014	5,060	-	3,420,074
Assets for which fair values are disclosed:					
Investment properties	4	-	-	9,200	9,200

The fair values of investment properties were derived based on the methods disclosed in Note 4. The reconciliation from opening to closing balances of investment properties (classified under Level 3 of the fair value hierarchy) is provided in Note 4 . Methods to derive fair value of other assets are disclosed in Note 2.2(g).

There were no transfers between Level 1 or Level 2 of the fair value hierarchy during the current and previous financial years for assets which are carried at fair value.

37. REGULATORY CAPITAL REQUIREMENTS

The total capital available of the Company as at 31 March 2017, as prescribed under the RBC Framework is provided below:

	2017 RM'000	2016 RM'000
Eligible Tier 1 capital		
Fully paid-up ordinary shares (Note 13)	654,900	600,000
Share premium	-	54,900
Paid-up non-cumulative irredeemable preference shares	6,100	6,100
Retained earnings	615,795	450,611
	1,276,795	1,111,611
Tier 2 capital		
RNCPS	400,000	400,000
AFS fair value reserves	(234)	2,703
	399,766	402,703
Amounts deducted from capital	(89,385)	(69,923)
Total capital available	1,587,176	1,444,391

38. INSURANCE FUND

The Company's activities are organised by funds and segregated into Insurance and Shareholder's Funds in accordance with the Financial Services Act, 2013.

The insurance and shareholder's funds have been presented together as one fund in the Company's statement of financial position, income statement and statement of comprehensive income.

The general insurance business offers general insurance products which include Motor, Fire, Personal Accident, Health and Surgical, Marine, Aviation and Transit and Miscellaneous products.

39. SIGNIFICANT AND SUBSEQUENT EVENT

The Malaysian Competition Commission ("MyCC")'s Proposed Decision against PIAM and its 22 members

On 10 August 2016, the Malaysian Competition Commission ("MyCC") commenced an investigation into an alleged infringement by Persatuan Insurans Am Malaysia ("PIAM") and all its members, being 22 general insurers, including AmGeneral Insurance Berhad in respect of Section 4(2)(a) of the Competition Act, 2010 ("CA 2010"). The MyCC alleged that PIAM and all 22 general insurers fixed the parts trade discount rates for certain vehicle makes and labour hourly rates for PIAM Approved Repairers Scheme workshops.

On 22 February 2017, MyCC issued a proposed decision against PIAM and 22 of its members, being general insurers, for an alleged infringement of the CA 2010. The Proposed Decision ("PD") includes proposed financial penalties on all 22 general insurers, including AmGeneral Insurance Berhad. AmGeneral Insurance Berhad's share of the proposed infringement penalties amounted to RM45,156,098.

On 1 March 2017 Bank Negara Malaysia issued a press statement confirming that the arrangement which is the subject of MyCC's PD was put in place in response to a clear directive from Bank Negara Malaysia to the general insurers in 2011. AmGeneral Insurance Berhad has on 25 April 2017, completed the submission of its written representations to MyCC. AmGeneral Insurance Berhad has also indicated its request for oral representations.

AmGeneral Insurance Berhad, in consultation with its legal advisers, will continue to take any and all appropriate actions to defend its position that it has not infringed Section 4(2)(a) of the CA 2010 and that no infringement penalties should be imposed should the PD be upheld, AmGeneral will appeal to the Competition Appeals Tribunal and thereafter take any adverse outcome to a judicial review before the Malaysian courts.