LIBERTY INSURANCE BERHAD
(Formerly known as Uni.Asia General Insurance Berhad)
(16688-K)
(Incorporated in Malaysia)

Directors’ Report and Audited Financial Statements
31 December 2015

16688-K

LIBERTY INSURANCE BERHAD
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LIBERTY INSURANCE BERHAD
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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 December 2015.

PRINCIPAL ACTIVITIES

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

There has been no significant change in the nature of this activity during the financial year.

RESULTS

	RM'000
Net profit for the financial year	54,026

RESERVES AND PROVISIONS

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

DIVIDENDS

The Directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2015.

SHARE CAPITAL

There were no changes in the authorised, issued and paid-up capital of the Company during the financial year.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS

The Directors who have held office during the year since the date of the last report are as follows:

YBhg. Dato' Haji Kamil Khalid Ariff	Chairman
YBhg. Dato' Dr. Mohd Shahari bin Ahmad Jabar	
Mr Luciano Suzuki	
Mr Edmund Campion Kenealy	
Mdm Karen Kar Lun Lee	
Mr Keong Choon Keat	
Mr William Michael Finn	(Appointed on 15 June 2015)
YBhg. Dato' Lim Heen Peok	(Appointed on 7 March 2016)
Mr Prashant Jain	(Resigned on 15 June 2015)

In accordance with the Company's Article 63 of the Articles of Association, Mdm Karen Kar Lun Lee shall retire by rotation at the forthcoming Annual General Meeting and, being eligible, offers herself for re-election.

In accordance with the Company's Article 68 of the Articles of Association, Mr. William Michael Finn and YBhg. Dato' Lim Heen Peok shall retire and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

Pursuant to Section 129(6) of the Companies Act, 1965, YBhg. Dato' Dr. Mohd Shahari bin Ahmad Jabar and Mr Keong Choon Keat shall retire and a resolution is being proposed for their reappointment as Directors under the provision of Section 129(6) of the said Act to hold office until the next Annual General Meeting of the Company.

PROVISION FOR INSURANCE LIABILITIES

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that there was adequate provision for insurance liabilities in accordance with the valuation methods specified in Part D of the Risk-Based Capital Framework ("RBC Framework") issued by Bank Negara Malaysia ("BNM") for insurers.

DIRECTORS' REPORT (CONTINUED)

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and making of provision for doubtful debts, and are satisfied that all known bad debts had been written off and adequate provision had been made for doubtful debts.

As at the date of this report, the Directors are not aware of any circumstances that would render the amount written off for bad debts or the amount of provision for doubtful debts in the financial statements of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that any current assets which were unlikely to be realised in the ordinary course of business, their value as shown in the accounting records of the Company have been written down to an amount which they might be expected to realise.

At the date of this report, the Directors are not aware of any circumstance which would render the values attributed to the current assets in the financial statements of the Company misleading.

VALUATION METHOD

At the date of this report, the Directors are not aware of any circumstance which has arisen which render adherence to the existing methods of valuation of assets or liabilities of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

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

(b) any contingent liability in respect of the Company that has arisen since the end of the financial year

DIRECTORS' REPORT (CONTINUED)

CONTINGENT AND OTHER LIABILITIES (CONTINUED)

No contingent liability or other liability of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial period which, in the opinion of the Directors, will or may affect the ability of the Company to meet its obligations as and when they fall due.

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Company for the financial year in which this report is made.

DIRECTORS' INTEREST

None of the Directors in office held any interests in the shares of the Company or in its related corporations at the end of the financial year.

DIRECTORS' REPORT (CONTINUED)

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 the acquisition of shares or debentures of the Company or any other corporate body.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than Directors' remuneration and benefits provided to Directors disclosed in Notes 26 and 30 to the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

CORPORATE GOVERNANCE

Corporate Governance for Licensed Institutions

The Company is prescribing to the requirements of, and adopts management practices that are consistent with the principles of BNM's Guidelines on Minimum Standards for Prudential Management of Insurers (Consolidated) (BNM/RH/GL003-1) and Guidelines on Prudential Framework of Corporate Governance for Insurers (BNM/RH/GL003-2).

Board Responsibilities and Oversight

The Board of Directors ("Board") is committed in ensuring that the highest standards of governance are being maintained. This is achieved through compliance with the Financial Services Act, 2013 and other directives issued by Bank Negara Malaysia. The Company strives to adopt other best practices on corporate governance.

The Board has delegated specific responsibilities to five Board Committees as follows:

(i) Audit Committee
(ii) Nomination Committee
(iii) Remuneration Committee
(iv) Risk Management Committee
(v) Investment Committee

The above committees have the authority to examine pertinent issues and report back to the Board with their recommendations. Ultimate responsibility for final decisions on all matters lie with the Board.

CORPORATE GOVERNANCE (CONTINUED)

Board Responsibilities and Oversight (continued)

(a) Composition of the Board

There is a balanced mix in the Board membership with wide ranging skills and experience that comprises seven directors i.e. one Non-Independent Executive Director, three Independent Non-Executive Directors and three Non-Independent Non-Executive Directors. No individual or group of individuals is able to dominate the Board's decision-making process. In addition, the Directors do not hold directorships in excess of the prescribed maximum limit.

(b) Board Meetings

During the financial year, the Board met seven times and all Directors in office during the period complied with the 75% minimum attendance requirement at such meetings except for YBhg. Dato' Majid bin Mohamad and Mr Prashant Jain as they were not acting as Directors for the full financial year. Details of attendance of each Board member at meetings held during the financial year ended 31 December 2015 are as follows:

Members	Status of directorship	Number of board meetings	
		Held during tenure	Attended
YBhg. Dato' Haji Kamil Khalid Ariff (Chairman of the Board)	Independent Non-Executive Director & Chairman	7	7 of 7
YBhg Dato' Dr. Mohd Shahari bin Ahmad Jabar	Independent Non-Executive Director	7	7 of 7
Mr Luciano Suzuki	Non-Independent Executive Director	7	7 of 7
Mr Edmund Campion Kenealy	Non-Independent Non-Executive Director	7	6 of 7
Mr Prashant Jain*	Non-Independent Non-Executive Director	3	1 of 3
Mdm Karen Kar Lun Lee	Non-Independent Non-Executive Director	7	6 of 7
Mr Keong Choon Keat	Independent Non-Executive Director	6	6 of 6

CORPORATE GOVERNANCE (CONTINUED)

Board Responsibilities and Oversight (continued)

(b) Board Meetings (continued)

Members	Status of directorship	Number of board meetings	
		Held during tenure	Attended
Mr William Michael Finn**	Non-Independent Non-Executive Director	4	4 of 4

* Resigned as Director on 15 June 2015
** Appointed as Director on 15 June 2015

(c) Directors' training

Directors are encouraged to attend continuous education programmes and seminars to keep abreast with developments in the industry. The Company has established a written policy for induction and education programmes for Directors in line with the corporate governance standard requirements.

(d) Board of directors' policy

In compliance with Part A of BNM's Guidelines (BNM/RH/GL003-22) on Guidelines for Audit Committees and Internal Audit Department, the Internal Audit Department ("IAD") has prepared and updated the Board of Directors' Policy to provide the Directors with overview information of the insurance industry in general and the Company specifically together with a comprehensive list of other information. It will be the main reference material on the Malaysian insurance industry and the Company's operations as a whole for the newly appointed as well as the current Directors.

(e) Annual General Meeting ("AGM")

At each AGM, the Board presents the progress and performance of the business and encourages shareholders to participate in a question and answer session. The Chief Executive Officer ("CEO") and, where appropriate, the Chairmen of the Audit, Nomination, Remuneration, Risk Management, and Investment Committees are available to respond to shareholders' questions during the meeting.

CORPORATE GOVERNANCE (CONTINUED)

Board Responsibilities and Oversight (continued)

Board Committees

There were five Board Committees namely the Audit, Nomination, Remuneration, Risk Management and Investment. Details of each Board Committee during the financial year are as follows:

A The Audit Committee

The primary objective of the Committee is to assist the Board in fulfilling its oversight responsibilities in ensuring the integrity and transparency of the financial reporting process, the effectiveness of internal control, the audit process and the monitoring of compliance with relevant laws and regulations.

This Committee comprises the following members and details of attendance of each member at meetings held during the financial year ended 31 December 2015 are as follows:

Members	Status of directorship	Number of board meetings	
		Held during tenure	Attended
Mr Keong Choon Keat* (Chairman)	Independent Non-Executive Director & Chairman	5	5 of 5
YBhg. Dato' Dr. Mohd Shahari bin Ahmad Jabar	Independent Non-Executive Director	6	6 of 6
YBhg. Dato' Haji Kamil Khalid Ariff	Independent Non-Executive Director	6	6 of 6
Mr Prashant Jain**	Non-Independent Non-Executive Director	3	1 of 3
Mr William Michael Finn***	Non-Independent Non-Executive Director	2	2 of 2
YBhg. Dato' Lim Heen Peok****	Independent Non-Executive Director	-	-

* Appointed to the Committee on 10 February 2015
** Resigned as Director on 15 June 2015
*** Appointed to the Committee on 24 June 2015
**** Appointed to the Committee on 25 March 2016

CORPORATE GOVERNANCE (CONTINUED)

Board Responsibilities and Oversight (continued)

B The Nomination Committee

The primary objective of the Committee is to establish a documented, formal and transparent procedure for the appointment of new Directors, the CEO and key Senior Officers. It is also responsible for reviewing the balance of Directors and assessing the effectiveness each of the individual Director, the Board as a whole and the various Committees of the Board, the CEO and the key Senior Officers.

This Committee comprises the following members and details of attendance of each member at meetings held during the financial year ended 31 December 2015 are as follows:

Members	Status of directorship	Number of board meetings	
		Held during tenure	Attended
YBhg. Dato' Haji Kamil Khalid Ariff (Chairman)	Independent Non-Executive Director & Chairman	6	6 of 6
Mr Edmund Campion Kenealy	Non-Independent Non-Executive Director	6	5 of 6
YBhg. Dato' Dr. Mohd Shahari bin Ahmad Jabar	Independent Non-Executive Director	6	6 of 6
Mr Prashant Jain*	Non-Independent Non-Executive Director	2	1 of 2
Mdm Karen Kar Lun Lee	Non-Independent Non-Executive Director	6	6 of 6
Mr William Michael Finn**	Non-Independent Non-Executive Director	3	3 of 3

* Resigned as Director on 15 June 2015

** Appointed to the committee on 24 June 2015

CORPORATE GOVERNANCE (CONTINUED)

Board Responsibilities and Oversight (continued)

Board Committees (continued)

C The Remuneration Committee

The primary objective of the Committee is to establish a documented, formal and transparent procedure for developing a remuneration policy for Directors, the CEO and key Senior Officers and ensuring that their compensation is competitive and consistent with the Company's culture, objectives and strategy.

This Committee comprises the following members and details of attendance of each member at meetings held during the financial year ended 31 December 2015 are as follows:

Members	Status of directorship	Number of board meetings	
		Held during tenure	Attended
YBhg. Dato' Haji Kamil Khalid Ariff (Chairman)	Independent Non-Executive Director & Chairman	2	2 of 2
Mdm Karen Kar Lun Lee	Non-Independent Non-Executive Director	2	2 of 2
Mr Edmund Campion Kenealy	Non-Independent Non-Executive Director	2	2 of 2

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CORPORATE GOVERNANCE (CONTINUED)

Board Responsibilities and Oversight (continued)

Board Committees (continued)

D The Risk Management Committee

The primary objective of the Committee is to establish a documented, formal and transparent procedure to provide opportunities for improving the quality of governance and risk management in the Company.

This Committee comprises the following members and details of attendance of each member at meetings held during the financial year ended 31 December 2015 are as follows:

Members	Status of directorship	Number of board meetings	
		Held during tenure	Attended
YBhg. Dato' Dr.Mohd Shahari bin Ahmad Jabar (Chairman)	Independent Non-Executive Director & Chairman	6	6 of 6
Mdm Karen Kar Lun Lee	Non-Independent Non-Executive Director	6	4 of 6
Mr Prashant Jain**	Non-Independent Non-Executive Director	2	1 of 2
YBhg. Dato' Haji Kamil Khalid Ariff *	Independent Non-Executive Director	5	5 of 5
Mr William Michael Finn***	Non-Independent Non-Executive Director	3	3 of 3

* Appointed to the Committee on 13 March 2015
** Resigned as Director on 15 June 2015
*** Appointed to the Committee on 24 June 2015

CORPORATE GOVERNANCE (CONTINUED)

Board Responsibilities and Oversight (continued)

Board Committees (continued)

E The Investment Committee

The Committee is empowered by the Board to assist the Board and Management in the effective discharge of its strategic responsibilities and accountabilities in the areas of investment of the Company. The Committee reports to the Board the results, observations and recommendations for deliberation and formalisation by the Board pertaining to the investment activities of the Company.

This Committee comprises the following members and details of attendance of each member at meetings held during the financial year ended 31 December 2015 are as follows:

Members	Status of directorship	Number of board meetings	
		Held during tenure	Attended
Mr Luciano Suzuki (Chairman)	Non-Independent Executive Director	4	4 of 4
Mr Peter Sullivan	-	4	4 of 4
Mr Mark Pare	-	4	4 of 4

Management Accountability

Material Contracts

No material contracts (not being contracts entered into, in the ordinary course of business) have been entered into by the Company involving Directors' and substantial shareholders' interests, either still subsisting at the end of the financial year or entered into since the end of the previous financial year.

CORPORATE GOVERNANCE (CONTINUED)

Corporate Independence

The Company has complied with the requirements of BNM's Guidelines on Related Party Transactions (BNM/RH/GL 003-3) in respect of all its related party transactions.

Internal Controls and Enterprise Risk Management

The Board affirms its overall responsibility for the system of internal control within the Company. The objective of the system of internal control is to enable the Company to achieve its objectives. The system is designed to ensure effective and efficient operations, financial reporting and compliance with the relevant laws and regulations.

It is the Board's responsibility to determine the strategies and policies for a sound risk management and control environment, whilst Senior Management should ensure that the Company's business activities are consistent with the risk strategies and policies approved by the Board.

The process for the identification and evaluation of significant risks is through the adoption of the Enterprise Risk Management ("ERM") framework and policy. The process is undertaken throughout the year. The Risk Management Committee of the Board ("RMC-B") will oversee Senior Management's activities in managing the key risk areas, including emerging risks and ensuring that the risk management framework and processes are in place and functioning effectively.

The implementation of the ERM is delegated to the CEO who is supported by the Enterprise-wide, Opportunity and Risk Management Committee of the Management ("EORMC-M"). The EORMC-M will assist the CEO in formulating appropriate procedures (including assessment methodologies, tools and techniques) and review the application of risk management practices. The Head of ERM & Compliance Assurance Department will regularly report to the RMC-B on the effectiveness of risk management and control measures.

The Internal Audit Department ("IAD") is also actively involved in the audit of ERM based on the auditees' risk profile. Through a risk based audit approach, it provides the Board with an independent assurance on the adequacy and integrity of the risk management framework and internal control system. It also assesses the existing risk treatment adequacy and its effectiveness in minimising the risks to an acceptable tolerance level. The IAD also incorporates as part of its audit work, the detection of fraud risk and anti-money laundering risk.

Identifying, evaluating and managing of risks faced by the Company are an on-going process that encompasses the following areas:

CORPORATE GOVERNANCE (CONTINUED)

Internal Control and Enterprise Risk Management (continued)

(a) Underwriting

The Company exercises control over underwriting exposures covering both risks accepted and reinsured. Exposure limits are reviewed as and when necessary.

(b) Financial control procedures

Detailed controls are laid down in the procedural manuals of each operating unit.

(c) Financial position

Yearly business plans are submitted to the Board for their approval prior to the beginning of each financial year. As part of regular performance monitoring, the financial reports are submitted to the Board for their review at every Board Meeting. These reports cover all key operational areas and provide a sound basis for the Board to assess the Company's financial performance and to identify potential problems faced by the Company.

(d) Investment

The terms of reference of the Investment Committee and the Head of Investment Department, the investment policies and guidelines and the investment decision making structure and process are clearly defined in the Investment Department's manual. Performance of investment funds and equity exposure reports are amongst the reports submitted to the Investment Committee for review at their regular meetings. Investment limits are monitored continuously to ensure compliance with the regulatory limits as per the Risk Based Capital framework.

(e) Information system

The IT Steering Committee, whose members are represented by Senior Management of the Company, the Head of IT and IAD, is responsible for identifying IT needs of the Company in line with the requirements of BNM's Guidelines on Management of IT Environment ("GPIS 1").

(f) Claims

The Company exercises control over the processing and payments of claims. The allocations of provisions are updated and reviewed on a timely basis.

CORPORATE GOVERNANCE (CONTINUED)

Internal Control and Enterprise Risk Management (continued)

(g) Internal Audit

The functions and responsibilities of the Board with respect to internal audit and the functions and responsibilities of the Internal Audit Department are in accordance with the BNM's Guidelines on Audit Committees and Internal Audit Department (BNM/RH/GL 003-22), Guidelines on Internal Audit Function of Licensed Institutions (BNM/RH/GL 013-4) and Guidelines on Prudential Framework of Corporate Governance for Insurers (BNM/RH/GL 003-2).

Internal Audit Department's function is to assist the Board and Senior Management by providing independent assurance on the effectiveness of internal controls and adherence to the institution's organisational and procedural controls. Internal Audit Department reports directly to the Board through the Audit Committee ("AC"). The AC reviews and approves the annual audit plan, audit reports, audit charter and budget of the Internal Audit Department. The Chairman of the AC provides written reports to the board on the deliberations of the AC on a regular basis. In addition, the AC Chairman also presents a summary of all significant matters and resolutions made by the AC at the Board meetings.

Public Accountability

As a custodian of public funds, the Company's dealings with the public are always conducted fairly, honestly and professionally.

Financial Reporting

In presenting the annual financial statements, the Directors aim to present a balanced and understandable assessment of the Company's position and prospects.

(a) Directors' responsibility statement

The Directors are required by the Companies Act, 1965 to prepare financial statements in accordance with applicable approved accounting standards on the state of affairs of the Company, the results and the cash flows of the Company for the financial year.

CORPORATE GOVERNANCE (CONTINUED)

Internal Control and Enterprise Risk Management (continued)

Financial Reporting (continued)

(a) Directors' responsibility statement (continued)

In preparing the financial statements, the Directors have:

(i) Selected suitable accounting policies and applied them consistently;
(ii) Made judgements and estimates that are reasonable and prudent;
(iii) Ensured that all applicable accounting standards have been followed; and
(iv) Prepared financial statements on the going concern basis as the Directors have a reasonable expectation, having made inquiries that the Company has adequate resources to continue in operational existence for the foreseeable future.

The Directors have the responsibility for ensuring that the Company keeps accounting records that disclose with reasonable accuracy, the financial position of the Company and which enables them to ensure that the financial statements comply with the Companies Act, 1965.

The Directors have the overall responsibility for taking reasonable steps to safeguard the assets of the Company, and to prevent and detect fraud and other irregularities.

SIGNIFICANT AND SUBSEQUENT EVENTS

There were no significant events during or subsequent events after the financial year.

LIBERTY INSURANCE BERHAD
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AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 25 March 2016.

DATO' HAJI KAMIL KHALID ARIFF DIRECTOR	LUCIANO SUZUKI DIRECTOR

Kuala Lumpur,
25 March 2016

LIBERTY INSURANCE BERHAD
(Formerly known as Uni.Asia General Insurance Berhad)
(Incorporated in Malaysia)

Statement by directors pursuant to
Section 169(15) of the Companies Act, 1965

We, Dato' Haji Kamil Khalid Ariff and Luciano Suzuki, being two of the Directors of Liberty Insurance Berhad (formerly known as Uni.Asia General Insurance Berhad), do hereby state that, in the opinion of the Directors, the financial statements set out on pages 21 to 138 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2015 and of the financial performance and cash flows of the Company for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and comply with the requirements of the Companies Act, 1965 in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated 25 March 2016.

DATO' HAJI KAMIL KHALID ARIFF
DIRECTOR

LUCIANO SUZUKI
DIRECTOR

Kuala Lumpur
25 March 2016

Statutory declaration pursuant to
Section 169(16) of the Companies Act, 1965

I, Tan See Dip, the Officer primarily responsible for the financial management of Liberty Insurance Berhad (formerly known as Uni.Asia General Insurance Berhad), do solemnly and sincerely declare that the financial statements set out on pages 21 to 138 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 in Malaysia.

Subscribed and solemnly declared
by the abovenamed Tan See Dip
at Kuala Lumpur in Malaysia
on 25 March 2016

TAN SEE DIP

Before me,

16688-K

Independent auditors' report to the members of
Liberty Insurance Berhad
(Formerly known as Uni.Asia General Insurance Berhad)
(Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of Liberty Insurance Berhad (formerly known as Uni.Asia General Insurance Berhad), which comprise the statement of financial position as at 31 December 2015, and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2015, and a summary of significant accounting policies and other explanatory information, as set out on pages 21 to 138.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity’s preparation of financial statements that give a true and fair view 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 entity’s internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent auditors' report to the members of
Liberty Insurance Berhad (continued)
(Formerly known as Uni.Asia General Insurance Berhad)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2015 and of its financial performance and cash flows for the year ended 31 December 2015 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and requirements of the Companies Act, 1965 in Malaysia.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 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
25 March 2016

LIBERTY INSURANCE BERHAD
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STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	2015 RM'000	2014 RM'000
ASSETS			
Property and equipment	4(a)	62,253	61,801
Intangible assets - software	4(b)	4,490	3,604
Non-current assets held for sale	5	461	-
Investment properties	6	53,628	47,078
Available-for-sale financial assets	7	161,164	132,639
Loans and receivables	8	880,551	781,855
Reinsurance assets	10	172,268	206,235
Insurance receivables	11	33,281	41,705
Deferred acquisition costs	12	27,943	26,314
Cash and short term deposits	13	8,429	15,828
Total assets		1,404,468	1,317,059
EQUITY AND LIABILITIES			
Share capital	14	100,000	100,000
Other reserves	15	17,873	16,713
Retained earnings	16	345,455	291,429
Total equity		463,328	408,142
LIABILITIES			
Insurance contract liabilities	17	793,253	753,986
Deferred tax liabilities	9	2,400	2,955
Deferred acquisition costs - reinsurance	12	5,016	5,904
Insurance payables	18	73,958	86,031
Other payables	19	57,409	57,046
Post-employment benefit obligations	20	-	787
Tax liabilities		9,104	2,208
Total liabilities		941,140	908,917
Total equity and liabilities		1,404,468	1,317,059

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

LIBERTY INSURANCE BERHAD
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STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	1.1.2015 to 31.12.2015 RM'000	1.4.2014 to 31.12.2014 RM'000
Gross written premiums		585,518	419,818
Change in premium liabilities		(18,998)	(16,747)
Gross earned premiums		566,520	403,071
Reinsurance premiums ceded		(130,112)	(111,789)
Change in premium liabilities		(6,267)	(5,057)
Premiums ceded to reinsurers		(136,379)	(116,846)
Net earned premiums		430,141	286,225
Investment income	21	36,108	24,276
Realised gains and losses	22	13	(42)
Fair value gains	23	3,674	-
Commission income	24	32,241	26,900
Other operating income	25	4,994	8,133
Other revenue		77,030	59,267
Gross claims paid		(281,729)	(199,896)
Claims ceded to reinsurers		65,546	51,448
Gross change to claims liabilities		(20,269)	(27,458)
Change in claims liabilities ceded to reinsurers		(27,700)	(186)
Net claims incurred		(264,152)	(176,092)
Commission expense	24	(61,585)	(44,578)
Management expenses	26	(107,649)	(66,180)
Other expenses		(169,234)	(110,758)
Finance cost		-	(1,598)
Profit before taxation		73,785	57,044
Tax expense	27	(19,759)	(12,298)
Net profit for the financial year/period		54,026	44,746
Basic and diluted earnings per share (sen)	28	54.03	44.75

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

LIBERTY INSURANCE BERHAD
(Formerly known as Uni.Asia General Insurance Berhad)
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	1.1.2015 to 31.12.2015 RM'000	1.4.2014 to 31.12.2014 RM'000
Net profit for the financial year/period		54,026	44,746
Other comprehensive income:			
Item that will not be reclassified to profit or loss:			
Asset revaluation reserve			
Revaluation surplus on self-occupied properties	4(a)	2,430	-
Tax effect on revaluation surplus		(264)	-
		2,166	-
Item that may be subsequently reclassified to profit or loss:			
Available-for-sale ("AFS") reserve			
Fair value (loss)/gain of AFS financial assets	7	(1,296)	772
		(1,296)	772
Tax effect on fair value (loss)/gain of AFS financial assets	9	290	(193)
		(1,006)	579
Total comprehensive income for the financial year/period		55,186	45,325

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

LIBERTY INSURANCE BERHAD
(Formerly known as Uni.Asia General Insurance Berhad)
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Issued and fully paid ordinary shares of RM1 each		Non-distributable		Distributable	
	Number of shares RM'000	Nominal value RM'000	Asset revaluation reserve RM'000	AFS reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 April 2014	100,000	100,000	18,329	(2,195)	246,683	362,817
Total comprehensive income for the financial period	-	-	-	579	44,746	45,325
At 31 December 2014	100,000	100,000	18,329	(1,616)	291,429	408,142
At 1 January 2015	100,000	100,000	18,329	(1,616)	291,429	408,142
Total comprehensive income for the financial year	-	-	2,166	(1,006)	54,026	55,186
At 31 December 2015	100,000	100,000	20,495	(2,622)	345,455	463,328

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

LIBERTY INSURANCE BERHAD
(Formerly known as Uni.Asia General Insurance Berhad)
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	1.1.2015 to 31.12.2015 RM'000	1.4.2014 to 31.12.2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the financial year/period		54,026	44,746
Adjustment for non-cash items:			
Property and equipment			
- depreciation	4(a)	3,708	2,668
- loss on disposal	23	41	27
- written off	4(a)	100	34
Amortisation of intangible assets	4(b)	164	59
Fair value gain on investment properties	6	(3,674)	-
Interest income	21	(36,207)	(23,332)
Net rental expenses/(income)	21	185	(1,024)
Net accretion of discounts/(amortisation of premium)	21	(86)	80
Finance cost		-	1,598
Provision for impairment allowance on insurance receivables	26	2,926	2,919
Recoveries of bad debt previously provided for	26	(1,350)	-
Provision for post-employment benefit obligations	20	5	392
Tax expense	27	19,759	12,298
		39,597	40,465
Purchase of available-for-sale financial assets	7(b)	(69,495)	-
Proceeds from maturity of available-for-sale financial assets	7(b)	40,131	40,256
Interest income received		28,304	25,134
Net rental (expenses)/income	21	(185)	1,024
Payment of post-employment benefit obligations	20	(792)	(1)
Decrease in reinsurance assets	10	33,967	5,243
Decrease/(increase) in insurance receivables		6,848	(8,434)
Increase in deferred acquisition costs	12	(1,629)	(2,034)
(Decrease)/increase in insurance payables	18	(12,073)	6,329
Increase in insurance contract liabilities	17	39,267	44,205
Increase in loans and receivables		(91,164)	(119,451)
Increase in other payables	19	363	24,159
Decrease in deferred acquisition costs - reinsurance	12	(888)	(210)

LIBERTY INSURANCE BERHAD
(Formerly known as Uni.Asia General Insurance Berhad)
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	1.1.2015 to 31.12.2015 RM'000	1.4.2014 to 31.12.2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)			
Cash generated from operating activities		12,251	56,685
Income tax paid		(15,820)	(14,242)
Tax refund		2,428	2,328
Net cash (outflows)/inflows from operating activities		(1,141)	44,771
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	4(a)	(3,980)	(3,128)
Purchase of intangible assets	4(b)	(1,050)	(1,201)
Purchase of investment property	6	(1,290)	-
Proceeds from disposal of property and equipment		62	7
Net cash outflows from investing activities		(6,258)	(4,322)
CASH FLOWS FROM FINANCING ACTIVITIES			
Subordinate loan paid		-	(30,000)
Finance cost paid		-	(2,034)
Net cash outflows from financing activities		-	(32,034)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(7,399)	8,415
AT BEGINNING OF THE FINANCIAL YEAR/PERIOD		15,828	7,413
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR/PERIOD	13	8,429	15,828

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015

1. PRINCIPAL ACTIVITY AND GENERAL INFORMATION

The Company is principally engaged in the underwriting of all classes of general insurance business. The registered office of the Company is located at 9th Floor, Menara Liberty, 1008 Jalan Sultan Ismail, 50250 Kuala Lumpur.

There have been no significant changes in the nature of the principal activities during the financial year.

The immediate holding company is Liberty Seguros, Compania de Seguros y Reaserguros, S.A. ("Liberty Seguros"), a company incorporated in Spain. The ultimate holding company is Liberty Mutual Group Inc., a company incorporated in the United States of America.

The Company changed its name from Uni.Asia General Insurance Berhad to Liberty Insurance Berhad on 22 April 2015.

The financial statements were authorised for issuance by the Board of Directors in accordance with a resolution of the Directors on 25 March 2016.

2. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies, unless otherwise stated below, have been used consistently in dealing with items which are considered material in relation to the financial statements:

(a) Basis of preparation

The financial statements of the Company have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies, and comply with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the provisions of the Companies Act, 1965 in Malaysia.

The preparation of financial statements in conformity with MFRS requires the use of critical accounting estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

The financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency.

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

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 expenses are not 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 Company has adopted the amendments to MFRS and IC Interpretation mandatory for annual financial year beginning on or after 1 January 2015 during the financial year 2015.

The adoption of the amendments to MFRS and IC Interpretation disclosed in Note 2(b)(i) during the year has not resulted in any material financial impact to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Amendments to Malaysian Financial Reporting Standards

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

(i) Standards effective in current financial year

On 1 January 2015, the Company adopted the following amended MFRSs and IC Interpretation, which are mandatory for annual financial periods beginning on or after 1 January 2015.

Description	Effective for annual financial periods beginning on or after
Amendments to MFRS 119 Defined Benefit Plans: Employee Contributions	1 January 2015
Annual improvements 2010-2012 Cycle	1 January 2015
Annual improvements 2011-2013 Cycle	1 January 2015
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2015
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	1 January 2015
Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets	1 January 2015
Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2015
IC Interpretation 21 Levies	1 January 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes to Malaysian Financial Reporting Standards

(i) Standards issued but not yet effective

The following are Standards and Amendments/Improvements to standards issued by Malaysian Accounting Standard Board ("MASB"), but not yet effective, up to the date of issuance of the Company's financial statements. The Company intends to adopt these standards and annual improvements to standards, if applicable, when they become effective:

Description	Effective for annual financial periods beginning on or after
Annual Improvements to MFRSs 2012 - 2014 Cycle	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 141: Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an investor and its Associate or Joint Venture	1 January 2016
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 127: Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 101: Disclosure Initiatives	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception	1 January 2016
MFRS 14 Regulatory Deferral Accounts	1 January 2016
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 9 Financial Instruments	1 January 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes to Malaysian Financial Reporting Standards (continued)

(i) Standards issued but not yet effective (continued)

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

Amendments to MFRS 101: Disclosure Initiatives

The amendments to MFRS 101 include narrow-focused improvements in the following five areas:

- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income arising from equity accounted investments

The Directors of the Company do not anticipate that the application of these amendments will have a material impact on the Company's results as this amendment only impacts the presentation and disclosures of the Company's financial statements.

MFRS 9: Financial Instruments

In July 2014, the IASB issued the final version of IFRS Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but restatement of comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015.

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 summarized below:

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes to Malaysian Financial Reporting Standards (continued)

(i) Standards issued but not yet effective (continued)

MFRS 9: Financial Instruments

(a) Classification and measurement

The classification and measurement of financial assets is determined on the basis of the contractual cash flow characteristics and the objective of the business model associated with holding the asset. Key changes include:

- The held-to-maturity ("HTM") and available-for-sale ("AFS") asset categories will be removed;

- A new asset category measured at fair value through other comprehensive income ("FVOCI") is introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principle and interest and held in a model whose objective is achieved by both collecting contractual cash flows and selling financial assets;

- A new asset category for non-traded equity investments measured at FVOCI is introduced;

- Classification of financial liabilities will remain largely unchanged, other than the fair value gains and losses attributable to changes in 'own credit risk' for financial liabilities designated and measured at fair value through

The adoption of MFRS 9 will have an effect on the classification and measurement of the Company's financial assets, and may have no impact on the classification and measurement of the Company's financial liabilities.

(b) Impairment

The MFRS 9 impairment requirements are based on an expected credit loss model ("ECL") that replaces the incurred loss model under the current accounting standard. The Company will be generally 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, irrevocable loan commitments and financial guarantee contracts, which will include loans, advances and financing and debt instruments held by the Company. MFRS 9 will change the Company's current methodology for calculating allowances for impairment, in particular for individual and collective assessment and provisioning.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes to Malaysian Financial Reporting Standards (continued)

(i) Standards issued but not yet effective (continued)

MFRS 9: Financial Instruments

(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, it is not practicable to provide a reasonable estimate of the effect of MFRS 9 until the Company undertakes a detailed review.

(d) Property and equipment and depreciation

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

All items of property and equipment are initially recorded at cost. Subsequent cost is 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. All other repairs and maintenance are charged to the statement of income during the period in which they are incurred.

Land and buildings, which are substantially occupied by the Company for its operations, are classified under property and equipment.

Land and buildings are initially stated at cost and are subsequently revalued by independent registered valuers base on the highest and best use of the properties to reflect the fair value of the properties. These properties are revalued at regular intervals of at least once in every three years and with additional valuation in the intervening years to ensure that the carrying amount does not differ materially from the fair value of the properties at the financial year end reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property and equipment and depreciation (Continued)

When the land and buildings are revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset. The net amount is then restated as the revalued amount of the asset.

The surplus arising from revaluation of these properties is credited to an asset revaluation reserve account except that a surplus, to the extent that such surplus is related to and not greater than a deficit arising on revaluation previously recorded as an expense, is credited to the statement of income. A deficit arising from revaluation of these properties is recognised as an expense except that, a deficit, to the extent that such a deficit is related to a surplus which was previously recorded as a credit to the asset revaluation reserve account and which has not been subsequently reversed or utilised, it is charged directly to that account.

Freehold land is not depreciated as it has infinite life. No depreciation is provided for work-in-progress as it is not ready for active use. Other property and equipment are depreciated on the straight line basis to write off the cost of the assets, to their residual values over their estimated useful lives, summarised as follows:

Leasehold land	Over the remaining period of the lease
Freehold buildings	50 years
Leasehold buildings	50 years
Motor vehicles	5 years
Furniture and fittings	20 years
Office equipment	10 years
Office renovation	10 years
Computer equipment	5 years

The residual values and useful lives of property and equipment are reviewed, and adjusted as appropriate, at each date of the statement of financial position.

At each date of the statement of financial position, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 2(j)(iii) for the accounting policy on impairment of non-financial assets).

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its used or disposal. Gains and losses on disposals are determined by comparing proceeds with the carrying amounts and are included in the statement of income. On disposal of revalued assets, the amounts in the asset revaluation reserve relating to the assets are transferred to retained earnings.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Intangible assets – software

Where computer software is not an integral part of a related item of computer hardware, the software is treated as an intangible asset. Capitalised internal-use software costs include external direct costs of materials and services consumed in developing or obtaining the software, payroll and payroll-related costs for employees who are directly associated with and who devote substantial time to the project. Capitalisation of these costs ceases no later than the point at which the project is substantially completed and ready for its intended purpose. These costs are amortised over their expected useful life of 5 years on a straight-line basis, with the useful lives being reviewed annually.

(f) Non-current assets held for sale

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

(g) Investment properties

Investment properties, comprising principally of land and buildings, are held for long term rental yields or for capital appreciation or both, and are not occupied by the Company.

Investment properties are initially stated at cost including related and incidental expenditure incurred, and are subsequently carried at fair value, representing open-market value determined by independent accredited valuer. Fair value is based on active market prices, adjusted if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Company uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. The fair values of investment properties are revalued at regular intervals of at least once in every three years and with additional valuation in the intervening years to ensure that the carrying amount does not differ materially from the fair value of the properties at the financial year end reporting date. Changes in fair values are recorded in the statement of income in the year in which they arise.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be derecognised. The difference between the net disposal proceeds and the carrying amount is recognised in the statement of income in the year of the retirement or disposal.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Leases

Assets leased by the Company where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating lease by the Company (less of any incentives received from the lessor) are charged to the statement of income on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial year in which termination takes place.

(i) Financial assets and financial liabilities

The Company classifies its financial assets into the following categories: loans and receivables and available-for-sale financial assets. Classification of the financial asset is determined at initial recognition and relates to the purpose for which the financial asset was acquired.

(i) Loans and receivables ("LAR")

LAR is 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. After initial measurement, LAR is measured at amortised cost, using effective yield method, less allowance for impairment. Gains and losses are recognised in the statement of income when the investments are derecognised or impaired, as well as through the amortisation process.

(ii) Available-for-sale ("AFS") financial assets

AFS financial assets are non-derivative financial assets that are not classified as fair value through profit or loss ("FVTPL"), held-to-maturity ("HTM") or LAR. AFS financial assets are initially recognised at fair value. After initial measurement, AFS financial assets are re-measured at fair value. Fair value gains and losses of those financial assets are reported in the statement of other comprehensive income until the investment is derecognised or investment is determined to be impaired. When these AFS financial assets are sold or impaired, the cumulative fair value gains and losses previously recognised in the other comprehensive income are transferred to the statement of income as net realised gains or losses on AFS financial assets.

Investment in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial assets and financial liabilities (continued)

(iii) Financial liabilities

Financial liabilities are recognised on the statement of financial position when the Company becomes a party to the contractual obligations of the financial instruments.

Financial liabilities are recognised when due and measured on initial recognition at the fair value of the consideration received plus directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective yield method.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Gains and losses are recognised in the statement of income.

(iv) Derecognition of financial assets and liabilities

A financial asset is derecognised when:

- The contractual right to receive cash flows from the financial asset has expired;
- The Company retains the contractual right to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party; or
- 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial assets and financial liabilities (continued)

(iv) Derecognition of financial assets and liabilities (continued)

Where continuing involvement takes the form of a written and/or purchased option on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) any cumulative gain or loss that has been recognised directly in equity is recognised in the statement of income. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

Where 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 statement of income.

(j) Impairment

(i) Financial assets, excluding insurance receivables

The Company assesses at each date of the statement of financial position whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is impaired and impairment loss is incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial assets that can be reliably estimated.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment (continued)

(i) Financial assets, excluding insurance receivables (continued)

(a) **Financial assets carried at amortised cost**

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the 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 been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of income.

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 the 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 date of the statement of financial position.

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 by adjusting the allowance account. The amount of the reversal is recognised in the statement of income, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment (continued)

(i) Financial assets, excluding insurance receivables (continued)

(b) **Financial assets carried at cost**

If there is objective evidence that an impairment loss on financial assets carried at cost (e.g.unquoted equity instruments or which there is no active market or whose fair value cannot be reliably measured) has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed in subsequent periods.

(c) **Financial assets carried at fair value**

In the case of AFS financial asset, a significant or prolonged decline in the fair value of the financial asset below its cost is considered in determining whether the asset is impaired. If any such evidence exists for AFS financial assets, the cumulative loss, measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in the statement of income is transferred from other comprehensive income to the statement of income.

If, in a subsequent period, the fair value of a debt instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of income, the impairment loss is reversed through the statement of income. Impairment losses previously recognised in the statement of income on equity instruments are not reversed through the statement of income.

(ii) Insurance receivables

Insurance receivables at each reporting date are assessed for any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised.

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(j)(i)(a).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment (continued)

(iii) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying value of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there is separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

An impairment loss is charged to the statement of income immediately. A subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the statement of income immediately.

(k) Insurance receivables

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

Insurance receivable are derecognised when the derecognition criteria for the financial assets, as described in Note 2(i)(iv), have been met.

(l) Cash and short term deposits

Cash and short term deposits consist of cash on hand, bank balances and short term deposit which have original remaining tenure of less than three months that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash and short term deposits exclude fixed and call deposits which are held for investment purpose.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Insurance payables and other payables

Insurance payables and other payables are recognised when due and measured on initial recognition at the fair value less directly attributable transaction costs. Subsequent to the initial recognition, they are measured at amortised cost using the effective yield method.

Insurance payables and other payables are derecognised when the obligation under the liability is settled, cancelled or expired.

(n) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) 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 date of the statement of financial position and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. Where the effect of the time value of money is material, provisions are discounted using current pre-tax rate that reflects, where appropriate, the risk specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(o) Share capital

(i) Classification

Ordinary shares are classified as equity.

(ii) Dividends to shareholders of the Company

Dividends are recognised as liabilities and deducted from equity when the obligation to pay is established in which the dividends are declared and approved by the Company's shareholders. No provision is made for a proposed dividend.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Product classification

The Company issues contracts that transfer insurance risk.

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the Company (the insurer) 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 benefits paid with benefits 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 life-time, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

(q) General insurance underwriting results

The general insurance underwriting results are determined for each class of business after taking into account reinsurance, commissions, premium liabilities and claims liabilities.

(i) Premium income

Premium income is recognised in a financial year in respect of risks assumed during that particular financial year. Premiums from direct business are recognised during the financial year upon the issuance of insurance policies. Premiums in respect of risks incepted for which policies have not been issued as of the date of the statement of financial position are accrued at that date.

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

Inward treaty reinsurance premiums are recognised on the basis of periodic advices received from ceding insurers.

Outward reinsurance premiums are recognised in the same accounting period as the original policy to which the reinsurance relates.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) General insurance underwriting results (continued)

(ii) Claims liabilities

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

Provision for claims liabilities is made for the estimated costs of all claims together with related expenses less reinsurance recoveries, in respect of claims notified but not settled at the balance sheet date. Provision is also made for the cost of claims, together with related expenses, incurred but not reported at the date of statement of financial position, based on an actuarial valuation.

(iii) Acquisition costs

The cost of acquiring and renewing insurance policies net of income derived from ceding reinsurance premiums is recognised as incurred and properly allocated to the periods in which it is probable they give rise to income. Acquisition costs or ceding income which are not recoverable, or not payable in the event of a termination of the policy to which they relate, are not deferred but are recognised in the period in which they occur.

(iv) Deferred acquisition cost (“DAC”)

DAC is calculated based on the methodology prescribed by BNM on the computation of unearned premium reserves (“UPR”).

The gross DAC at the date of the statement of financial position is computed as follows:

(i) 25% method for marine cargo, aviation cargo and transit
(ii) gross premiums under 1/24th method for all other classes of Malaysian general policies multiplied by the percentage of accounted gross direct business commissions to the corresponding premiums, not exceeding limits specified by BNM;
(iii) gross premiums under 1/8th method for all classes of overseas inward business multiplied by 20% for acquisition costs; and
(iv) gross premiums under time apportionment method for policies with insurance periods other than 12 months multiplied by the corresponding percentage of gross commission.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) General insurance underwriting results (continued)

(iv) Deferred acquisition cost ("DAC") (continued)

The reinsurance DAC at the date of the statement of financial position is computed as follows:

(i) reinsurance premiums ceded which are allowed under 25% method for marine cargo, aviation cargo and transit
(ii) reinsurance premiums ceded which are allowed under 1/24th method for all other classes of Malaysian general policies multiplied by the percentage of accounted gross direct business commissions to the corresponding premiums, not exceeding limits specified by BNM;
(iii) reinsurance premiums ceded which are allowed under 1/8th method for all classes of overseas inward business multiplied by 20% for acquisition costs;
(iv) reinsurance premiums ceded which are allowed under time apportionment method for policies with insurance periods other than 12 months multiplied by the corresponding percentage of gross commission.

(v) Reinsurance

The Company cedes insurance risk in the normal course of business for all of its business. Reinsurance assets represent balances due from reinsurance companies for insurance contract liabilities which have yet to be settled as at the reporting date. Reinsurance assets are estimated in a manner consistent with the outstanding claims provision 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 its 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. Impairment 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 amount 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 statement of income.

Gains or losses on buying reinsurance are recognised in the statement of income immediately at the date of purchase and are not amortised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) General insurance underwriting results (continued)

(v) Reinsurance (continued)

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

(vi) 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 Risk-Based Capital Framework for Insurers issued by BNM.

These liabilities comprise premium liabilities and claims liabilities.

Premium liabilities

Premium liabilities are the higher of:

(a) the aggregate of the unearned premium reserves (“UPR”); or

(b) the best estimate value of the insurer’s unexpired risk reserves (“URR”) at the valuation date and the Provision of Risk Margin for Adverse Deviation (“PRAD”) calculated at the overall Company level. The best estimate value is a 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 insurer’s expenses, including overheads and cost of reinsurance, expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and allows for expected future premium refunds.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) General insurance underwriting results (continued)

(vi) Insurance contract liabilities (continued)

Premium liabilities (continued)

UPR represent the portion of the net premiums of insurance policies written that relate to the unexpired periods of the policies at the end of the financial year. Generally, the UPR is released over the term of the contract and is recognised as premium income.

In determining the UPR at the date of the statement of financial position, the method that most accurately reflects the actual unearned premium is used, as follows:

(i) 25% method for marine cargo, aviation cargo and transit;

(ii) 1/24th method for all other classes of Malaysian general policies reduced by the percentage of accounted gross direct business commissions to the corresponding premiums, not exceeding limits specified by BNM;

(iii) 1/8th method for all other classes of overseas inward business with a deduction of 20% for acquisition costs; and

(iv) time apportionment method for policies with insurance periods other than 12 months.

Claims liabilities

Claims liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the balance sheet date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the date of the statement of financial position. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserve is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) General insurance underwriting results (continued)

(vii) Liability adequacy test on insurance contract liabilities

PRAD is calculated at overall Company level and is an additional component of liability value aimed at ensuring the value of insurance liabilities is established at a level such that there is a higher level of confidence (or probability) that the liability will ultimately be sufficient. For the purpose of insurance contract liabilities valuation, the level of confidence is set at 75% at an overall Company level.

At each date of the statement of financial position, 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 DAC over unearned premiums. This calculation uses current estimates of future contractual cash flows (taking into consideration current loss ratios) after taking into account 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 statement of income initially by writing off DAC and by subsequently establishing a provision for liability adequacy.

(r) Other revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Interest income is recognised using the effective interest method. The effective interest rate is the rate that discounts estimated future cash receipts or payments through the expected life of the financial instrument or, when appropriate, a shorter period to its carrying amount. The calculation includes significant fees and transaction costs that are integral to the effective interest rate, as well as premiums or discounts.

When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables are recognised using the original effective interest rate.

Other interest income, including the amortisation of premiums and accretion of discounts, is recognised on a time proportion basis that takes into account the effective yield of the asset.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Other revenue recognition (continued)

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

Rental income is recognised on a time proportion basis except where default in payment of rent has already occurred and rent due remains outstanding, 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.

Gains or losses arising on disposal of financial assets are credited or charged to the statement of income.

(s) Employee benefits

(i) Short term employee benefits

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

(ii) Defined contribution plan

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

As required by law, companies in Malaysia make contributions to the national pension scheme, the Employees Provident Fund (“EPF”). The Company’s contributions to the defined contribution plan are charged to the statement of income in the period to which they relate. Once the contributions have been paid, the Company has no further payment obligation.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Employee benefits (continued)

(iii) Defined benefit plan

A defined benefit plan is a pension plan that is not a defined contribution plan.

Defined benefit plan defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in the statement of income.

(iv) Termination benefits

Termination benefits are payable to an entitled employee whenever the employment has to be terminated before the normal retirement date or when the employee accepts voluntary separation in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

(t) Income taxes

Income tax on the statement of income comprises current tax and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profits for the financial year and is measured using the tax rates that have been enacted at the date of the statement of financial position. Current tax is recognised in the statement of income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Income taxes (continued)

Deferred tax is provided for using the liability method, on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences, and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits 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.

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 date of the statement of financial position.

Deferred tax is recognised in the statement of income, except when it arises from a transaction which is recognised in other comprehensive income, in which case the deferred tax is also charged or credited to other comprehensive income.

(u) Foreign currencies

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the “functional currency”). The financial statements are presented in Ringgit Malaysia (“RM”), which is also the functional and presentation currency of the Company.

Foreign currency transactions are translated into Ringgit Malaysia at the rates of exchange prevailing on the transaction dates. Foreign currency monetary assets and liabilities at the date of the statement of financial position are translated at the rates of exchange prevailing at 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 from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are recognised in the statement of income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Foreign currencies (continued)

Exchange differences arising on the translation of non-monetary items carried at fair value are included in the statement of income 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.

(v) Contingent liabilities and contingent assets

The Company does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstance where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Company. The Company does not recognise a contingent asset but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

(w) Fair value estimation for disclosure purpose

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 transactions 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 the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the assets or liability, assuming that market participants act in their economic best interest.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Fair value estimation for disclosure purpose (continued)

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.

The basis of estimation of fair values for financial instruments is as follows:

(i) The fair values of unquoted corporate debt securities are based on the indicative market prices obtained from Bond Pricing Agency Malaysia (“BPAM”).

(ii) The fair values of fixed rate loans are estimated by discounting future expected cash flows, taking into consideration market conditions and contractual terms of these loans.

(iii) The carrying amounts for other financial assets and liabilities with a maturity period of less than one year are assumed to approximate their fair values.

(iv) Fair value information has not been disclosed for the Company's investment in equity instruments that are carried at cost because fair value cannot be measured reliably. These equity instruments represent ordinary and preference shares in companies that are not quoted on any market and do not have any comparable industry peer that is listed. In addition, the variability in the range of reasonable fair value estimates derived from valuation techniques is significant.

Fair value measurements are classified using a fair value hierarchy based on the observability of the inputs used in the fair value measurement.

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 reassessing 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.

At each reporting date, the Company analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed in accordance with the adopted accounting policies.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

GST, a multistage consumption tax on domestic consumption was implemented nationwide on 1st April 2015. 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 net receivables and payables in the statement of financial position.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

3.1 Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(i) Valuation of general insurance contract liabilities

The principal uncertainty in the Company's general insurance business arises from the technical provisions which include premium and claim liabilities. Premium liabilities are recorded as the higher of UPR or URR while claim liabilities are mainly comprise of estimates for both the expected ultimate cost of claims reported at the date of the statement of financial position and for the expected ultimate cost of claims incurred but not reported ("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 liabilities in the statement of financial position. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projections techniques, such as the Chain Ladder and the Bornhuetter–Ferguson methods.

The main assumptions underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence, ultimate claims costs.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

3.1 Critical accounting estimates and assumptions (continued)

(i) Valuation of general insurance contract liabilities (continued)

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 years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by significant business lines and claims types. 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. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historic claims development date on which the projections are based.

Additional qualitative judgement is used to assess the extent to which past trends may not apply in future (for example, to reflect one-off occurrences, changes in external or market factors such as public attitude 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 into account all the uncertainties involved.

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

(ii) Pipeline Premium

The estimation of pipeline premiums made by management is based on average actual pipeline premium booked in during the year. As estimations are inherently uncertain, actual premium may differ from the estimated premiums. Management revises its estimates of pipeline premium based on average monthly trends for policy issuance turnaround time.

3.2 Critical judgement in applying the entity's accounting policies

In determining and applying accounting policies, judgement is often required in respect of items where the choice of specific policy could materially affect the reported results and financial position of the Company. The Directors are of the view that currently there are no accounting policies which require significant judgement to be exercised, other than those disclosed in the following notes:

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

3.2 Critical judgement in applying the entity's accounting policies (continued)

(i) Income and deferred taxes

Significant judgement is required determining the income and deferred taxes applicable to the Company's business. The Company recognises tax liabilities on anticipated issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(ii) Impairment of AFS financial assets

Significant judgement is required to assess impairment for AFS financial assets. The Company evaluates the duration and extent to which the fair value of an investment is less than cost, the financial health and near term business outlook for the investee, including but not limited to factors such as industry and sector performance, changes in technology and operational and financial cash flow.

These factors are inherently subjective and management is required to exercise judgement to determine if an AFS financial asset is impaired as well as the estimation of the recoverable value of AFS financial assets against which the carrying value is compared to determine the impairment loss to be recognised in the financial statements.

(iii) Impairment of receivables

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Company complies with BNM's Guidelines on Financial Reporting for Insurers (BNM/RH/STD032-5). In line with the requirements of the 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 recognised the impairment loss in the statement of income.

LIBERTY INSURANCE BERHAD
(Formerly known as Uni.Asia General Insurance Berhad)
(Incorporated in Malaysia)

4(a) PROPERTY AND EQUIPMENT

	Freehold land RM'000	Long term leasehold land RM'000	Freehold buildings RM'000	Long term leasehold building RM'000	Motor vehicles RM'000	Furniture and fittings RM'000	Office equipment RM'000	Office renovation RM'000	Computer equipment RM'000	Work in progress RM'000	Total RM'000
Net book value at 1 January 2015	2,506	14,160	2,652	34,342	280	1,677	1,018	2,102	1,478	1,586	61,801
Additions at cost	-	-	-	-	320	1,325	102	806	1,390	37	3,980
Disposal at net book value	-	-	-	-	(103)	-	-	-	-	-	(103)
Write-offs at net book value	-	-	-	-	-	(96)	(3)	-	(1)	-	(100)
Reclassification of assets	-	-	-	-	-	-	(3)	-	3	-	-
Depreciation charge for the financial year	-	(203)	(110)	(1,025)	(87)	(192)	(162)	(297)	(1,632)	-	(3,708)
Revaluation surplus recognised in other comprehensive income	20	409	182	1,819	-	-	-	-	-	-	2,430
Transferred to non-current assets held for sale (Note 5)	-	(219)	-	(242)	-	-	-	-	-	-	(461)
Transferred to investment properties (Note 6)	-	-	-	-	-	-	-	-	-	(1,586)	(1,586)
Net book value at 31 December 2015	2,526	14,147	2,724	34,894	410	2,714	952	2,611	1,238	37	62,253
<u>At 31 December 2015</u>											
Cost	-	-	-	-	674	5,164	3,859	11,255	10,166	37	31,155
Valuation	2,526	14,147	2,724	34,894	-	-	-	-	-	-	54,291
Accumulated depreciation	-	-	-	-	(264)	(2,450)	(2,907)	(8,644)	(8,928)	-	(23,193)
Net book value	2,526	14,147	2,724	34,894	410	2,714	952	2,611	1,238	37	62,253

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LIBERTY INSURANCE BERHAD
(Formerly known as Uni.Asia General Insurance Berhad)
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4(a) PROPERTY AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Long term leasehold land RM'000	Freehold buildings RM'000	Long term leasehold building RM'000	Motor vehicles RM'000	Furniture and fittings RM'000	Office equipment RM'000	Office renovation RM'000	Computer equipment RM'000	Work in progress RM'000	Total RM'000
Net book value at 1 April 2014	2,506	14,330	2,735	35,114	327	1,640	1,005	1,682	2,070	-	61,409
Additions at cost	-	-	-	-	-	240	142	676	484	1,586	3,128
Disposal at net book value	-	-	-	-	-	(31)	(1)	-	(2)	-	(34)
Write-offs at net book value	-	-	-	-	-	(31)	(3)	-	-	-	(34)
Depreciation charge for the financial period	-	(170)	(83)	(772)	(47)	(141)	(125)	(256)	(1,074)	-	(2,668)
Net book value at 31 December 2014	2,506	14,160	2,652	34,342	280	1,677	1,018	2,102	1,478	1,586	61,801
At 31 December 2014											
Cost	-	-	-	-	676	4,008	3,828	10,819	8,861	1,586	29,778
Valuation	2,506	14,330	2,744	35,200	-	-	-	-	-	-	54,780
Accumulated depreciation	-	(170)	(92)	(858)	(396)	(2,331)	(2,810)	(8,717)	(7,383)	-	(22,757)
Net book value	2,506	14,160	2,652	34,342	280	1,677	1,018	2,102	1,478	1,586	61,801

4(a) PROPERTY AND EQUIPMENT (CONTINUED)

During the current financial year, the Company revalued its self-occupied freehold and long term leasehold land and buildings based on independent valuation performed by Rahim & Co. Chartered Surveyors Sdn. Bhd., an accredited independent valuer.

Recurring fair value measurements

All freehold and long term leasehold properties of the Company are within Level 3 of the fair value hierarchy. The fair values for all the properties have been derived using the sales comparison approach as allowed under MFRS 13: Fair Value Measurement. Sales prices of comparable land and buildings, rentals and yields of similar properties in close proximity are adjusted for differences in key attributes such as property size, location and quality of the building. The most significant input into sales comparison approach is price per square foot of comparable properties while the most significant input into investment approach is yields and rental rates per square foot of comparable properties.

Had the freehold and long-term leasehold land and buildings been carried at historical cost less accumulated depreciation, the carrying amounts that would have been included in the financial statements at the end of the year/period are as follows:

	2015 RM'000	2014 RM'000
Freehold land and buildings	1,843	1,919
Long-term leasehold land and buildings	25,556	26,407
	27,399	28,326

The long-term leasehold land and buildings have unexpired lease periods ranging from 63 years to 879 years (2014: 64 years to 880 years).

The titles to certain long-term leasehold land and buildings included in property and equipment at carrying value of RM225,113 (2014: RM238,688), is in the process of being transferred to the Company. Risks, rewards and effective titles to these properties have been passed to the Company upon unconditional completion of the acquisition of those properties. The Company has submitted the relevant documents to the land authorities for transfer of legal titles to the Company and is awaiting the process and finalisation of this transfer to be completed.

4(a) PROPERTY AND EQUIPMENT (CONTINUED)

(a) Fair value hierarchy of Properties

Information about significant unobservable inputs used in Level 3 fair value measurements:

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3):

2015 Description	**Fair Value** **RM'000**	**Valuation** **techniques**	**Unobservable** **inputs**	**Range** **(weighted** **average)**
Commercial properties	54,291	Comparison approach	Estimated Value p.s.f	RM48 - RM881
2014 Description				
Commercial properties	53,660	Comparison approach	Estimated Value p.s.f	RM48 - RM881

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

4(a) PROPERTY AND EQUIPMENT (CONTINUED)

(b) Movements in properties measured at fair value:

The following tables present the reconciliation for all properties measured at fair value based on significant unobservable inputs (Level 3):

	Properties fair value measurements using significant unobservable inputs (Level 3)	
	2015	**2014**
	RM'000	**RM'000**
Opening balance	53,660	54,685
Depreciation for the financial year/period (Note 4(a))	(1,338)	(1,025)
Transferred to non current assets held for sale (Note 4(a))	(461)	-
Total gain for the year/period:		
Included in Statement of Comprehensive Income	2,430	-
Closing balance	54,291	53,660

For properties, a significant increase/(decrease) in yield adjustments based on management's assumptions would result in a significantly (lower)/higher fair value measurement.

	Properties fair value measurements using significant unobservable inputs (Level 3)	
	2015	**2014**
	RM'000	**RM'000**
Total gain for the year/period included in:		
Statement of Comprehensive Income		
- Gain on changes in fair value	2,430	-

4(b) INTANGIBLE ASSETS - SOFTWARE

	2015 RM'000	2014 RM'000
Cost	10,148	8,987
Accumulated amortisation	(6,018)	(5,854)
Work in progress	360	471
Net book value	4,490	3,604
Net book value		
At beginning of the financial year/period	3,604	2,462
Additions at cost	690	730
Amortisation for the financial year/period	(164)	(59)
Work in progress	360	471
At end of the financial year/period	4,490	3,604

5. NON-CURRENT ASSETS HELD FOR SALE

	2015 RM'000	2014 RM'000
Non-current assets held for sale:		
Long term leasehold land (Note 4(a))	219	-
Long term leasehold building (Note 4(a))	242	-
	461	-

Certain long term leasehold land and building are classified as held for sale following the approval of management and the shareholders on 5 November 2015 to dispose of these assets to a third party. On 7 November 2015, a sale and purchase agreement was signed with a third party, to dispose this property for a sale consideration of RM840,000. This disposal has yet to be completed.

6. INVESTMENT PROPERTIES

	2015			2014
	Freehold land and building RM'000	Leasehold land and building RM'000	Total RM'000	Total RM'000
At fair value:				
At beginning of the year/ period	11,950	35,128	47,078	47,078
Transferred from work in progress (Note 4(a))	-	1,586	1,586	-
Additions at cost	-	1,290	1,290	-
Fair value gain (Note 23)	3,350	324	3,674	-
At end of year/period	15,300	38,328	53,628	47,078

During the current financial year, the Company revalued its freehold and long term leasehold properties which are held as investment properties based on independent valuation performed by Rahim & Co. Chartered Surveyors Sdn. Bhd., an independent accredited valuer.

Recurring fair value measurements

All freehold and long term leasehold properties of the Company are within Level 3 of the fair value hierarchy. The fair values for all the properties have been derived using either the sales comparison approach and the investment approach as allowed under MFRS 13: Fair Value Measurement. Sales prices of comparable land and buildings, rentals and yields of similar properties in close proximity are adjusted for differences in key attributes such as property size, location and quality of the building. The most significant input into sales comparison approach is price per square foot of comparable properties while the most significant input into investment approach is yields and rental rates per square foot of comparable properties.

The titles to the freehold land and buildings included in investment properties of the Company with carrying value of RM15,300,000 (2014: RM11,950,000) are in the process of being transferred to the Company. Risks, rewards and effective titles to these properties have been passed to the Company upon unconditional completion of the acquisition of those properties. The Company has submitted the relevant documents to the land authorities for transfer of legal titles to the Company and is awaiting the process and finalisation of this transfer to be completed.

6. INVESTMENT PROPERTIES (CONTINUED)

(a) Fair value hierarchy of Investment Properties

Information about significant unobservable inputs used in Level 3 fair value measurements:

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3):

2015 Description	**Fair Value** **RM'000**	**Valuation** **techniques**	**Unobservable** **inputs**	**Range** **(weighted** **average)**
Commercial properties	8,800	Income approach	Rental per square foot ("p.s.f") per month	RM3.15 - RM3.50
			Long -term vacancy rate	5%
			Discount rate	5.5% - 6.0%
Commercial properties	38,328	Comparison approach	Estimated Value p.s.f	RM466 - RM1,061
Commercial land	6,500	Comparison approach	Estimated Value p.s.f	RM63 - RM92
2014 Description				
Commercial properties	8,800	Income approach	Rental per square foot ("p.s.f") per month	RM3.15 - RM3.50
			Long -term vacancy rate	5%
			Discount rate	5.5% - 6.0%
Commercial properties	35,128	Comparison approach	Estimated Value p.s.f	RM466 - RM1,061
Commercial land	3,150	Comparison approach	Estimated Value p.s.f	RM42 - RM56

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

6. INVESTMENT PROPERTIES (CONTINUED)

(b) Movements in investment properties measured at fair value:

The following tables present the reconciliation for all investment properties measured at fair value based on significant unobservable inputs (Level 3):

	Investment Properties Fair value measurements using significant unobservable inputs (Level 3)	
	2015 RM'000	2014 RM'000
Opening balance	47,078	47,078
Total gain for the year/period:		
Included in statement of income (Note 23)	3,674	-
Transferred from work in progress (Note 4(a))	1,586	-
Additions at cost	1,290	
Closing balance	53,628	47,078

For investment properties, a significant increase/(decrease) in yield adjustments based on management's assumptions would result in a significantly (lower)/higher fair value measurement.

	Investment Properties Fair value measurements using significant unobservable inputs (Level 3)	
	2015 RM'000	2014 RM'000
Total gain for the year/period included in:		
Statement of Income		
- Gain on changes in fair value	3,674	-

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

(a) Available-for-sale ("AFS") financial assets comprise the following investments:

	2015 RM'000	2014 RM'000
AFS financial asset		
Malaysian government papers	30,711	-
Unquoted equity securities in Malaysia	39	77
Unquoted corporate debt securities in Malaysia	130,414	132,562
	161,164	132,639

(b) Carrying value of AFS financial assets

	AFS RM'000	Total RM'000
1 April 2014	172,955	172,955
Maturity/Disposal	(40,256)	(40,256)
Amortisation of premium, net of accretion of discounts	(80)	(80)
Movement in accrued interest	(790)	(790)
Fair value loss recorded in:		
- Other comprehensive income	733	733
At 31 December 2014/1 January 2015	132,562	132,562
Purchases	69,495	69,495
Maturity/Disposal	(40,131)	(40,131)
Accretion of discounts, net of amortisation of/ premium	86	86
Movement in accrued interest	371	371
Fair value loss recorded in:		
- Other comprehensive income	(1,258)	(1,258)
At 31 December 2015	161,125	161,125

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

(c) Carrying value of AFS financial assets - Unquoted equity

	AFS RM'000	Total RM'000
1 April 2014	38	38
Fair value gain recorded in:		
- Other comprehensive income	39	39
At 31 December 2014/1 January 2015	77	77
Fair value loss recorded in:		
- Other comprehensive income	(38)	(38)
At 31 December 2015	39	39

The maturity structure of AFS financial assets (excluding unquoted equity securities) is as follows:

	2015 RM'000	2014 RM'000
Investments maturing within 12 months	8,115	35,510
Investments maturing after 12 months	153,010	97,052
	161,125	132,562

(d) Fair value hierarchy of AFS financial assets

<u>Recurring fair value measurements</u>

The Company categorises its fair value measurements according to a three-level hierarchy. The hierarchy prioritises the inputs used by the Company’s valuation techniques for determining the fair value of the financial instruments.

A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The three-level hierarchy is defined as follows:

Level 1 - Fair value measurements that reflect unadjusted, quoted prices in active markets for identical assets and liabilities that the Company has the liability to access at the measurement date. Valuations are based on quoted prices reflecting market transactions involving assets or liabilities identical to those being measured.

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

(d) Fair value hierarchy of AFS financial assets

Recurring fair value measurements

Level 2 - Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Those include quoted prices for similar assets and liabilities in active markets, quoted prices for identical assets and liabilities in inactive markets, inputs that are observable that are not prices (such as interest rates, credit risks, etc) and inputs that are derived from or corroborated by observable market data.

Level 3 - Fair value measurements using significant non market observable inputs. These include valuations for assets and liabilities that are derived using data, some or all of which is not market observable, including assumptions about risk. There are no readily available price for unquoted stocks. Net Tangible Assets (NTA) method was used to value the stocks whereby net assets are divided by the share capital.

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

The following tables show financial assets recorded at fair value analysed by the different basis of fair values as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 December 2015				
Malaysian government papers	-	30,711	-	30,711
Unquoted equity securities in Malaysia	-	-	39	39
Unquoted corporate debt securities in Malaysia	-	130,414	-	130,414
	-	161,125	39	161,164
31 December 2014				
Unquoted equity securities in Malaysia	-	-	77	77
Unquoted corporate debt securities in Malaysia	-	132,562	-	132,562
	-	132,562	77	132,639

8. LOANS AND RECEIVABLES

	2015 RM'000	2014 RM'000
Staff loans:		
Staff housing loans (secured)	98	250
Fixed and call deposits with licensed banks with original remaining tenure of more than 1 month	779,567	703,911
Accrued interest	15,096	7,564
	794,663	711,475
Other receivables:		
Malaysian Motor Insurance Pool (“MMIP” or “the Pool”) balances*		
- Cash calls paid to MMIP	34,356	27,345
- Share of net assets held under MMIP	38,465	35,536
	72,821	62,881
MMIP commission receivable	7,496	4,715
Deposits	853	686
Prepayments	984	835
Other receivables	3,636	1,013
	85,790	70,130
Total loans and receivables	880,551	781,855
The following loans and receivables		
Mature within 12 months	794,663	711,475
Mature after 12 months	93	237

The carrying amounts disclosed above approximate fair values at the date of the statement of financial position.

***** 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 represent 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 Note 17. The net assets held under MMIP of the Company include cash contribution of RM34,356,477 (2014: RM27,344,901) made to MMIP, following additional cash calls of RM7,011,576 (2014: RM9,358,767) made by the Pool during the current financial year. The cash contributions were made in respect of the Company's share of MMIP's accumulated losses up to 31 December 2014 (2014: accumulated losses up to 31 December 2013).

9. DEFERRED TAX LIABILITIES

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 taxes relate to the same tax authority.

The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	2015 RM'000	2014 RM'000
Deferred tax liabilities	(2,400)	(2,955)
At beginning of the financial year/period	(2,955)	(3,830)
Credited/(charged) to income statement (Note 27)		
- property and equipment	820	570
- investment properties	(757)	-
- AFS financial assets	(289)	(273)
- retirement benefits	(172)	136
- insurance receivables	(140)	470
- other payables	1,480	87
- premium liabilities	111	54
- claims liabilities	(524)	24
	529	1,068
(Charged)/credited to equity		
Asset revaluation reserve		
Property and equipment	(264)	-
AFS reserve		
AFS financial assets	290	(193)
At end of the financial year/period	(2,400)	(2,955)

9. DEFERRED TAX LIABILITIES (CONTINUED)

	2015 RM'000	2014 RM'000
Deferred tax assets (before offsetting)		
Other receivables	5	4
Insurance receivables	329	470
Retirement benefits	185	355
Other payables	7,090	5,611
Claims liabilities	-	524
Premium liabilities	95	-
	7,704	6,964
Offsetting	(7,704)	(6,964)
Deferred tax assets (after offsetting)	-	-
Deferred tax liabilities (before offsetting)		
Property and equipment	5,824	6,375
Investment properties	3,942	3,190
AFS financial assets	338	338
Premium liabilities	-	16
	10,104	9,919
Offsetting	(7,704)	(6,964)
Deferred tax liabilities (after offsetting)	2,400	2,955

10. REINSURANCE ASSETS

	2015 RM'000	2014 RM'000
Reinsurance of insurance contracts:		
Claims liabilities (Note 17)	118,265	145,965
Premium liabilities (Note 17)	54,003	60,270
	172,268	206,235

11. INSURANCE RECEIVABLES

	2015 RM'000	2014 RM'000
Due premium including agents, brokers and co-insurers balance	27,313	31,996
Due from reinsurers and cedants	12,458	15,500
	39,771	47,496
Accumulated impairment losses	(7,937)	(7,744)
	31,834	39,752
Knock-for-knock claims recoveries due from other insurers	1,572	2,098
Accumulated impairment losses	(125)	(145)
	1,447	1,953
	33,281	41,705

The carrying amounts disclosed above approximate fair values at the date of the statement of financial position.

The insurance receivables of the Company that have been offset as at the statement of financial position date are as follows:

	Gross carrying amount RM'000	Gross amounts offset in the statement of financial position RM'000	Net amounts in the statement of financial position RM'000
31 December 2015			
Premiums	40,148	(2,901)	37,247
Commissions	2,032	(5,055)	(3,023)
Claims	7,212	(93)	7,119
	49,392	(8,049)	41,343
31 December 2014			
Premiums	48,710	(2,115)	46,595
Commissions	(2,802)	45	(2,757)
Claims	5,756	-	5,756
Due from reinsurers and cedants	51,664	(2,070)	49,594

12. DEFERRED ACQUISITION COSTS

	2015 RM'000	2014 RM'000
Deferred acquisition costs:		
At beginning of the financial year/period	26,314	24,280
Movement during the financial year/period (Note 24)	1,629	2,034
At end of the financial year/period	27,943	26,314
Deferred acquisition costs - reinsurance:		
At beginning of the financial year/period	(5,904)	(6,114)
Movement during the financial year/period (Note 24)	888	210
At end of the financial year/period	(5,016)	(5,904)

13. CASH AND SHORT TERM DEPOSITS

	2015 RM'000	2014 RM'000
Cash and bank balances	2,461	275
Call deposits with licensed banks	5,968	15,553
	8,429	15,828

The carrying amounts disclosed above approximate fair values at the date of the statement of financial position.

14. SHARE CAPITAL

	2015		2014	
	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000
Ordinary shares of RM1 each				
Authorised	250,000	250,000	250,000	250,000
Issued and fully paid	100,000	100,000	100,000	100,000

15. OTHER RESERVES

	2015 RM'000	2014 RM'000
Non-distributable		
Asset revaluation reserve	20,495	18,329
AFS reserve	(2,622)	(1,616)
	17,873	16,713

Asset revaluation reserve represents surplus arising from revaluation of self-occupied properties. Fair value losses arising from AFS financial assets are accumulated as AFS reserve until they are realised.

16. RETAINED EARNINGS

The Company can distribute all of its retained earnings as at 31 December 2015 as single-tier dividends.

LIBERTY INSURANCE BERHAD
(Formerly known as Uni.Asia General Insurance Berhad)
(Incorporated in Malaysia)

17. INSURANCE CONTRACT LIABILITIES

	2015			2014		
	Gross RM'000	Re-insurance RM'000	Net RM'000	Gross RM'000	Re-insurance RM'000	Net RM'000
General insurance	793,253	(172,268)	620,985	753,986	(206,235)	547,751

The general insurance contract liabilities and the movement during the year/period are further analysed as follows:

	2015			2014		
	Gross RM'000	Re-insurance RM'000	Net RM'000	Gross RM'000	Re-insurance RM'000	Net RM'000
Provision for claims	336,189	(100,417)	235,772	310,365	(102,701)	207,664
Provision for incurred but not reported ("IBNR") claims	165,279	(17,848)	147,431	170,834	(43,264)	127,570
Claims liabilities (i)	501,468	(118,265)	383,203	481,199	(145,965)	335,234
Premium liabilities (ii)	291,785	(54,003)	237,782	272,787	(60,270)	212,517
	793,253	(172,268)	620,985	753,986	(206,235)	547,751

LIBERTY INSURANCE BERHAD
(Formerly known as Uni.Asia General Insurance Berhad)
(Incorporated in Malaysia)

17. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(i) Claims liabilities

	2015			2014		
	Gross RM'000	Re-insurance RM'000	Net RM'000	Gross RM'000	Re-insurance RM'000	Net RM'000
At beginning of the financial year/period	481,199	(145,965)	335,234	453,741	(146,151)	307,590
Claims incurred for the current accident year/period (direct and facultative)	332,344	(64,034)	268,310	232,106	(61,623)	170,483
Adjustment to claims incurred in prior accident years (direct and facultative)	(42,378)	23,292	(19,086)	(18,649)	8,608	(10,041)
Claims incurred during the financial year/period (treaty inwards claims)	11,535	(457)	11,078	15,091	(155)	14,936
Movement in PRAD of claims liabilities at 75% confidence level	4,500	(842)	3,658	(2,817)	2,309	(508)
Movement in claims handling expenses	(4,003)	4,195	192	1,623	(401)	1,222
Claims paid during the financial year/period	(281,729)	65,546	(216,183)	(199,896)	51,448	(148,448)
At end of the financial year/period	501,468	(118,265)	383,203	481,199	(145,965)	335,234

17. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(ii) Claims liabilities by class of business

	2015			2014		
	Motor RM'000	Non-motor RM'000	Total RM'000	Motor RM'000	Non-motor RM'000	Total RM'000
Gross claims liabilities	413,054	88,414	501,468	375,891	105,308	481,199
Reinsurance	(60,532)	(57,733)	(118,265)	(71,932)	(74,033)	(145,965)
Net claims liabilities	352,522	30,681	383,203	303,959	31,275	335,234

(iii) Premium liabilities

	2015			2014		
	Gross RM'000	Re-insurance RM'000	Net RM'000	Gross RM'000	Re-insurance RM'000	Net RM'000
At beginning of the financial year/period	272,787	(60,270)	212,517	256,040	(65,327)	190,713
Premiums written during the financial year/period	585,518	(130,112)	455,406	419,818	(111,789)	308,029
Premiums earned during the financial year/period	(566,520)	136,379	(430,141)	(403,071)	116,846	(286,225)
At end of the financial year/period	291,785	(54,003)	237,782	272,787	(60,270)	212,517

As at 31 December 2015, the insurance contract liabilities above include the Company's share of MMIP's claims and premium liabilities amounting to RM69,978,819 (2014:RM63,346,731) and RM8,442,677 (2014: RM10,548,988) respectively. The Company's net assets arising from its participation in the Pool is detailed in Note 8.

18. INSURANCE PAYABLES

	2015 RM'000	2014 RM'000
Due to insurers, agents, brokers and co-insurers	15,492	14,425
Due to reinsurers and cedants	58,466	71,606
	73,958	86,031

The carrying amounts disclosed above approximate fair values at the date of the statement of financial position.

All amounts are payable within one year.

The insurance payables of the Company that have been offset as at the statement of financial position date are as follows:

	Gross carrying amount RM'000	Gross amounts offset in the statement of financial position RM'000	Net amounts in the statement of financial position RM'000
31 December 2015			
Premiums	94,632	(7,316)	87,316
Commissions	1,128	(12,880)	(11,752)
Claims	305	(1,911)	(1,606)
	96,065	(22,107)	73,958
31 December 2014			
Premiums	92,735	(2,438)	90,297
Commissions	1,218	(4,608)	(3,390)
Claims	609	(1,485)	(876)
	94,562	(8,531)	86,031

19. OTHER PAYABLES

	2015 RM'000	2014 RM'000
Payroll liabilities	12,926	8,306
Defined contribution plan	769	637
Unclaimed monies	1,565	936
Cash collaterals held on bond business	657	657
Stamp duty and service tax payable	863	1,754
MMIP collection payable	19,326	28,637
Profit commission payable	3,600	2,985
Interest on premium reserve	2,729	2,072
Tenant deposits	46	551
Accrued expenses	11,397	8,415
Other payables	3,531	2,096
	57,409	57,046

The Company contributes to the Employees' Provident Fund, the national defined contribution scheme. Additionally, the Company makes an accrual for services provided by eligible employees after 31 December 2001 until the 5th year of service, after which time the accrual is paid into the individual employees' EPF accounts.

The carrying amounts disclosed above approximate fair values at the date of the statement of financial position.

20. POST EMPLOYMENT BENEFIT OBLIGATIONS

Defined benefit plan:

A provision in respect of Company's unfunded defined benefits scheme is made in the financial statements. The retirement benefit cost is assessed using the projected unit credit method and charged to the statement of income so as to spread the regular asset cost over the service lives of employees.

The movements during the financial year for the amounts recognised in the statement of financial position for the defined benefit plan are as follows:

20. POST EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

	RM'000
At 1 January 2014	396
Benefits paid	(1)
Charged to statement of income	392
At 31 December 2014	787
Benefits paid	(792)
Charged to statement of income	5
At 31 December 2015	-

	2015 RM'000	**2014 RM'000**
Payable within 12 months	-	787
Payable after 12 months	-	-
	-	787

The amounts recognised in the statement of financial position can be analysed as follows:

	2015 RM'000	**2014 RM'000**
Present value of unfunded obligations	-	787

The expense recognised in the statement of income can be analysed as follows:

	2015 RM'000	**2014 RM'000**
Current service cost	-	(301)

The principal actuarial assumptions used in prior year in respect of the defined benefit plan were as follows:

	2015 %	**2014 %**
Discount rate	-	7
Expected rate of salary increase	-	8

In 2015, the Company settled the remaining balances payable in the defined benefit plan with the respective employees.

21. INVESTMENT INCOME

	1.1.2015 to 31.12.2015 RM'000	1.4.2014 to 31.12.2014 RM'000
AFS financial assets:		
Interest income from Malaysia government papers	358	-
Interest income from corporate debt securities	6,524	5,808
Net accretion of discounts/(amortisation of premiums)	86	(80)
Loans and receivables:		
Interest income from loans and receivables and cash and short term deposits	29,325	17,524
Rental income	1,166	1,773
Less: Rates and maintenance expenses	(1,351)	(749)
	36,108	24,276

22. REALISED GAINS AND LOSSES

	1.1.2015 to 31.12.2015 RM'000	1.4.2014 to 31.12.2014 RM'000
Realised (loss)/gain for:		
- Property and equipment	(41)	(27)
- Foreign currency translation	54	(15)
	13	(42)

23. FAIR VALUE GAINS

	1.1.2015 to 31.12.2015 RM'000	1.4.2014 to 31.12.2014 RM'000
Fair value gain on investment properties (Note 6)	3,674	-
	3,674	-

24. COMMISSION INCOME/(EXPENSE)

	1.1.2015 to 31.12.2015 RM'000	1.4.2014 to 31.12.2014 RM'000
Commission income:		
Commission income	31,353	26,690
Movement in deferred acquisition costs (Note 12)	888	210
	32,241	26,900
Commission expense:		
Commission expense	(63,214)	(46,612)
Movement in deferred acquisition costs (Note 12)	1,629	2,034
	(61,585)	(44,578)

25. OTHER OPERATING INCOME

	1.1.2015 to 31.12.2015 RM'000	1.4.2014 to 31.12.2014 RM'000
Gross servicing fees from MMIP	15,280	15,800
Less: Related management expenses including depreciation charge of RM159,420 (31.12.2014: RM129,000) (Note 26)	(10,543)	(8,235)
	4,737	7,565
Interest on deposits retained	(988)	(711)
Property and equipment written off (Note 4(a))	(100)	(34)
Others	1,345	1,313
	4,994	8,133

26. MANAGEMENT EXPENSES

	1.1.2015 to 31.12.2015 RM'000	1.4.2014 to 31.12.2014 RM'000
Staff costs:		
Salaries, bonus and allowance	43,885	27,671
Employees' Provident Fund	6,378	4,019
Defined Contribution Plan	287	570
Others	3,923	2,724
	54,473	34,984

26. MANAGEMENT EXPENSES (CONTINUED)

	1.1.2015 to 31.12.2015 RM'000	1.4.2014 to 31.12.2014 RM'000
Advertising	14,923	4,290
Directors' fees	288	328
Directors' allowances	74	107
Auditors' remuneration:		
- Statutory audit fees	255	255
- Regulated-related fees	25	25
- Other services	91	318
Depreciation of property and equipment (Note 4(a))	3,708	2,668
Amortisation of intangible assets - software (Note 4(b))	164	59
EDP expenses	3,405	2,597
Postage and telephone	2,332	1,765
Printing and stationery	4,099	2,403
Rental of properties	1,084	804
Training expenses	3,131	1,504
Reimbursement of depreciation charge from MMIP (Note 25)	(159)	(129)
Provision for impairment allowance for insurance receivables	2,926	2,919
Recoveries of bad debt previously provided for	(1,350)	-
Fund management and professional fees	1,568	1,123
Entertainment	2,006	1,403
Credit card charges	6,425	3,947
Others	8,181	4,810
	53,176	31,196
Total management expenses	107,649	66,180

Emoluments received by Directors of the Company during the financial year/period are further detailed below:

	1.1.2015 to 31.12.2015 RM'000	1.4.2014 to 31.12.2014 RM'000
Non-Executive Directors:		
- Fees	288	328
- Other emoluments	74	107
Total Directors' remuneration	362	435

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26. MANAGEMENT EXPENSES (CONTINUED)

	1.1.2015 to 31.12.2015		
	Fees RM'000	**Allowance RM'000**	**Total RM'000**
Non-Executive Directors			
- YBhg. Dato' Haji Kamil Khalid Ariff	117	31	148
- YBhg. Dato' Dr. Mohd Shahari bin Ahmad Jabar	96	29	125
- Mr. Keong Choon Keat	75	14	89
Total Directors' remuneration	288	74	362

Existing Non-Independent Directors are not entitled to any remuneration for their services.

	1.4.2014 to 31.12.2014		
	Fees RM'000	**Allowance RM'000**	**Total RM'000**
Non-Executive Directors			
- YBhg. Dato' Haji Kamil Khalid Ariff	60	19	79
- YBhg. Dato' Dr. Mohd Shahari bin Ahmad Jabar	53	20	73
- Mr. David Chan Mun Wai	19	7	26
- YBhg. Dato' Chan Choy Lin	19	8	27
- YBhg. Dato' Mohamed Hazlan bin Mohamed Hussain	20	6	26
- Mr. Chan Kok Seong	21	4	25
- Mr. Lawrence Pereira	28	9	37
- YBhg. Datuk Abdul Sukur bin Hadji Mohd. Hassan	26	13	39
- Mr. George Isac Pereire	29	12	41
- YBhg. Dato' Majid bin Mohamad	53	9	62
Total Directors' remuneration	328	107	435

26. MANAGEMENT EXPENSES (CONTINUED)

The number of Non-Executive Directors whose total remuneration received during the financial year falls within the following bands is:

	1.1.2015 to 31.12.2015 RM'000	1.4.2014 to 31.12.2014 RM'000
Non-Executive Directors:		
Less than RM50,000	-	7
RM50,001 - RM100,000	1	3
More than RM 100,000	2	-

The remuneration attributable to the Chief Executive Officer of the Company which is included in staff costs are; Salary RM 1,100,004 (2014: RM646,920), Bonus RM916,470 (2014: RM732,050), Employees' Provident Fund Contribution RM307,983 (2014: RM206,854) and Benefits-In-Kind RM28,810 (201:RM16,150).

27. TAX EXPENSE

	1.1.2015 to 31.12.2015 RM'000	1.4.2014 to 31.12.2014 RM'000
Current tax:		
Current financial year/period	20,288	13,938
Over-provision in prior financial years	-	(572)
	20,288	13,366
Deferred tax (Note 9)	(529)	(1,068)
Tax expense	19,759	12,298

27. TAX EXPENSE (CONTINUED)

The explanation of the relationship between taxation and profit before taxation is as follows:

	1.1.2015 to 31.12.2015 RM'000	1.4.2014 to 31.12.2014 RM'000
Profit before taxation	73,785	57,044
Tax calculated at the statutory rate of 25% (2014: 25%)	18,446	14,261
Tax effect of:		
- expenses not deductible for tax purposes	2,934	948
- effect of changes in tax rate (on deferred tax)	132	-
- expenses entitled for double deduction	(1,753)	(2,339)
Over-provision of tax in prior financial year/period	-	(572)
	19,759	12,298

28. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the financial year/period attributable to ordinary equity holders of the Company by the number of ordinary shares in issue during the financial year/period.

	2015 RM	2014 RM
Profit attributable to ordinary equity holders	54,026	44,746
Number of shares in issue	100,000	100,000
Basic earnings per share (sen)	54.03	44.75

Diluted earnings per share are not presented as there were no dilutive potential ordinary shares as at the date of the statement of financial position.

There have been no other transactions involving ordinary shares between the reporting date and the date of completion of these financial statements.

29. COMMITMENTS

(a) Capital expenditure not provided in the financial statements are as follows:

	2015 RM'000	2014 RM'000
Authorised by the Directors and contracted for:		
- Property and equipment	1,523	1,869

(b) Operating lease commitments

i) The Company as lessee

The Company has non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	1.1.2015 to 31.12.2015 RM'000	1.4.2014 to 31.12.2014 RM'000
Not later than 1 year	2,611	3,899
Later than 1 year and no later than 5 years	1,600	3,200
	4,211	7,099

ii) The Company as lessor

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

	1.1.2015 to 31.12.2015 RM'000	1.4.2014 to 31.12.2014 RM'000
Not later than 1 year	432	1,239
Later than 1 year and no later than 3 years	502	934
	934	2,173

30. SIGNIFICANT RELATED PARTY DISCLOSURES

Pre-acquisition related party disclosure

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions and balances. In the normal course of business, the Company, up to 15 July 2014 undertook various transactions with other companies deemed related parties by virtue of them being members of the DRB-HICOM Berhad group of companies ("DRB-HICOM Group") and other related parties on agreed terms and conditions.

Related companies	Country of incorporation	Relationship up to 15 July 2014
Etika Strategi Sdn. Bhd.	Malaysia	Ultimate holding company
DRB-HICOM Berhad	Malaysia	Penultimate holding company
Uni.Asia Capital Sdn. Bhd.	Malaysia	Immediate holding company
Bank Muamalat Malaysia Berhad	Malaysia	Subsidiary company of the penultimate holding company
Affiliated company		
United Overseas Bank Berhad	Malaysia	Substantial shareholder of the immediate holding company

As the Company ceased to be a subsidiary within the DRB-HICOM Group, following its acquisition by Liberty Seguros on 16 July 2014, no related party transactions or balances with DRB-HICOM Group and its affiliated company (United Overseas Bank Berhad) are disclosed for 31 December 2015. The significant related party balances at the date of the previous statement of financial position and the related party transactions with DRB-HICOM Group for the prior period up to 15 July 2014 are set out below.

	2015 RM'000	2014 RM'000
RELATED PARTY DISCLOSURES - DRB-HICOM GROUP		
Significant related party transactions (up to 15 July 2014)		
Transactions with DRB-HICOM Group:		
- Gross premiums received/receivable	-	(17,613)
- Claims paid	-	3,647
- Commission paid	-	3,075
- Management expenses	-	1,601

30. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

RELATED PARTY DISCLOSURES - DRB-HICOM GROUP (CONTINUED)

Significant related party transactions (up to 15 July 2014) (CONTINUED)

	2015 RM'000	2014 RM'000
Transaction with immediate holding company, Uni.Asia Capital Sdn. Bhd.		
- Finance cost	-	609
Transactions with affiliated company, United Overseas Bank Berhad		
- Gross premium received/receivable	-	(2,835)
- Claims paid	-	2
- Commissions paid	-	2,266
- Interest income	-	(1,141)
- Management expenses	-	12
Transactions with affiliated company, United Overseas Insurance Ltd		
- Reinsurance ceded premium	-	927
- Reinsurance commission received	-	(251)
- Reinsurance inwards premium	-	(139)
- Reinsurance commission paid	-	64
Transaction with related company, Bank Muamalat Malaysia Berhad		
- Interest income	-	(849)
Transactions with related companies, by virtue of their relationship with ultimate holding company, Etika Strategi Sdn. Bhd.		
- Gross premiums received/receivable	-	(320)
- Commission paid	-	1,873
- Claims paid	-	121
Transactions with non-controlling shareholders and Directors:		
- Management expenses	-	54
- Finance cost	-	200

30. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

	2015 RM'000	2014 RM'000
RELATED PARTY DISCLOSURES - LIBERTY SEGUROS		

The Company was acquired by Liberty Seguros on 16 July 2014. During the year there were no related party transactions, except for the intercompany receivable/payable from/(to) Liberty International Holding Inc.

	2015 RM'000	2014 RM'000
Other receivables		
Other receivable due from immediate holding company, Liberty International Holding Inc.	56	50

RELATED PARTY DISCLOSURES - KOREAN REINSURANCE COMPANY, SINGAPORE BRANCH, SINGAPORE

	2015 RM'000	2014 RM'000
Transaction with non-controlling shareholders		
Reinsurance ceded premium	1,531	1,451
Reinsurance commission received	(485)	(538)
Reinsurance claims recovery	(641)	-
Reinsurance receivables	21	11
Reinsurance payables	(253)	(295)

RELATED PARTY DISCLOSURES - LIBERTY GROUP

	2015 RM'000	2014 RM'000
Transactions with Group Companies:		
Reinsurance ceded premium		
- Liberty Mutual Ins Europe Ltd - Labuan branch	148	-
- Liberty Insurance Pte. Ltd, Singapore Branch	2	-
- Liberty Mutual Ins Co Boston	1,750	-
	1,900	-
Reinsurance commission received		
- Liberty Mutual Ins Europe Ltd - Labuan branch	(23)	-
- Liberty Mutual Ins Co Boston	(241)	-
	(264)	-
Reinsurance claims recovery		
- Liberty Mutual Ins Europe Ltd - Labuan branch	(233)	-
- Liberty Insurance Pte. Ltd, Singapore Branch	(1)	-
	(234)	-

30. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

	2015 RM'000	2014 RM'000
Reinsurance receivables		
- Liberty Mutual Ins Europe Ltd - Labuan branch	24	-
- Liberty Insurance Underwriters	1	-
	25	-
Reinsurance payables		
- Liberty Insurance Pte. Ltd, Singapore Branch	(1,842)	-
- Liberty Mutual Insurance Co Boston	(69)	-
	(1,911)	-

The year end balances with the related parties above are unsecured, interest free, repayable in accordance with the terms of the relevant contracts and are included in insurance receivables (Note 11) and insurance payable (Note 18).

RELATED PARTY DISCLOSURES - KEY MANAGEMENT PERSONNEL

The remuneration of key management personnel during the year/period was as follows:

	1.1.2015 to 31.12.2015 RM'000	1.4.2014 to 31.12.2014 RM'000
Salaries, bonus and allowance	5,892	4,573
Employees' Provident Fund	884	667
Benefits-in-kind	96	117
	6,872	5,357
Non Executive Directors' remuneration (Note 26)	362	435
	7,234	5,792

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The key management personnel of the Company includes the Non Executive Directors, Chief Executive Officer and Senior Management Team.

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31. FINANCIAL INSTRUMENTS BY CATEGORY

2015	AFS RM'000	LAR RM'000	Assets not in scope of MFRS 139 RM'000	Total RM'000
Assets				
Property and equipment	-	-	62,253	62,253
Intangible assets - software	-	-	4,490	4,490
Non-current assets held for sale	-	-	461	461
Investment properties	-	-	53,628	53,628
AFS financial assets	161,164	-	-	161,164
Loans and receivables	-	880,551	-	880,551
Reinsurance assets	-	-	172,268	172,268
Insurance receivables	-	33,281	-	33,281
Deferred acquisition costs	-	-	27,943	27,943
Cash and short term deposits	-	8,429	-	8,429
Total assets	161,164	922,261	321,043	1,404,468

	Other financial liabilities RM'000	Liabilities not in scope of MFRS 139 RM'000	Total RM'000
Liabilities			
Insurance contract liabilities	-	793,253	793,253
Deferred tax liabilities	-	2,400	2,400
Deferred acquisition costs - reinsurances	-	5,016	5,016
Insurance payables	73,958	-	73,958
Other payables	57,409	-	57,409
Tax liabilities	-	9,104	9,104
Total liabilities	131,367	809,773	941,140

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31. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	AFS RM'000	LAR RM'000	Assets not in scope of MFRS 139 RM'000	Total RM'000
2014				
Assets				
Property and equipment	-	-	61,801	61,801
Intangible assets - software	-	-	3,604	3,604
Investment properties	-	-	47,078	47,078
AFS financial assets	132,639	-	-	132,639
Loans and receivables	-	781,855	-	781,855
Reinsurance assets	-	-	206,235	206,235
Insurance receivables	-	41,705	-	41,705
Deferred acquisition costs	-	-	26,314	26,314
Cash and short term deposits	-	-	15,828	15,828
Total assets	132,639	823,560	360,860	1,317,059

	Other financial liabilities RM'000	Liabilities not in scope of MFRS 139 RM'000	Total RM'000
Liabilities			
Insurance contract liabilities	-	753,986	753,986
Deferred tax liabilities	-	2,955	2,955
Deferred acquisition costs - reinsurances	-	5,904	5,904
Insurance payables	-	86,031	86,031
Other payables	57,046	-	57,046
Post-employment benefit obligations	-	787	787
Tax liabilities	-	2,208	2,208
Total liabilities	57,046	851,871	908,917

32. RISK MANAGEMENT FRAMEWORK

The Board has established a structure with clearly defined lines of responsibility, authority limits and accountability aligned to business and operations requirements which support the maintenance of a good control environment. The Board has delegated the responsibility of reviewing the effectiveness of risk management to the Risk Management Committee of the Board ("RMC-B").

Enterprise Risk Management ("ERM")

The Board is assisted by the Senior Management in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced; and in the design and monitoring of suitable preventive/detective controls to mitigate these risks.

The Company is committed to achieving its objectives, and will face risks that could either negatively or positively influence the achievement of objectives. The effective management of enterprise risks can create, protect and enhance shareholder value.

The ERM Framework is to support the overall business objectives by:

- Defining risk management roles and responsibilities
- Defining a reporting framework to ensure the communication of necessary risk management information to Senior Management and personnel engaged in risk management activities
- Detailing the approved methods for risk assessment
- Providing a system to accommodate the central accumulation of the risks data

The ERM framework is updated regularly to ensure relevance and compliance with the recent applicable laws, regulations and guidelines issued by the authorities i.e Financial Services Act, 2013, Guidelines on Internal Capital Adequacy Assessment Process ("ICAAP") and Guidelines on Risk Governance.

Responsibilities

The Risk Management Committee of the Board ("RMC-B") was established by the Board to oversee the overall risk management processes by identifying key business risks and ensuring appropriate implementation of the system to manage these risks. The RMC-B is tasked with overseeing Senior Management's activities in managing key risk areas and ensuring that the risk management process is in place and functioning effectively.

32. RISK MANAGEMENT FRAMEWORK (CONTINUED)

Responsibilities (continued)

The Senior Management, headed by the CEO, is supported in its role by the Enterprise-Wide Opportunity and Risk Management Committee of the Management ("EORMC-M"), comprising the CEO and Heads of Divisions. The EORMC-M will assist Senior Management in formulating appropriate procedures (including assessment methodologies, tools and techniques) and review the application of risk management practices across the Company.

The Divisions/Departments/Regional Offices are accountable to the CEO and will actively participate in risk analysis, review and controls monitoring of their respective divisions/departments/regions and branches.

The ERM and Compliance Assurance Department was established with the responsibility to communicate to the RMC-B on critical risks including emerging risks (present and potential) in terms of likelihood exposures and impact on the Company's business and the management action plans to manage these risks on a continuing basis.

The Company established the three lines of Defence concept: operational management (1st defence), ERM and Compliance Assurance Department (2nd defence) and internal audit (3rd defence). The risk taking units are the Operational management who are responsible for the day-to-day management of risks inherent in their business activities, while the risk control units are responsible for setting the risk management framework and monitoring all risks identified by the risk owners. Complementing this is the internal audit, which provides independent assurance of the effectiveness of the risk management approach and controls.

The effectiveness of risk management will be regularly reported to and acted upon by the Board through the RMC-B.

33. INSURANCE RISK

The Company underwrites various general insurance contracts, which are mostly on an annual coverage and annual premium basis. The exception being short term policies such as Travellers' Personal Accident and Marine Cargo which covers the duration in which the cargo is being transported. The Company also underwrites some non-annual policies with coverage period of more than one year such as Contractor's All Risks and Workmen's Compensation. The majority of the insurance business underwritten by the Company is Motor, Fire and Personal Accident. Other lines of business underwritten include Engineering, Workmen's Compensation, Marine Cargo/Hull, Liability, Health and Other Miscellaneous classes.

33. INSURANCE RISK (CONTINUED)

Insurance risk is the inherent uncertainty regarding the occurrence, amount or timing of insurance liabilities. Insurance contracts transfer risk to the Company by indemnifying the policyholders against adverse effects arising from the occurrence of specified uncertain future events. The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments may differ significantly from expectations. The factors that contribute to the risks are the fluctuations in timing, frequency and severity of claims, as well as the adequacy of premiums and reserves.

The Company may also be exposed to risks arising from climate changes, natural disasters and terrorism activities. For longer tail claims that take some years to settle, there is also inflation risk.

The Company's primary objective of managing insurance risk is to enhance the long-term financial viability of the business. This includes sustainable growth in profitability, strong asset quality and optimisation of shareholders' value. The Company seeks to underwrite only risk that it understands and that provide an opportunity to earn an acceptable profit.

The Company's underwriting strategy is intended to ensure that the risks underwritten are well diversified across a large portfolio of insurance contracts and geographical areas. Strategic underwriting guidelines are designed and implemented to ensure that the risks accepted are managed in line with the Company's philosophy of prudent underwriting.

The Company adopts the following measures to manage insurance risks:

- An underwriting policy that aims to take advantage of its competitive strengths while avoiding volatile risks to ensure underwriting profitability. Acceptance of risk is guided by a set of underwriting guidelines with limits on underwriting capacity and retention.

- Authorities to individual underwriters are based on their specific areas of expertise.

- The Company has in place a claims management and control system to pay claims and control claims leakages and fraud. The Company has a claim review policy to access all new and ongoing claims as well as claims handling procedures. Investigations of suspected fraudulent claims are put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business.

33. INSURANCE RISK (CONTINUED)

- The Company purchases reinsurance protection as part of its risks mitigation programme. The objectives are to provide sufficient capacity in underwriting business while protecting the Company's financial position and optimising its capital efficiency. Reinsurance is ceded on proportional and non-proportional basis. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract. The selection of reinsurers on its treaty and facultative programmes are based on their excellent security ratings and local regulatory requirements.

33. INSURANCE RISK (CONTINUED)

The table below sets out the concentration of general insurance business by class of business.

	1.1.2015 to 31.12.2015			1.4.2014 to 31.12.2014		
	Gross premiums RM'000	Re-insurance premiums ceded RM'000	Net premiums RM'000	Gross premiums RM'000	Re-insurance premiums ceded RM'000	Net premiums RM'000
Motor	469,510	(67,378)	402,132	322,012	(57,821)	264,191
Fire	58,780	(37,282)	21,498	51,319	(32,802)	18,517
Marine, Aviation and Transit	10,476	(7,779)	2,697	8,220	(6,130)	2,090
Miscellaneous	46,752	(17,673)	29,079	38,267	(15,036)	23,231
	585,518	(130,112)	455,406	419,818	(111,789)	308,029

The table below sets out the concentration of general insurance contract liabilities by class of business:

	2015			2014		
	Gross RM'000	Re-insurance RM'000	Net RM'000	Gross RM'000	Re-insurance RM'000	Net RM'000
Motor	649,536	(89,340)	560,196	594,111	(108,967)	485,144
Fire	59,564	(41,030)	18,534	71,435	(50,959)	20,476
Marine, Aviation and Transit	10,183	(6,019)	4,164	12,098	(8,014)	4,084
Miscellaneous	73,970	(35,879)	38,091	76,342	(38,295)	38,047
	793,253	(172,268)	620,985	753,986	(206,235)	547,751

33. INSURANCE RISK (CONTINUED)

Key assumptions

The principal assumptions underlying the estimate of liabilities is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of initial expected loss ratios, average claim costs, claim handling costs, claim inflation factors and average number of claims for each accident year.

Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example, isolated occurrence, changes in 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.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Sensitivity analysis

The insurance claim liabilities are sensitive to the key assumptions shown below. It had 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 key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

33. INSURANCE RISK (CONTINUED)

Sensitivities (continued)

	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
		← Increase/(decrease)			→
2015					
Average claim cost	+10%	41,106	31,260	(31,260)	(23,445)
Average number of claims	+10%	35,108	28,288	(28,288)	(21,216)
Average claim settlement period	Increased by 6 months	16,126	12,251	(12,251)	(9,188)
Initial expected loss ratios	+10%	11,482	9,580	(9,580)	(7,185)
2014					
Initial expected loss ratios	+10%	7,888	6,319	(6,319)	(4,739)

* Impact on equity reflects adjustments for tax, when applicable

The method used in the preparation of sensitivity information for the current reporting year includes three additional risk variables as compared to the previous reporting period.

The additional risk variables are average claim cost, average number of claims and average claim settlement period for each accident year.

33. INSURANCE RISK (CONTINUED)

Claims development tables

The following tables show the estimate of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at the end of each date of statement of financial position, together with cumulative payment to date.

In setting provisions for claims, the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting 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 necessary to provide the necessary confidence in adequacy of provision is generally at its highest. As claims develop and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

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

The tables for the position as at 31 December 2015 are disclosed on the basis of accident year periods of January to December, which follows the current 12 months financial reporting period ending 31 December 2015. Meanwhile, the tables for the position as at 31 December 2014 are disclosed on the basis of accident year periods of April to March, which follows the previous 9 months financial reporting period ended 31 December 2014.

While this may not facilitate a direct comparison between the two financial positions due to the different accident year basis, the tables for the position at 31 December 2014 were maintained to ensure consistency, so that the last diagonal in the 31 December 2014 tables correspond to the paid and incurred figures for the 9 months financial period ending 31 December 2014.

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33. INSURANCE RISK (CONTINUED)

Gross claims liabilities for 31 December 2015:

Motor

Accident year	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	Total RM'000
At end of accident year	161,646	186,124	183,356	169,686	182,101	197,354	195,867	219,795	
One year later	200,417	218,809	213,260	199,134	216,464	232,502	243,644		
Two years later	208,143	223,867	218,726	208,116	225,629	242,663			
Three years later	210,498	221,791	215,326	207,815	225,395				
Four years later	209,500	219,546	209,108	201,898					
Five years later	208,474	218,952	207,505						
Six years later	206,973	216,356							
Seven years later	206,436								
Current estimate of cumulative claims incurred	206,436	216,356	207,505	201,898	225,395	242,663	243,644	219,795	1,763,692

33. INSURANCE RISK (CONTINUED)

Gross claims liabilities for 31 December 2015: (continued)

Motor (continued)

	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	Total RM'000
At end of accident year	85,224	86,788	86,394	82,738	89,848	92,568	92,202	105,674	
One year later	160,709	168,519	159,758	157,070	170,560	187,118	187,320		
Two years later	182,619	197,537	189,215	184,615	199,282	213,401			
Three years later	199,111	210,438	199,184	193,002	210,676				
Four years later	204,805	214,229	202,674	195,116					
Five years later	205,440	214,850	203,766						
Six years later	205,692	215,298							
Seven years later	206,229								
Cumulative payment to-date	206,229	215,298	203,766	195,116	210,676	213,401	187,320	105,674	1,537,480

33. INSURANCE RISK (CONTINUED)

Gross claims liabilities for 31 December 2015 (continued):

Motor (continued)

Accident year	**Before 2007 RM'000**	**2008 RM'000**	**2009 RM'000**	**2010 RM'000**	**2011 RM'000**	**2012 RM'000**	**2013 RM'000**	**2014 RM'000**	**2015 RM'000**	**Total RM'000**
Gross Motor insurance outstanding liabilities (direct and facultative)	1,382	207	1,058	3,739	6,782	14,719	29,262	56,324	114,121	227,594
Gross IBNR	-	-	-	-	-	(209)	(728)	11,620	75,707	86,390
Gross Motor insurance outstanding liabilities(treaty inwards)										63,298
Best estimates of claims liabilities										377,282
Claims handling expenses										9,140
PRAD at 75% confidence level										26,632
Gross Motor insurance contract claims liabilities per statement of financial position										413,054

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33. INSURANCE RISK (CONTINUED)

Gross claims liabilities for 31 December 2015 (continued):

Non-motor

Accident year	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	Total RM'000
At end of accident year	44,910	46,345	42,136	34,669	34,161	23,634	28,115	33,493	
One year later	51,045	50,938	44,653	35,768	30,912	26,035	36,450		
Two years later	51,181	43,691	44,857	32,372	32,181	25,059			
Three years later	50,508	40,771	42,496	31,973	31,498				
Four years later	50,229	41,152	43,578	31,089					
Five years later	49,964	37,225	43,276						
Six years later	47,643	33,419							
Seven years later	42,410								
Current estimate of cumulative claims incurred	42,410	33,419	43,276	31,089	31,498	25,059	36,450	33,493	276,694

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33. INSURANCE RISK (CONTINUED)

Gross claims liabilities for 31 December 2015 (continued):

Non-motor (continued)

	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	Total RM'000
At end of accident year	10,071	11,128	12,570	11,705	7,282	6,953	10,834	9,991	
One year later	33,850	25,447	30,707	19,870	16,320	14,906	22,023		
Two years later	39,594	28,431	33,220	24,777	18,528	18,217			
Three years later	40,314	31,001	36,444	25,245	20,665				
Four years later	41,175	32,067	38,084	26,123					
Five years later	42,068	32,657	38,484						
Six years later	42,013	32,457							
Seven years later	42,064								
Cumulative payment to-date	42,064	32,457	38,484	26,123	20,665	18,217	22,023	9,991	210,024

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33. INSURANCE RISK (CONTINUED)

Gross claims liabilities for 31 December 2015 (continued):

Non-motor (continued)

Accident year	Before 2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	Total RM'000
Gross Non-Motor insurance outstanding liabilities (direct and facultative)	8,940	346	962	4,792	4,966	10,833	6,842	14,427	23,502	75,610
Gross IBNR	-	-	-	-	-	-	(78)	(671)	3,350	2,601
Gross Non-Motor insurance outstanding liabilities (treaty inwards)										2,101
Best estimates of claims liabilities										80,312
Claims handling expenses										722
PRAD at 75% confidence level										7,380
Gross Non-Motor insurance contract claims liabilities per statement of financial position										88,414

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33. INSURANCE RISK (CONTINUED)

Net claims liabilities for 31 December 2015

Motor

Accident year	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	Total RM'000
At end of accident year	156,449	180,999	157,454	95,829	129,285	154,209	154,497	184,381	
One year later	192,055	209,266	175,052	110,928	150,294	179,753	190,464		
Two years later	198,949	214,022	179,340	115,579	157,150	185,140			
Three years later	199,663	212,429	176,627	115,782	156,785				
Four years later	198,450	210,274	171,383	112,911					
Five years later	197,504	209,698	170,104						
Six years later	195,939	207,207							
Seven years later	195,643								
Current estimate of cumulative claims incurred	195,643	207,207	170,104	112,911	156,785	185,140	190,464	184,381	1,402,635

33. INSURANCE RISK (CONTINUED)

Net claims liabilities for 31 December 2015: (continued)

Motor (continued)

	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	Total RM'000
At end of accident year	81,851	83,327	76,490	44,803	61,303	71,664	72,210	88,167	
One year later	154,000	161,789	131,653	87,450	119,054	144,030	146,559		
Two years later	174,714	189,523	156,049	102,749	139,059	164,005			
Three years later	189,059	201,530	163,467	107,479	146,740				
Four years later	194,118	205,170	166,062	108,639					
Five years later	194,724	205,766	166,935						
Six years later	194,929	206,196							
Seven years later	195,445								
Cumulative payment to-date	195,445	206,196	166,935	108,639	146,740	164,005	146,559	88,167	1,222,686

33. INSURANCE RISK (CONTINUED)

Net claims liabilities for 31 December 2015: (continued)

Motor (continued)

Accident year	Before 2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	Total RM'000
Net Motor insurance outstanding liabilities (direct and facultative)	970	198	1,011	3,169	4,272	10,045	21,135	43,905	96,214	180,919
Net IBNR	-	-	-	-	-	72	1,192	10,327	64,663	76,254
Net Motor insurance outstanding liabilities (treaty inward)										63,298
Best estimates of claims liabilities										320,471
Claims handling expenses										9,140
PRAD at 75% confidence level										22,911
Net Motor insurance contract claims liabilities per statement of financial position										352,522

33. INSURANCE RISK (CONTINUED)

Net claims liabilities for 31 December 2015:

Non-motor

Accident year	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	Total RM'000
At end of accident year	20,843	23,577	18,938	15,128	15,400	12,431	14,351	16,383	
One year later	21,527	23,610	19,209	14,589	13,819	13,980	16,417		
Two years later	22,062	22,587	17,741	13,469	13,976	13,665			
Three years later	21,556	21,478	17,105	13,156	13,848				
Four years later	20,981	21,236	18,163	12,834					
Five years later	20,865	20,599	17,979						
Six years later	21,067	20,426							
Seven years later	20,321								
Current estimate of cumulative claims incurred	20,321	20,426	17,979	12,834	13,848	13,665	16,417	16,383	131,873

33. INSURANCE RISK (CONTINUED)

Net claims liabilities for 31 December 2015: (continued)

Non-motor (continued)

	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	Total RM'000
At end of accident year	6,817	9,212	6,412	5,414	6,163	5,489	6,810	7,910	
One year later	16,729	16,716	14,107	10,211	10,053	9,693	12,043		
Two years later	19,393	18,211	15,220	11,438	10,979	11,113			
Three years later	19,479	19,603	15,896	11,632	11,667				
Four years later	19,832	19,741	16,149	11,770					
Five years later	20,167	19,818	16,302						
Six years later	20,016	19,909							
Seven years later	20,027								
Cumulative payment to-date	20,027	19,909	16,302	11,770	11,667	11,113	12,043	7,910	110,741

33. INSURANCE RISK (CONTINUED)

Net claims liabilities for 31 December 2015: (continued)

Non-motor (continued)

Accident year	Before 2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	Total RM'000
Net Non-Motor insurance outstanding liabilities (direct and facultative)	736	294	517	1,677	1,064	2,181	2,552	4,374	8,473	21,868
Net IBNR	-	-	-	-	-	-	6	419	2,881	3,306
Net Non-Motor insurance outstanding liabilities (treaty inwards)										2,099
Best estimates of claims liabilities										27,273
Claims handling expenses										723
PRAD at 75% confidence level										2,685
Net Non-Motor insurance contract claims liabilities per statement of financial position										30,681

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33. INSURANCE RISK (CONTINUED)

Gross claims liabilities for 31 December 2014:

Motor

Accident year/period	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2014* RM'000	Total RM'000
At end of accident year/period	147,913	168,608	194,102	182,953	173,517	185,738	200,296	140,512	
One year later	166,700	206,920	221,067	209,077	200,049	223,498	230,659		
Two years later	185,532	215,856	225,126	216,014	210,247	230,648			
Three years later	188,403	215,460	223,995	212,452	209,640				
Four years later	187,432	215,506	220,709	207,119					
Five years later	187,161	214,285	220,154						
Six years later	185,885	212,890							
Seven years later	185,601								
Current estimate of cumulative claims incurred	185,601	212,890	220,154	207,119	209,640	230,648	230,659	140,512	1,637,223

* The diagonal for 31 December 2014 is based on a 9-months analysis as at 31 December 2014.

33. INSURANCE RISK (CONTINUED)

Gross claims liabilities for 31 December 2014: (continued)

Motor (continued)

	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2014* RM'000	Total RM'000
At end of accident year/period	81,545	87,559	81,559	83,477	86,761	89,033	96,410	56,813	
One year later	144,501	163,234	169,655	156,411	158,219	174,936	172,618		
Two years later	160,606	189,334	197,539	185,001	187,038	201,899			
Three years later	175,858	205,353	211,270	194,737	193,640				
Four years later	183,097	210,255	214,737	198,401					
Five years later	184,296	210,828	215,249						
Six years later	185,087	211,034							
Seven years later	185,419								
Cumulative payment to-date	185,419	211,034	215,249	198,401	193,640	201,899	172,618	56,813	1,435,073

* The diagonal for 31 December 2014 is based on a 9-months analysis as at 31 December 2014.

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33. INSURANCE RISK (CONTINUED)

Gross claims liabilities for 31 December 2014 (continued):

Motor

Accident year/period	**Before 2007 RM'001**	**2008 RM'000**	**2009 RM'000**	**2010 RM'000**	**2011 RM'000**	**2012 RM'000**	**2013 RM'000**	**2014 RM'000**	**2014* RM'000**	**Total RM'000**
Gross Motor insurance outstanding liabilities (direct and facultative)	1,714	182	1,856	4,905	8,718	16,000	28,749	58,041	83,699	203,864
Gross IBNR	-	-	-	-	-	174	3,507	18,079	56,082	77,842
Gross Motor insurance outstanding liabilities(treaty inwards)										58,665
Best estimates of claims liabilities										340,371
Claims handling expenses										10,959
PRAD at 75% confidence level										24,561
Gross Motor insurance contract claims liabilities per statement of financial position										375,891

* The diagonal for 31 December 2014 is based on a 9-months analysis as at 31 December 2014.

33. INSURANCE RISK (CONTINUED)

Gross claims liabilities for 31 December 2014 (continued):

Non-motor

Accident year/period	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2014* RM'000	Total RM'000
At end of accident year/period	22,146	54,951	33,246	48,968	30,625	28,921	29,435	17,792	
One year later	31,609	66,561	39,811	51,988	30,322	29,750	31,366		
Two years later	27,030	57,084	39,288	47,938	27,441	30,282			
Three years later	25,946	54,923	36,916	46,903	27,368				
Four years later	25,066	54,229	37,789	47,315					
Five years later	25,245	53,874	33,629						
Six years later	24,905	51,568							
Seven years later	24,817								
Current estimate of cumulative claims incurred	24,817	51,568	33,629	47,315	27,368	30,282	31,366	17,792	264,137

* The diagonal for 31 December 2014 is based on a 9-months analysis as at 31 December 2014.

33. INSURANCE RISK (CONTINUED)

Gross claims liabilities for 31 December 2014 (continued):

Non-motor (continued)

	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2014* RM'000	Total RM'000
At end of accident year/period	10,962	8,563	7,812	16,798	7,045	7,108	7,281	5,403	
Two years later	21,875	35,280	22,660	33,182	14,435	15,738	16,777		
Three years later	23,427	41,135	26,270	38,463	18,389	18,167			
Four years later	23,748	43,195	27,235	40,389	18,757				
Five years later	24,179	44,428	27,948	42,029					
Six years later	24,783	45,435	28,191						
Seven years later	24,811	45,516							
	24,817								
Cumulative payment to-date	24,817	45,516	28,191	42,029	18,757	18,167	16,777	5,403	199,657

* The diagonal for 31 December 2014 is based on a 9-months analysis as at 31 December 2014.

33. INSURANCE RISK (CONTINUED)

Gross claims liabilities for 31 December 2014 (continued):

Non-motor (continued)

Accident year/period	Before 2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2014* RM'000	Total RM'000
Gross Non-Motor insurance outstanding liabilities (direct and facultative)	11,488	-	6,052	5,438	5,286	8,611	12,115	14,589	12,389	75,968
Gross IBNR	-	-	-	-	21	29	152	837	17,718	18,757
Gross Non-Motor insurance outstanding liabilities (treaty inwards)										2,725
Best estimates of claims liabilities										97,450
Claims handling expenses										2,907
PRAD at 75% confidence level										4,951
Gross Non-Motor insurance contract claims liabilities as per statement of financial position										105,308

* The diagonal for 31 December 2014 is based on a 9-months analysis as at 31 December 2014.

33. INSURANCE RISK (CONTINUED)

Net claims liabilities for 31 December 2014:

Motor

Accident year/period	Before 2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2014* RM'000	Total RM'000
At end of accident year/period	143,308	163,687	188,461	139,228	101,035	134,945	157,374	111,656	
One year later	160,414	199,354	212,848	151,573	116,581	161,673	178,852		
Two years later	178,382	205,874	216,541	156,638	122,043	166,744			
Three years later	180,634	205,446	215,717	153,578	122,216				
Four years later	179,990	205,037	212,730	150,077					
Five years later	179,746	203,903	212,197						
Six years later	178,520	202,439							
Seven years later	178,247								
Current estimate of cumulative claims incurred	178,247	202,439	212,197	150,077	122,216	166,744	178,852	111,656	1,322,428

33. INSURANCE RISK (CONTINUED)

Net claims liabilities for 31 December 2014: (continued)

Motor (continued)

	Before 2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2014* RM'000	Total RM'000
At end of accident year/period	78,664	84,990	79,440	67,028	48,018	63,562	74,509	44,973	
One year later	139,102	157,425	164,121	114,818	91,985	127,167	133,619		
Two years later	154,564	182,162	190,753	135,176	108,772	145,962			
Three years later	169,205	195,933	203,674	141,505	112,765				
Four years later	175,845	200,170	207,002	143,883					
Five years later	176,995	200,718	207,494						
Six years later	177,753	200,878							
Seven years later	178,072								
Cumulative payment to-date	178,072	200,878	207,494	143,883	112,765	145,962	133,619	44,973	1,167,646

* The diagonal for 31 December 2014 is based on a 9-months analysis as at 31 December 2014.

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33. INSURANCE RISK (CONTINUED)

Net claims liabilities for 31 December 2014: (continued)

Motor (continued)

Accident year/period	Before 2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2014* RM'000	Total RM'000
Net Motor insurance outstanding liabilities (direct and facultative)	1,164	175	1,561	4,703	6,194	9,451	20,782	45,233	66,683	155,946
Net IBNR	-	-	-	-	-	57	1,943	14,268	44,319	60,587
Net Motor insurance outstanding liabilities (treaty inward)										58,665
Best estimates of claims liabilities										275,198
Claims handling expenses										8,867
PRAD at 75% confidence level										19,894
Net Motor insurance contract claims liabilities per statement of financial position										303,959

* The diagonal for 31 December 2014 is based on a 9-months analysis as at 31 December 2014.

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33. INSURANCE RISK (CONTINUED)

Net claims liabilities for 31 December 2014:

Non-motor

Accident year/period	Before 2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2014* RM'000	Total RM'000
At end of accident year/period	17,994	23,531	21,734	18,590	13,563	12,617	13,637	10,460	
One year later	18,765	24,662	21,103	17,898	12,902	13,558	14,941		
Two years later	18,173	25,165	20,135	16,541	11,978	13,689			
Three years later	18,024	24,552	19,147	16,992	11,983				
Four years later	17,767	23,797	18,830	16,976					
Five years later	17,789	23,878	18,435						
Six years later	17,584	24,189							
Seven years later	17,546								
Current estimate of cumulative claims incurred	17,546	24,189	18,435	16,976	11,983	13,689	14,941	10,460	128,219

* The diagonal for 31 December 2014 is based on a 9-months analysis as at 31 December 2014.

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33. INSURANCE RISK (CONTINUED)

Net claims liabilities for 31 December 2014: (continued)

Non-motor (continued)

	Before 2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2014* RM'000	Total RM'000
At end of accident year/period	8,478	6,670	6,978	5,564	4,587	4,544	5,509	4,228	
One year later	15,977	17,776	14,771	12,927	8,925	9,671	9,871		
Two years later	17,066	21,194	16,677	14,452	10,114	10,579			
Three years later	17,780	22,079	17,081	15,025	10,286				
Four years later	17,422	23,015	17,170	15,186					
Five years later	17,540	23,100	17,293						
Six years later	17,544	23,034							
Seven years later	17,546								
Cumulative payment to-date	17,546	23,034	17,293	15,186	10,286	10,579	9,871	4,228	108,023

* The diagonal for 31 December 2014 is based on a 9-months analysis as at 31 December 2014.

33. INSURANCE RISK (CONTINUED)

Net claims liabilities for 31 December 2014: (continued)

Non-motor (continued)

Accident year/period	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2014* RM'000	Total RM'000
Net Non-Motor insurance outstanding liabilities (direct and facultative)	987	-	1,155	1,142	1,790	1,697	3,110	5,070	6,232	21,183
Net IBNR	-	-	-	-	15	30	106	320	4,048	4,519
Net Non-Motor insurance outstanding liabilities (treaty inwards)										2,725
Best estimates of claims liabilities										28,427
Claims handling expenses										804
PRAD at 75% confidence level										2,044
Net Non-Motor insurance contract claims liabilities per statement of financial position										31,275

* The diagonal for 31 December 2014 is based on a 9-months analysis as at 31 December 2014.

34. FINANCIAL RISK

Financial risk management objectives and policies

The Company's activities expose it to a variety of financial risks, including credit risk, market risk, interest rate risk, liquidity and operational risk. The Company's overall financial risk management objective is to ensure that the Company creates value for its shareholders. The Company focuses on the unpredictability of financial markets and seek to minimise potential adverse effects on the financial performance of the Company. Financial risk management is carried out through risk reviews and internal control systems.

The Company is guided by risk management policies which set out the overall business strategies and the general risk management philosophy. The Company has established internal processes to monitor the risks on an ongoing basis.

The policies and measures taken by the Company to manage these risks are set out below.

Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer, an intermediary or counter party to honour its obligations to the Company as and when they fall due.

The Company's primary exposure to credit risks arises through its investment in fixed income securities, receivables arising from sales of insurance policies and obligations of reinsurers through reinsurance contracts. The Company's policy is to maintain a diversified portfolio of investments in government guaranteed and minimum 'A' rated financial instruments issued by companies with strong credit ratings.

Cash and deposits are generally placed with banks and financial institutions licensed under the Financial Services Act, 2013 which are regulated by Bank Negara Malaysia.

The Company monitors the credit quality and financial conditions of its reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically. The Company typically cedes business to regulated reinsurers that have a good credit rating and concentration of risk is avoided by adhering to policy guidelines in respect of counterparties' limit that are set each year by the Board of Directors. When selecting its reinsurers, the Company consider their relative financial security. The securities of the reinsurers are assessed based on public rating information and annual report.

34. FINANCIAL RISK (CONTINUED)

Credit risk (continued)

The Company's credit risk exposure to insurance receivables is from its appointed agents, brokers and other intermediaries. The risk arises where these parties collect premiums from customers to be paid to the Company. The Company has policies to monitor credit risk from these receivables through meetings of the Credit Control Committee, Credit Control Department and Business Units to facilitate monitoring of the outstanding position. The Company also has guidelines to evaluate intermediaries before their appointment as well as setting credit limits to these appointees.

(i) Credit exposure

The table below shows the maximum exposure to credit risk for the components on the statement of financial position.

	2015 RM'000	2014 RM'000
Available-for-sale financial assets :		
Malaysian government papers	30,711	-
Unquoted debt securities	130,414	132,562
Reinsurance assets - excluding premium liabilities - reinsurance	118,265	145,965
Loans and receivables - excluding prepayments	879,567	781,020
Insurance receivables - excluding deferred reinsurance premium, net	32,353	37,778
Cash and short term deposits	8,429	15,828
	1,199,739	1,113,153

(ii) Credit exposure by credit quality

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

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34. FINANCIAL RISK (CONTINUED)

	Neither past due nor impaired/ investment grade RM'000	Past due but not impaired RM'000	Past due and impaired RM'000	Total RM'000
2015				
Available-for-sale financial assets :				
Malaysian government papers	30,711	-	-	30,711
Unquoted debt securities	130,414	-	-	130,414
Reinsurance assets, excluding premium liabilities				
- reinsurance	118,265	-	-	118,265
Loans and receivables, excluding prepayments	879,567	-	-	879,567
Insurance receivables, excluding deferred reinsurance premium, net	7,975	24,378	8,062	40,415
Cash and short term deposits	8,429	-	-	8,429
	1,175,361	24,378	8,062	1,207,801
Allowance for impairment	-	-	(8,062)	(8,062)
	1,175,361	24,378	-	1,199,739
2014				
Available-for-sale financial assets :				
Unquoted debt securities	132,562	-	-	132,562
Reinsurance assets, excluding premium liabilities				
- reinsurance	145,965	-	-	145,965
Loans and receivables, excluding prepayments	781,020	-	-	781,020
Insurance receivables, excluding deferred reinsurance premium, net	14,293	23,485	7,889	45,667
Cash and short term deposits	15,828	-	-	15,828
	1,089,668	23,485	7,889	1,121,042
Allowance for impairment	-	-	(7,889)	(7,889)
	1,089,668	23,485	-	1,113,153

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34. FINANCIAL RISK (CONTINUED)

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

	Government Guaranteed RM'000	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	B RM'000	D RM'000	Unrated RM'000	Total RM'000
2015									
Available-for-sale financial assets:									
Malaysian government papers	30,711	-	-	-	-	-	-	-	30,711
Unquoted equity security	-	-	-	-	-	-	-	39	39
Unquoted debt securities	6,688	65,226	44,840	-	-	-	-	13,660	130,414
Reinsurance assets, excluding premium liabilities - reinsurance	-	-	5,737	83,491	-	169	-	28,868	118,265
Loans and receivables, excluding prepayments	-	553,067	147,245	61,022	-	-	-	118,233	879,567
Insurance receivables, excluding deferred reinsurance premium, net	-	968	47	5,090	-	2	-	26,246	32,353
Cash and short term deposits	-	-	2,396	3,967	-	-	-	2,066	8,429
	37,399	619,261	200,265	153,570	-	171	-	189,112	1,199,778

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34. FINANCIAL RISK (CONTINUED)

	Government Guaranteed RM'000	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	B RM'000	D RM'000	Unrated RM'000	Total RM'000
2014									
Available-for-sale financial assets:									
Unquoted debt securities	6,567	60,784	50,025	-	-	-	-	15,186	132,562
Unquoted equity security	-	-	-	-	-	-	-	77	77
Reinsurance assets, excluding premium liabilities - reinsurance	-	-	35,928	38,622	69	1,840	-	69,506	145,965
Loans and receivables, excluding prepayments	-	512,768	117,988	60,302	-	-	-	89,962	781,020
Insurance receivables, excluding deferred reinsurance premium, net	-	1,237	189	5,440	21	530	-	30,361	37,778
Cash and short term deposits	-	-	1,588	4,626	-	-	-	9,614	15,828
	6,567	574,789	205,718	108,990	90	2,370	-	214,706	1,113,230

34. FINANCIAL RISK (CONTINUED)

Age analysis of financial assets past due but not impaired

A financial asset is deemed past due when the counterparty has failed to make payment when the outstanding amounts are contractually due.

	< 30 days RM'000	31 to 60 days RM'000	61 to 90 days RM'000	> 91 days RM'000	Total RM'000
2015					
Insurance receivables	10,584	2,879	2,021	8,894	24,378
2014					
Insurance receivables	5,825	1,865	2,859	12,936	23,485

Age analysis of financial assets past due and impaired

At 31 December 2015, based on a combination of collective and individual assessment of receivables, there are impaired insurance receivables of RM8,062,000 (2014: RM7,889,000). For assets to be classified as "past due and impaired", contractual payment must be in arrears for more than 60 days. No collateral is held as security for any past due or impaired assets. The Company records impairment for insurance receivables in separate "allowance for impairment" accounts. A reconciliation of the impairment losses for insurance receivables is as follows:

	RM'000
At 1 April 2014	
Movement during the financial period	4,970
- Individual impairment	2,223
- Collective impairment	696
At 31 December 2014/1 January 2015	7,889
Movement during the financial year	
- Individual impairment	1,554
- Collective impairment	1,372
- Provision recovered	(1,300)
- Bad debts written off	(1,453)
At 31 December 2015	8,062

34. FINANCIAL RISK (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Company may not have sufficient liquid financial resources to meet their obligations when they fall due, or would have to incur excessive cost to do so. In respect of catastrophic events, there is also liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries. The Company's policy is to maintain adequate liquidity to meet the liquidity needs under normal and stressed conditions.

The following policies and procedures are in place to mitigate the Company's exposure to liquidity risk:

- The Company wide liquidity risk management policy setting out the assessment and determination of what constitutes liquidity risk for the Company is established. Compliance with the policy is monitored and reported monthly and exposures and breaches are reported to The Company's Risk Management Committee of the Board ("RMC-B") as soon as possible. The Company's Risk Management Committee and Investment Committee are the primary parties responsible for liquidity management based on guidelines approved by the Board.

- There are guidelines on asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding is available to meet insurance and investment contract obligations. As part of liquidity management, the Company maintains sufficient level of cash and cash equivalents to meet expected and to a lesser extent unexpected outflows.

- Setting up contingency funding plans which specify minimum proportions of fund to meet emergency calls as well as specifying events that would trigger such plans. The Company's contingency funding plans include funding from the parent Company.

- The Company's treaty reinsurance contract contains a "cash call" clause permitting the Company to make cash call on claim and receive immediate payment for a large loss without waiting for usual periodic payment procedures to occur.

Maturity profiles

The table below summarises the maturity profile of the assets and liabilities of the Company based on remaining undiscounted contractual obligations.

For insurance contract liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from recognised insurance liabilities. Premium liabilities and the reinsurers' share of premium liabilities have been excluded from the analysis as these are not contractual obligations.

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34. FINANCIAL RISK (CONTINUED)

Maturity profiles (continued)

	Carrying value RM'000	Up to a year* RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
2015							
Available-for-sale financial assets:							
Malaysian government papers	30,711	1,422	2,224	12,224	22,988	-	38,858
Unquoted equity security in Malaysia	39	-	-	-	-	39	39
Unquoted debt securities	130,414	15,030	45,026	22,159	88,394	-	170,609
Reinsurance assets, excluding premium liabilities - reinsurance	118,265	78,852	32,172	6,112	1,129	-	118,265
Loans and receivables, excluding prepayments	879,567	679,045	127,701	-	72,821	-	879,567
Insurance receivables, excluding deferred reinsurance premiums, net	32,353	32,353	-	-	-	-	32,353
Cash and cash equivalents	8,429	8,429	-	-	-	-	8,429
Total financial assets	1,199,778	815,131	207,123	40,495	185,332	39	1,248,120
Claims liabilities	501,468	360,599	119,702	18,681	2,486	-	501,468
Insurance payables, excluding deferred premiums and commission	70,947	70,947	-	-	-	-	70,947
Other payables	57,409	56,907	444	58	-	-	57,409
Total financial liabilities	629,824	488,453	120,146	18,739	2,486	-	629,824

34. FINANCIAL RISK (CONTINUED)

Maturity profiles (continued)

	Carrying value RM'000	Up to a year* RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
2014							
Available-for-sale financial assets:							
Unquoted equity security in Malaysia	77	-	-	-	-	77	77
Unquoted debt securities	132,639	42,302	16,138	17,192	98,804	-	174,436
Reinsurance assets, excluding premium liabilities - reinsurance	145,965	53,400	77,691	12,558	2,316	-	145,965
Loans and receivables, excluding prepayments	781,020	716,628	36	20	62,964	1,511	781,159
Insurance receivables, excluding deferred reinsurance premiums, net	37,778	37,778	-	-	-	-	37,778
Cash and cash equivalents	15,828	15,828	-	-	-	-	15,828
Total financial assets	1,113,307	865,936	93,865	29,770	164,084	1,588	1,155,243
Claims liabilities	481,199	195,739	253,586	26,570	5,304	-	481,199
Insurance payables, excluding deferred premiums and commission	79,405	79,405	-	-	-	-	79,405
Post-employment benefit	787	787	-	-	-	-	787
Other payables	57,046	56,312	449	285	-	-	57,046
Total financial liabilities	618,437	332,243	254,035	26,855	5,304	-	618,437

* Expected utilisation or settlement is within 12 months from the reporting date

34. FINANCIAL RISK (CONTINUED)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprised three types of exposures: foreign exchange rates (currency risk), market interest rates (interest rates/profit yield risk) and market prices (process risk).

The key features of the Company's market risk management practices and policies are as follows:

- The Company-wide market risk policy setting out the evaluation and determination of what constitutes market risk for the Company is put in place. Compliance with the policy is monitored and reported every quarter to the Investment Committee and Risk Management Committee.

- The Company has policies and limits to manage market risk. The market risk is managed through portfolio diversification and changes in assets allocation. The Company's policies on assets allocation, portfolio limit structure and diversification benchmark have been put in line with the Company's risk management policy after taking cognisance of the regulatory requirements in respect of maintenance of assets and solvency.

(i) Currency 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. The Company has minimum exposure to currency risk.

(ii) Interest rate/Profit yield rate

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates/profit yield.

The Company is exposed to interest rate risk primarily through investments in fixed income securities. Deposits are fixed rated and short term as such the Company is not affected by market interest movement. Interest rate is managed by the Company on an ongoing basis.

The analysis below is performed for reasonably possible movements in interest rates with all other variables held constant, showing the impact to statements of income and changes in equity (due to changes in fair value of available-for-sale financial assets).

34. FINANCIAL RISK (CONTINUED)

(ii) Interest rate/Profit yield rate (continued)

	2015		2014	
	Impact on PBT RM'000	Impact on Equity* RM'000	Impact on PBT RM'000	Impact on Equity* RM'000
Change in Variable	←	(Decrease)/Increase		→
Interest Rate +50bps	-	(2,546)	-	(2,096)
Interest Rate -50bps	-	2,631	-	2,182

* Impact on Equity reflects adjustments for tax, when applicable.

Price risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices (other than those arising from interest rate/profit yield risk or currency risk), regardless whether those changes are caused by factors specific to the individual financial statements or its issuer or factors affecting similar financial instruments traded in the market. The Company has no significant exposure on price risk.

Operational risk

Operational risk is the risk of loss arising from system failure, human error, fraud and external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss.

The Company cannot expect to eliminate all operational risks but mitigates them by establishing a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access controls, authorisation, reconciliation procedures, staff training and evaluation procedures, including the use of Internal Audit. Business risk, such as changes in environment, technology and the industry are monitored through the Company’s strategic planning and budgeting process.

The Company’s risk taking units (Business Development/Technical/Support Divisions) are primarily responsible for managing the day-to-day operational risk inherent in their respective business and functional areas. They are responsible for putting in place and maintaining their respective operational manuals, and ensuring that activities undertaken by them comply with the Company’s operational risk management framework and oversight by the Risk Management Committee and the Board.

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35. REGULATORY CAPITAL REQUIREMENTS

The Company's capital management policy is to optimise the efficient and effective use of resources to maximise the return on equity and provide an appropriate level of capital to protect policyholders and meet regulatory requirements.

The Company is required to comply with the regulatory capital requirement prescribed in the RBC Framework. Under the RBC Framework guidelines issued by BNM, insurance companies are required to satisfy a minimum capital adequacy ratio of 130%. As at 31 December 2015 and 2014, the Company has a capital adequacy ratio in excess of the minimum requirement.

The capital structure of the Company as at 31 December 2015, and the comparative, as prescribed under the RBC Framework is provided below:

	2015 RM'000	2014 RM'000
Eligible Tier 1 Capital:		
Share capital (paid up)	100,000	100,000
Retained earnings	345,455	291,429
	445,455	391,429
Tier 2 Capital:		
Asset revaluation reserve	20,495	18,329
AFS reserve	(2,622)	(1,616)
	17,873	16,713
Amounts deducted from capital	(12,194)	(10,567)
Total capital available	451,134	397,575

36. COMPARATIVES

The comparative financial statements were prepared for a 9-months period from 1 April 2014 to 31 December 2014. Accordingly, the comparatives for the statement of income, statement of comprehensive income and statement of changes in equity are not prepared in respect of comparable period.