UniAsia
General Insurance



Annual Report 2014

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CORPORATE INFORMATION

Board of Directors

Dato' Hj. Kamil Khalid Ariff - Chairman
Luciano Suzuki
Edmund Campion Kenealy
Prashant Jain
Karen Kar Lun Lee
Lawrence Pereira
Datuk Abdul Sukur Bin Hadji Mohd Hassan
George Isac Pereire
Dato' Dr. Mohd Shahari Ahmad Jabar
Dato' Majid Mohamad

Company Secretaries

Yeong Yin Fun

Bankers

Hong Leong Bank Berhad
Maybank Berhad
CIMB Bank erhad
Citibank Berhad
United Overseas Bank Berhad

Auditors

PricewaterhouseCoopers
Level 10, 1 Sentral
Jalan Travers
Kuala Lumpur Sentral
50706 Kuala Lumpur

Tel : 03-2173 1188

Registered Office

9th Floor, Menara Uni.Asia
1008 Jalan Sultan Ismail
50250 Kuala Lumpur
Tel : 03-2619 9000

NOTICE OF ANNUAL GENERAL MEETING

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NOTICE IS HEREBY GIVEN THAT the **Fortieth Annual General Meeting** of the Shareholders of the Company will be held at the Board Room, 9th Floor, Menara Uni.Asia, 1008 Jalan Sultan Ismail, 50250 Kuala Lumpur on **Friday, 22nd August, 2014 at 3.00 p.m.**

A G E N D A

1. To receive and adopt the Audited Accounts for the year ended 31st March, 2014 together with the Directors' and Auditors' Reports thereon.

2. To approve Directors' Fees of RM690,000.00 for the year ended 31st March, 2014.

3. To re-elect the following Directors who retire in accordance with the Company's Articles of Association:-

   Under Article 63 :
   (i) YBhg. Dato' Haji Kamil Khalid Ariff
   (ii) Mr. Chan Kok Seong (Resigned w.e.f. 16th July, 2014)

   Under Article 68 :
   (i) Mr. Luciano Suzuki
   (ii) Mr. Edmund Campion Kenealy
   (iii) Mr. Prashant Jain
   (iv) Madam Karen Kar Lun Lee

4. To re-elect the following Directors who retire pursuant to Section 129(6) of the Companies Act 1965:-

   (i) Mr. Lawrence Pereira
   (ii) YBhg. Datuk Abdul Sukur bin Hadji Mohd. Hassan
   (iii) YBhg. Dato' Dr. Mohd. Shahari bin Ahmad Jabar

5. To re-appoint Messrs. PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration.

BY ORDER OF THE BOARD

CLAIRE YEONG YIN FUN (LS 000138)
COMPANY SECRETARY

Kuala Lumpur
21st July, 2014

NOTE:
A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company. The instrument appointing a proxy shall be delivered in writing under the hand of the appointor or his attorney or, if such an appointor is a corporation, under its Common Seal or the hand of its attorney. All proxies must be deposited at the Company's Registered Office not less than 48 hours before the time of the holding of the meeting or any adjournment thereof.

BOARD OF DIRECTORS

CHAIRMAN’S REVIEW

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of Uni.Asia General Insurance Berhad for the financial year ended 31st March 2014.

Financial Performance

In 2013, Malaysia’s economy grew favourably at 4.7 percent supported by a combination of strong domestic and external demand underpinned by a 7.6 percent increase in private investment and an 8.2 percent increase in fixed investment. Unemployment and inflation for the year remained low at 3.1 percent and 2.1 percent respectively. In line with the improvement in the domestic economy, gross written premiums in the general insurance industry grew 6.3 percent, from RM15.18 billion in the previous year to RM16.15 billion in the current year.

Uni.Asia General has managed to achieve a strong financial performance for the year ended 31st March 2014. The consistent growth in the Company’s performance is attributed to an ongoing Company-wide strategic transformation program which is in its fifth year of implementation.

For the financial year ended 31st March 2014, Uni.Asia General achieved its second highest ever profit before tax of RM84.7 million when compared to the all time high profit before tax of RM97.0 million in the previous year which included a one-off RM17.9 million income from sale of securities. The Company registered its highest ever gross written premium of RM529.8 million, up 12.2 percent from RM471.9 million achieved in the previous year. Capital Adequacy Ratio (CAR) continued improving to register at a level well exceeding regulatory and internal requirements.

Operational Review

The Company’s strategic initiatives revolve around its customers whilst maintaining a robust balance sheet, sustaining growth, and realizing its vision of being relevant and profitable at all times.

CHAIRMAN’S REVIEW

To ensure the business quality is uncompromised and growth remains strong, the Company is driven by its business analytics and is well supported by its extensive distribution reach. During the year, the Company has successfully marketed its retail products to targeted consumer segments. All major distribution channels including agents, franchise holders, car dealers, bank partners and POS Malaysia registered strong premium growth. Motor and personal line premiums grew 14 percent to RM439 million from RM386 million previously.

In the area of Malaysian Motor Insurance Pool (MMIP), the Company continues to participate actively in the provision of MMIP covers to the general public. There has been an increase in demand by members of public with displaced motor risks. During the year, Uni.Asia’s nationwide branches have issued more than 500,000 MMIP policies compared to 450,000 in the previous year. To ensure members of the public can conveniently access MMIP’s services at Uni.Asia General’s nationwide branches, substantial amounts of the Company’s resources including more than 100 staff have been assigned to manage the MMIP operations.

The Company recognizes the role of information technology as a key business enabler. The Company has successfully implemented several modules of its ongoing Human Resource Management System (HRMS) project in order to improve staff productivity by minimizing human intervention in various HR workflow processes. To improve the motor claims turnaround time, the motor claims workflow system was integrated to the panel workshop claims system. Some of the other current major projects undertaken is the system enhancements to accommodate the implementation of Goods and Services tax (GST), strengthening of data protection at various user points in support of the implementation of the Personal Data Protection Act (PDPA) 2010 and upgrading of the Company’s website in order for it to be more informative, user friendly and easily accessible via various media platforms.

CHAIRMAN'S REVIEW

The Company is committed to investing in training and development programs for staff and business partners. It views human capital as a vital asset. One of the Company's successful and popular training channels is via its internet based e-learning portal which has more than 2,600 active users. During the year, 12 new learning modules were added to the existing 17 revised learning modules since the launch of the portal in 2011. Apart from the e-learning platform, many classroom-based training programs were conducted to cater to the needs of the staff. Some of the courses conducted included training programs for the claims workflow system, legal briefs on the Competitions Act 2010, GST, PDPA and Schedule 7,8 and 9 of the Financial Services Act (FSA) 2013.

The Company also believes that a prerequisite towards increasing staff productivity is by having an engaged and healthy workforce. Numerous teambuilding and staff engagement activities were organised nationwide including tea and durian parties and movie nights to boost morale, enhance collaboration among management and employees.

The Company remains firmly committed towards building a strong brand image and a service-oriented culture. Apart from increasing the advertising initiatives with our business partners to create brand awareness via traditional mediums, the Company participated in the sponsorship of the Eurasia Cup, a major continental golfing event that attracted immense media coverage and positive reviews. To improve the image of its branches and to provide a more conducive environment for its staff and customers, the Teluk Intan and Sitiawan offices had undergone major renovations whilst Tawau branch was relocated to a more strategic location for customer convenience. Also during the period, the Company upgraded its Head Office telephony system in order to improve customer accessibility via the telecommunication channel. One area that the Company views seriously is feedback from customer complaints. Complaints are closely tracked, managed proactively and reviewed by a complaints panel. During the year, the complaint indicators, namely overall complaint count and average response time have continued to improve.

To have greater engagement with the community it operates in, Uni.Asia continues to position corporate social responsibility (CSR) as one of the Company's priorities. During the year, the Company organised two major blood donation drives that yielded a total of

CHAIRMAN'S REVIEW

160 donors, collaborated with two major newspapers via media sponsorships to improve the reading habits of children, sponsored automotive education programs and provided some financial assistance to the victims of the Typhoon Haiyan in Philippines. From the positive responses received, more of such activities have been planned for the coming year.

Future Outlook

We are encouraged by the positive forecast that the Malaysian economy will grow by 5.0 to 5.5 percent in 2014 coupled with the third upward revision of the motor tariff. Economic growth will be driven by the strength of domestic demand, rising exports, spinoffs from the government's Economic Transformation Program and recovery of the major global economies. The country's high domestic savings, strong foreign reserves, sound banking system, low unemployment and robust investments will also contribute to Malaysia's economic growth with inflation remaining a threat.

Taking the above into account, we remain optimistic in our outlook. The Company will draw upon its strengths of business analytics, innovative product offerings, strategic distribution networks, shareholders synergy, financial strength and dedicated workforce to ensure sustainable revenue and profit growth in 2015 and beyond.

Appreciation

On behalf of the Board of Directors, I would like to record our appreciation to the Management team, staff, shareholders, business partners, agents and customers for their continuous support and confidence in the Company. I would like to take this opportunity to thank my fellow Directors for their wise counsel, unwavering support and contributions to the Board.

Dato' Haji Kamil Khalid Ariff
Chairman

DIRECTORS' REPORT

The Directors hereby submit their report to the members together with the audited financial statements of the Company for the financial year ended 31 March 2014.

PRINCIPAL ACTIVITY

The Company is engaged principally 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.

FINANCIAL RESULTS

	RM'000
Net profit for the financial year	63,373

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are disclosed in the notes to the financial statements.

DIVIDENDS

The amounts of dividends declared and paid by the Company since 31 March 2014 were as follows:

	RM'000
Financial year ended 31 March 2013:	
Final dividend of 13.47 sen per share less income tax of 25%, paid on 29 July 2013	10,100
Financial year ended 31 March 2014:	
Interim single tier dividend of 25.00 sen per share, paid on 18 February 2014	25,000
	35,100

The Directors do not recommend the payment of any final dividend in respect of the financial year ended 31 March 2014.

SHARE CAPITAL

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

DIRECTORS

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

YBhg. Dato' Haji Kamil Khalid Ariff
Mr. David Chan Mun Wai
Mr. Lawrence Pereira
YBhg. Datuk Abdul Sukur bin Hadji Mohd Hassan
Mr. George Isac Pereire
YBhg. Dato' Dr. Mohd Shahari bin Ahmad Jabar
Mr. Chan Kok Seong
YBhg. Dato' Majid bin Mohamad
YBhg. Dato' Chan Choy Lin
YBhg. Dato' Mohamed Hazlan Bin Mohamed Hussain

In accordance with the Company's Article 63 of the Articles of Association, YBhg. Dato' Haji Kamil Khalid Ariff and Mr. Chan Kok Seong shall retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Pursuant to Section 129(6) of the Companies Act, 1965, Mr. Lawrence Pereira, YBhg. Datuk Abdul Sukur bin Hadji Mohd Hassan and YBhg. Dato' Dr. Mohd Shahari bin Ahmad Jabar shall retire and a resolution is being proposed for their reappointments 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.

BAD AND DOUBTFUL DEBTS

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

At the date of this report, the Directors are not aware of any circumstances that would render the amounts written off for bad debts or the amounts of the allowance 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 circumstances which would render the values attributed to the current assets in the financial statements of the Company misleading.

VALUATION METHODS

At the date of this report, the Directors are not aware of any circumstances which have 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.

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 year 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 this paragraph, 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.

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/GL 003-1) and Guidelines on Prudential Framework of Corporate Governance for Insurers (BNM/RH/GL 003-2).

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 BNM/RH/GL 001-1 and other directives. The Company strives to adopt other best practices on corporate governance.

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

(i) Audit Committee
(ii) Nomination Committee
(iii) Remuneration Committee
(iv) Risk Management Committee
(v) Executive Committee
(vi) Claims and Underwriting Committee
(vii) Investment Committee

The above committees have the authority to examine pertinent issues and report back to the Board with their recommendations. Ultimate responsibilities 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 ten directors i.e. seven Non-Executive Directors and three 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 complied with the 75% minimum attendance requirement at such meeting. Details of attendance of each Board member at meetings held during the financial year ended 31 March 2014 are as follows:

Members	Status of directorship	Number of Board Meetings	
		Held	Attended
YBhg. Dato' Haji Kamil Khalid Ariff (Chairman of Board Meeting)	Independent Non-Executive Director & Chairman	7	7
Mr. David Chan Mun Wai (Deputy Chairman)	Non-Executive Director & Deputy Chairman	7	7
Mr. Lawrence Pereira	Non-Executive Director	7	6
YBhg. Datuk Abdul Sukur bin Hadji Mohd Hassan	Non-Executive Director	7	7
Mr. George Isac Pereire	Non-Executive Director	7	7
YBhg Dato' Dr. Mohd Shahari bin Ahmad Jabar	Independent Non-Executive Director	7	7
Mr. Chan Kok Seong	Non-Executive Director	7	5
YBhg. Dato' Majid bin Mohamad	Independent Non-Executive Director	7	7
YBhg. Dato' Chan Choy Lin	Non-Executive Director	7	7
YBhg. Dato' Mohamed Hazlan Bin Mohamed Hussain	Non-Executive Director	7	7

CORPORATE GOVERNANCE (CONTINUED)

Board Responsibilities and Oversight (continued)

(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/GL 003-22 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 Chairman of the Audit, Nomination, Remuneration, Risk Management, Executive, Claims and Underwriting and Investment Committees are available to respond to shareholders' questions during the meeting.

Board Committees

There are seven Board Committees namely Audit, Nomination, Remuneration, Risk Management, Executive, Claims and Underwriting, and Investment. Details of each Board Committees are as follows:

A The Audit Committee

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

CORPORATE GOVERNANCE (CONTINUED)

Board Committees (continued)

A The Audit Committee (continued)

This Committee comprises the following members and details of attendance of each member at meetings held during the financial year ended 31 March 2014 are as follows:

Members	Status of directorship	Number of Meetings	
		Held	Attended
YBhg. Dato' Majid bin Mohamad (Chairman)	Independent Non-Executive Director & Chairman	7	7
YBhg. Dato' Haji Kamil Khalid Ariff	Independent Non-Executive Director	7	7
Mr. George Isac Pereire	Non-Executive Director	7	7
YBhg. Dato' Dr. Mohd Shahari bin Ahmad Jabar	Independent Non-Executive Director	7	7
YBhg. Dato' Chan Choy Lin	Non-Executive Director	7	7

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 a process of reviewing the balance and assessing the effectiveness of each of the individual Directors, 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 March 2014 are as follows:

Members	Status of directorship	Number of Meetings	
		Held	Attended
YBhg. Dato' Haji Kamil Khalid Ariff (Chairman)	Independent Non-Executive Director & Chairman	3	3
Mr. David Chan Mun Wai	Non-Executive Director	3	3
YBhg. Datuk Abdul Sukur bin Hadji Mohd Hassan	Non-Executive Director	3	3
Mr. George Isac Pereire	Non-Executive Director	3	3
YBhg. Dato' Dr. Mohd Shahari bin Ahmad Jabar	Independent Non-Executive Director	3	3
YBhg. Dato' Chan Choy Lin	Non-Executive Director	3	2

CORPORATE GOVERNANCE (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 March 2014 are as follows:

Members	Status of directorship	Number of Meetings	
		Held	Attended
YBhg. Dato' Haji Kamil Khalid Ariff (Chairman)	Independent Non-Executive Director & Chairman	2	2
Mr. David Chan Mun Wai	Non-Executive Director	2	2
Mr. Lawrence Pereira	Non-Executive Director	2	2
YBhg. Datuk Abdul Sukur bin Hadji Mohd Hassan	Non-Executive Director	2	2
Mr. George Isac Pereire	Non-Executive Director	2	2
YBhg. Dato' Chan Choy Lin	Non-Executive Director	2	2

D The Risk Management Committee

The primary objective of the Committee is to establish a documented, formal and transparent procedure to provide opportunities for focusing on 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 March 2014 are as follows:

Members	Status of directorship	Number of Meetings	
		Held	Attended
YBhg. Dato'Dr.Mohd Shahari bin Ahmad Jabar (Chairman)	Independent Non-Executive Director & Chairman	6	6
YBhg. Dato' Majid bin Mohamad	Independent Non-Executive Director	6	6
Mr. David Chan Mun Wai	Non-Executive Director	6	6
YBhg. Datuk Abdul Sukur bin Hadji Mohd Hassan	Non-Executive Director	6	6
Mr. George Isac Pereire	Non-Executive Director	6	6
YBhg. Dato' Chan Choy Lin	Non-Executive Director	6	6

CORPORATE GOVERNANCE (CONTINUED)

Board Committees (continued)

E The Executive Committee

The objectives of the Committee are:

- To ensure that the broad policies and basic objectives of the Company as set out by the Board are carried out by the Management.
- To assist the Board in overseeing the operations of the Company.

The Committee meets on a bimonthly basis to review matters relevant to the operations of the Company, empowered by the Board with relevant authority for effective and efficient decision-making. The minutes of the Committee were circulated to all members of the Committee and to the Chairman of the Board and made available on request to other members of the Board.

The Committee comprises the following members and details of attendance of each member at meetings held during the financial year ended 31 March 2014 are as follows:

Members	Status of directorship	Number of Meetings	
		Held	Attended
YBhg. Dato' Mohamed Hazlan Bin Mohamed Hussain (Chairman)	Non-Executive Director & Chairman	6	6
Mr. David Chan Mun Wai	Non-Executive Director	6	6
Mr. Chan Kok Seong	Non-Executive Director	6	5

F The Claims and Underwriting Committee

The Committee is responsible to assist the Board and Management in the effective discharge of its strategic responsibilities and accountabilities in the areas of claims and underwriting of the Company. The Committee reports to the Board the results, observations and recommendations arising from the review of the above for deliberation and formalisation by the Board. In discharging its duties, the Committee provides professional directions to the state of affairs of the Company where it is heading in the areas of claims and underwriting.

CORPORATE GOVERNANCE (CONTINUED)

Board Committees (continued)

F The Claims and Underwriting Committee (continued)

This Committee comprises the following members and details of attendance of each member at meetings held during the financial year ended 31 March 2014 are as follows:

Members	Status of directorship	Number of Meetings	
		Held	Attended
Mr. Lawrence Pereira (Chairman)	Non-Executive Director & Chairman	6	5
Mr. David Chan Mun Wai	Non-Executive Director	6	6
YBhg. Datuk Abdul Sukur bin Hadji Mohd Hassan	Non-Executive Director	6	6
YBhg. Dato' Mohamed Hazlan Bin Mohamed Hussain	Non-Executive Director	6	6

G 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 March 2014 are as follows:

Members	Status of directorship	Number of Meetings	
		Held	Attended
Mr. Chan Kok Seong (Chairman)	Non-Executive Director & Chairman	6	5
Mr. Lawrence Pereira	Non-Executive Director	6	5
YBhg. Datuk Abdul Sukur bin Hadji Mohd Hassan	Non-Executive Director	6	6
YBhg. Dato' Mohamed Hazlan Bin Mohamed Hussain	Non-Executive Director	6	6

CORPORATE GOVERNANCE (CONTINUED)

Management Accountability

Material Contracts

No material contracts (not being contracts entered into 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 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 Control 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.

CORPORATE GOVERNANCE (CONTINUED)

Internal Control and Enterprise Risk Management (continued)

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

(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 at 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 limit as per 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 timely updated and reviewed.

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 function is to assists the Board and senior management by providing independent assessment of the effectiveness of and adherence to the institution's organisational and procedural controls. Internal Audit Department reports directly to the Board through the Audit Committee (AC). AC will review and approve the annual audit plan, audit reports, audit charter and budget of the Internal Audit Department. The Chairman of the AC will provide 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.

In preparing the financial statements, the Directors have:

(i) Selected suitable accounting policies and applied them constantly;
(ii) Made judgement 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 and which enable 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.

DIRECTORS' INTERESTS

According to the Register of Directors' shareholdings, the interests of the Directors in office at the end of the financial year in shares in the Company and in shares in its related corporations were as follows:

	Number of ordinary shares of RM1.00 each			
	At 1.4.2013	Acquired	Disposed	At 31.3.2014
In the Company				
Direct:				
Mr. George Isac Pereire	2,052,381	-	-	2,052,381
Indirect:				
Mr. Lawrence Pereira *	9,850,000	-	-	9.850,000
YBhg. Datuk Abdul Sukur bin Hadji Mohd Hassan **	10,003,175	-	-	10,003,175
In DRB-HICOM Berhad (Penultimate holding company)				
Direct:				
Mr. George Isac Pereire	240,000	-	-	240,000
YBhg. Dato' Majid bin Mohamad	10,000	-	-	10,000
YBhg.Dato' Dr. Mohd Shahari Ahmad Jabar ***	20,000	50,000	-	70,000

* Deemed interest by virtue of his interest in the shares of Emaco Sdn Bhd in accordance with Section 6A(4) of the Companies Act, 1965.

** Deemed interest by virtue of his interest in the shares of Salinah Enterprise Sdn Bhd in accordance with Section 6A(4) of the Companies Act, 1965.

*** Interest of spouse/child of the Directors.

Other than the above, none of the Directors in office at the end of the year held any interests in the shares in, or debentures of, the Company or in its related corporations during the financial year.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than Directors' remuneration and benefits provided to Directors disclosed in Note 28 to the financial statements) by reason of a contract made by the Company or a related corporation with a 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, except for any deemed benefits that may accrue to a Director by virtue of normal trade transactions between the Company and companies in which the Director has significant equity interest.

HOLDING COMPANIES

The immediate holding company is Uni.Asia Capital Sdn. Bhd. The Directors regard DRB-HICOM Berhad and Etika Strategi Sdn. Bhd. as the penultimate holding company and ultimate holding company of the Company respectively. These companies are incorporated in Malaysia.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 22 May 2014.

DATO' HAJI KAMIL KHALID ARIFF
DIRECTOR

DATO' MOHAMED HAZLAN BIN MOHAMED HUSSAIN
DIRECTOR

Kuala Lumpur
22 May 2014

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2014

	Note	31.3.2014	31.3.2013
		RM'000	RM'000
ASSETS			
Property and equipment	4(a)	61,409	61,072
Intangible assets - software	4(b)	2,462	1,972
Non-current assets held for sale	5	-	189
Investment properties	6	47,078	45,542
Available-for-sale financial assets	7	172,993	203,466
Loans and receivables	8	663,416	572,594
Deferred tax assets	9	-	3,569
Reinsurance assets	10	211,478	214,001
Insurance receivables	11	36,190	32,338
Deferred acquisition costs	12	24,280	22,391
Cash and cash equivalents	13	7,413	5,361
Total assets		1,226,719	1,162,495
EQUITY AND LIABILITIES			
Share capital	14	100,000	100,000
Other reserves	15	16,134	23,835
Retained earnings	16	246,683	218,300
Total equity		362,817	342,135
LIABILITIES			
Insurance contract liabilities	17	709,781	656,050
Subordinated loan		30,436	30,436
Deferred tax liabilities	9	3,830	-
Deferred acquisition costs - reinsurance	12	6,114	5,758
Insurance payables	19	79,702	75,910
Other payables		32,887	35,754
Dividend payable		-	7,500
Post-employment benefit obligations	21	396	601
Current tax liabilities		756	8,351
Total liabilities		863,902	820,360
Total equity and liabilities		1,226,719	1,162,495

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

STATEMENT OF INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

	Note	2014	2013
		RM'000	RM'000
Operating revenue	22	536,849	485,141
Gross written premiums		529,870	471,930
Change in premium liabilities		(22,513)	(15,093)
Gross earned premiums		507,357	456,837
Reinsurance premiums ceded		(155,437)	(139,290)
Change in premium liabilities		5,478	(16,770)
Premiums ceded to reinsurers		(149,959)	(156,060)
Net earned premiums		357,398	300,777
Investment income	23	29,492	28,304
Realised gains and losses	24	148	17,812
Fair value gains and losses	25	1,532	1,624
Commission income	26	36,448	33,339
Other income	27	19,331	13,936
Other income		86,951	95,015
Gross claims paid		(257,026)	(244,070)
Claims ceded to reinsurers		71,613	76,399
Gross change to claims liabilities		(31,219)	(9,459)
Change in claims liabilities ceded to reinsurers		(8,001)	3,305
Net claims incurred		(224,633)	(173,825)
Commission expense	26	(56,248)	(49,589)
Management expenses	28	(76,030)	(72,669)
Other expenses		(132,278)	(122,258)
Finance cost	18	(2,700)	(2,702)
Profit before taxation		84,738	97,007
Tax expense	29	(21,365)	(20,676)
Net profit for the financial year		63,373	76,331
Basic earnings per share (sen)	30	63.37	76.33

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

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

	Note	2014	2013
		RM'000	RM'000
Profit for the financial year		63,373	76,331
Other comprehensive income:			
Item that will not be reclassified to profit or loss:			
Asset revaluation reserve			
Revaluation surplus on self-occupied properties	4	998	1,432
Tax effect on revaluation surplus		(5,569)	-
		(4,571)	1,432
Item that may be subsequently reclassified to profit or loss:			
Available-for-sale ("AFS") reserve			
Fair value loss of available-for-sale financial assets	7	(4,027)	(801)
Transfer of gross AFS reserve on disposal		-	(6,088)
		(4,027)	(6,889)
Tax effect on fair value gain of available-for-sale financial assets	9	1,007	200
Tax effect on transfer of AFS reserve on disposal	9	-	1,523
		(3,020)	(5,166)
Total comprehensive income for the financial year		55,782	72,597

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

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

	Issued and fully paid ordinary shares of RM 1 each		Non-distributable		Distributable	
	Number of shares	Nominal value	Asset revaluation reserve	AFS reserve	Retained earnings	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 April 2012	100,000	100,000	21,578	5,991	155,469	283,038
Total comprehensive income/(loss) for the financial year	-	-	1,432	(5,166)	76,331	72,597
Dividends (Note 31)	-	-	-	-	(13,500)	(13,500)
At 31 March 2013	100,000	100,000	23,010	825	218,300	342,135
At 1 April 2013	100,000	100,000	23,010	825	218,300	342,135
Total comprehensive income/(loss) for the financial year			(4,571)	(3,020)	63,373	55,782
Reversal of revaluation surplus for property disposed	-	-	(110)	-	110	-
Dividends (Note 31)	-	-	-	-	(35,100)	(35,100)
At 31 March 2014	100,000	100,000	18,329	(2,195)	246,683	362,817

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

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

	2014 RM'000	2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the financial year	63,373	76,331
Adjustment for non-cash items:		
Property and equipment		
- depreciation	2,592	2,456
- (gain)/loss on disposal	(11)	13
- written off	5	9
Impairment loss/(reversal of impairment loss) on self-occupied properties	4	(15)
Amortisation of intangible assets	595	323
Fair value gain on investment properties	(1,536)	(1,609)
Interest income	(28,066)	(23,742)
Dividend income	-	(3,206)
Rental income	(1,625)	(1,611)
Amortisation of premiums, net of accretion of discounts	199	255
Gain on disposal of available-for-sale financial assets	(134)	(17,893)
Finance cost	2,700	2,702
Write-back of impairment allowance on insurance receivables	(12)	(121)
Recovery of bad debt written off	(451)	-
Provision for post-employment benefit obligations	262	228
Tax expense	21,365	20,676
	59,260	54,796
Purchase of available-for-sale financial assets	(10,142)	(96,871)
Proceeds from maturity of available-for-sale financial assets	-	5,000
Proceeds from maturity of held-to-maturity financial assets	-	35,000
Proceeds from disposal of available-for-sale financial assets	36,405	103,555
Interest income received	28,155	22,581
Dividend income received	-	3,206
Rental income received	1,625	1,611
Payment of post-employment benefit obligations	(467)	(237)
Decrease in reinsurance assets	2,523	13,465
Increase in insurance receivables	(3,389)	(1,897)
Increase in deferred acquisition costs	(1,889)	(226)
Increase in insurance payables	3,791	5,573
Increase in insurance contract liabilities	53,731	24,552
Increase in loans and receivables	(90,790)	(192,610)
(Decrease)/increase in other payables	(2,864)	16,728
Increase/(decrease) in deferred acquisition costs - reinsurance	356	(2,409)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014 (CONTINUED)

	Note	2014 RM'000	2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (continued)			
Cash generated/(used in) from operating activities		76,305	(8,183)
Income tax paid		(26,128)	(21,345)
Net cash inflows/(outflows) from operating activities		50,177	(29,528)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(1,940)	(1,874)
Purchase of intangible assets		(1,085)	(1,206)
Proceeds from disposal of property and equipment			148
Proceeds from disposal of non-current assets held for sale		200	-
Net cash outflows from investing activities		(2,825)	(2,932)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(42,600)	(6,000)
Finance cost paid		(2,700)	(2,709)
Net cash outflows from financing activities		(45,300)	(8,709)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		2,052	(41,169)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		5,361	46,530
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	13	7,413	5,361

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

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2014

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 Uni.Asia, 1008 Jalan Sultan Ismail, 50250 Kuala Lumpur.

There have been no significant changes in the nature of this activity during the financial year.

The immediate holding company is Uni.Asia Capital Sdn. Bhd. The Directors regard DRB-HICOM Berhad and Etika Strategi Sdn. Bhd. as the penultimate holding company and ultimate holding company of the Company respectively. These companies are incorporated in Malaysia.

The financial statements were authorised for issue by the Board of Directors on 22 May 2014.

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 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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Changes to Malaysia Financial Reporting Standards

(i) Standards, amendments to published standards and interpretations to existing standards that are effective and applicable to the Company

Adopted for financial year beginning on or after 1 April 2013

- Amendment to MFRS 101 'Presentation of Items of Other Comprehensive Income' requires entities to separate items presented in 'other comprehensive income' (OCI) in the statement of comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future.

  Amendment to MFRS 119, 'Employee Benefits' which results in the following changes on the Company's accounting policies:

  - to immediately recognise all past service cost in profit and loss;
  - to recognise actuarial gains and losses in other comprehensive income in the period in which they arise; and
  - to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).

- MFRS 13, 'Fair Value Measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7, 'Financial Instruments: Disclosures', but apply to all assets and liabilities measured at fair value, not just financial ones.

- Amendments to MFRS 7, 'Financial Instruments: Disclosure' requires more extensive disclosures focusing on quantitative information about recognised financial instruments that are offset in the statement of financial position and those that are subject to master netting or similar arrangements irrespective of whether they are offset.

  There were no material changes to the Company's accounting policies other than enhanced disclosures to the financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Changes to Malaysia Financial Reporting Standards (continued)

(ii) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company but not yet effective

Effective from financial year beginning on/after 1 April 2014

- Amendment to MFRS 132, 'Financial Instruments: Presentation' (effective from 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of 'currently has a legally enforceable right of set-off' that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

- IC Interpretation 21, 'Levies' (effective from 1 January 2014) sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation clarifies that a liabilitity to pay a levy is recognised when the obligating event occurs. Obligating event is the event identified by the legislation that triggers the payments of the levy.

Effective date yet to be determined by the Malaysian Accounting Standards Board ("MASB")

- MFRS 9, 'Financial Instruments - Classification and Measurement of Financial Assets and Financial Liabilities', replaces the parts of MFRS 139 that relate to the classification and measurement of financial instruments. MFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the MFRS 139 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

The Company is reviewing the adoption of the above accounting standards, amendments to published standards and interpretations to existing standards and will complete the process prior to the reporting requirement deadline. The Company has not finalised any financial impact of the adoption of the above accounting standards.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property and equipment

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. The carrying amount of the replaced part is derecognised. 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 subsequently revalued based on the independent valuation on the open market value basis on the existing use basis by professional valuers. These properties are revalued at regular intervals of at least once in every three years by independent professional valuers with additional valuation in the intervening years where market conditions indicate that the carrying values of the revalued assets differ materially from market values.

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 are 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. 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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property and equipment (continued)

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(i) for the accounting policy on impairment of non-financial assets).

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 amount in the asset revaluation reserve relating to the assets are transferred to retained earnings.

(d) 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.

(e) Assets held for sale

Non-current assets are classified as assets 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 a continuing use.

(f) 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 external valuers. 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 reviewed annually, and a formal valuation by an independent professional valuer is carried every year or earlier if the carrying values of the investment properties differ materially from the fair values. Changes in fair values are recorded in the statement of income in the year in which they arise.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Investment properties (continued)

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 (eliminated from the statement of financial position). 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.

(g) Leases

Lease of assets 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 (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.

(h) Investments and financial assets

The Company classifies its investments into the following categories of financial assets: held-to-maturity, 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) Held-to-maturity (“HTM”) financial assets

HTM financial assets are financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity. These financial assets are initially recognised at fair value plus transaction costs directly attributable to the acquisition. After initial measurement, HTM financial assets are measured at amortised cost using the effective using effective yield method, less allowance for impairment. Any gain or loss is recognised in the statement of income when the financial assets are derecognised or impaired.

An allowance of impairment for HTM financial assets is established when there is objective impairment that the Company will not be able to collect the amounts due according to the original terms (see Note 2(i) for the accounting policy on impairment).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Investments and financial assets (continued)

(ii) Loans and receivables ("LAR")

LAR are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are initially recognised at fair value plus transaction costs directly attributable to the acquisition. After initial measurement, LAR are 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.

(iii) 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, HTM or LAR. AFS financial assets are initially recognised at fair value. After initial measurement, AFS financial assets are remeasured 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 gainsor losses on AFS financial assets.

(i) 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 security that can be reliably estimated.

(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 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment (continued)

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

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

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.

(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 similar financial asset. Such impairment losses shall not be reversed.

(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 assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on the financial asset previously recognised in the statement of income is removed 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.

(d) Loans and receivables

An impairment loss in respect of loans and receivables (excluding insurance receivables) is recognised in the statement of income and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment (continued)

(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.

An impairment loss in respect of insurance receivables is recognised in the statement of income and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

(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 purposes 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.

(j) Insurance receivables

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

(k) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances and call deposits which have maturity of less than one month. Cash and cash equivalents exclude fixed and call deposits which are held for investment purpose.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) 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.

(m) Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made.

(n) Share capital

(i) Classification

Ordinary shares are classified as equity.

(ii) Dividends to shareholders of the Company

Dividends are recognised as liabilities 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.

(o) 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 the possibility of having to pay benefits on occurrence of an insured event that are more than the benefits paid 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) 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.

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.

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.

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 balance sheet date, based on an actuarial valuation.

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.

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) gross premiums under $1/24^{th}$ 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;

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) General insurance underwriting results (continued)

Deferred acquisition cost ("DAC") (continued)

(ii) gross premiums under $1/8^{th}$ method for all other classes of overseas inward business multiplied by 20% for acquisition costs; and
(iii) gross premiums under time apportionment method for policies with insurance periods other than 12 months multiplied by the corresponding percentage of gross commission.

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

(i) reinsurance premiums ceded which are allowed under $1/24^{th}$ 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;
(ii) reinsurance premiums ceded which are allowed under 1/8th method for all other classes of overseas inward business multiplied by 20% for acquisition costs; and
(iii) 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.

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. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the insurer'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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) General insurance underwriting results (continued)

Reinsurance (continued)

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

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 liabilities represent balances due to the reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

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

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

Insurance contract liabilities

General insurance contract liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities comprise premium liabilities and claims liabilities.

(i) 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)

(p) General insurance underwriting results (continued)

Insurance contract liabilities (continued)

General insurance contract liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities comprise premium liabilities and claims liabilities.

(i) Premium liabilities

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) $1/24^{th}$ 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) $1/8^{th}$ method for all other classes of overseas inward business with a deduction of 20% for acquisition costs; and

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

(ii) 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)

(p) General insurance underwriting results (continued)

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 URR 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 account of the investment return expected to arise on assets relating to the relevant general insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums less related deferred acquisition costs is inadequate, the deficiency is recognised in the statement of income initially by writing off DAC and by subsequently establishing a provision for liability adequacy.

(q) Other revenue recognition

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 continue 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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Employee benefits

(i) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Company.

(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.

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.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Employee benefits (continued)

(iii) Defined benefits plan (continued)

Past-service costs are recognised immediately in 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.

(s) 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.

Deferred tax is provided for using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences, and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) 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 that date. 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.

(u) 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.

(v) Fair value estimation for disclosure purpose

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.

(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.

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 reflects unadjusted, quoted prices in active markets for identical assets and liabilities that the Company has the ability to access at the measurement date. Valuations are based on quoted prices reflecting market transactions involving assets or liabilities identical to those being measured.

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 market , quoted prices for identical assets and liabilities in inactive markets, inputs that on 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 measurement using significant non market observable inputs. These include valuations for assets and liabilities that derived using data, some or all of which is not market observable, including assumptions about risk.

(w) Subordinated loan

Subordinated loan is recognised initially at fair value, net of transaction cost incurred. Subsequent to the intial recognition, it is measured at amortised cost using the effective yield method.

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.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

3.1 Critical accounting estimates and assumptions (continued)

Valuation of general insurance contract liabilities

For general insurance contracts, estimates have to be made 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. 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 adjustor estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflations 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 costs of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Income and deferred taxes

Significant judgement is required determining the income and deferred taxes applicable to the Company’s business. There are transactions and calculations for which the ultimate tax determination subject to agreement with tax authorities. The Company recognises tax liabilities on anticipated issues based on estimates of whether additional taxes will due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such diffrences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

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.

4(a) PROPERTY AND EQUIPMENT

	Freehold land	Long term leasehold land	Freehold buildings	Long term leasehold buildings	Motor vehicles	Furniture and fittings	Office equipment	Office renovation	Computer equipment	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net book value at 1 April 2013	2,446	11,699	2,635	38,135	379	1,528	696	1,253	2,301	61,072
Additions at cost	-	-	-	-	-	299	456	796	390	1,941
Write-offs at net book value	-	-	-	-	-	(3)	-	(3)	-	(6)
Depreciation charge for the financial year	-	-	(103)	(1,121)	(52)	(184)	(147)	(364)	(621)	(2,592)
Revaluation surplus	60	2,631	203	(1,896)	-	-	-	-	-	998
Impairment loss charged to income statement (Note 25)	-	-	-	(4)	-	-	-	-	-	(4)
Net book value at 31 March 2014	2,506	14,330	2,735	35,114	327	1,640	1,005	1,682	2,070	61,409
At 31 March 2014										
Cost	-	-	-	-	681	3,950	4,161	10,614	10,518	29,924
Valuation	2,506	14,330	2,744	35,200	-	-	-			54,780
Accumulated depreciation	-	-	(9)	(86)	(354)	(2,310)	(3,156)	(8,932)	(8,448)	(23,295)
Net book value	2,506	14,330	2,735	35,114	327	1,640	1,005	1,682	2,070	61,409

4(a) PROPERTY AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Long term leasehold land RM'000	Freehold buildings RM'000	Long term leasehold buildings RM'000	Motor vehicles RM'000	Furniture and fittings RM'000	Office equipment RM'000	Office renovation RM'000	Computer equipment RM'000	Total RM'000
Net book value at 1 April 2012	2,569	11,609	2,673	37,961	566	1,618	629	1,002	1,939	60,566
Additions at cost	-	-	-	-	8	92	213	596	965	1,874
Disposals at net book value	-	-	-	-	(161)	-	-	-	-	(161)
Write-offs at net book value	-	-	-	-	-	(4)	(3)	(1)	(1)	(9)
Depreciation charge for the financial year	-	-	(100)	(1,055)	(34)	(178)	(143)	(344)	(602)	(2,456)
Revaluation surplus	20	90	108	1,214	-	-	-	-	-	1,432
Reversal of impairment loss previously charged to income statement (Note 25)	-	-	-	15	-	-	-	-	-	15
Transferred to non-current assets held for sale (Note 5)	(143)	-	(46)	-	-	-	-	-	-	(189)
Net book value at 31 March 2013	2,446	11,699	2,635	38,135	379	1,528	696	1,253	2,301	61,072
At 31 March 2013										
Cost	-	-	-	-	681	3,659	3,725	10,042	10,131	28,238
Valuation	2,446	11,699	2,644	38,229	-	-	-	-	-	55,018
Accumulated depreciation	-	-	(9)	(94)	(302)	(2,131)	(3,029)	(8,789)	(7,830)	(22,184)
Net book value	2,446	11,699	2,635	38,135	379	1,528	696	1,253	2,301	61,072

4(a) PROPERTY AND EQUIPMENT (CONTINUED)

During the current financial year, the Directors revalued all freehold and long term leasehold properties of the Company held as self-occupied properties based on independent valuation on the open market value basis by Rahim & Co. Chartered Surveyors Sdn. Bhd., an independent professional qualified valuer.

Recurring fair value measurements

All freehold and long term leasehold properties of the Company are within Level 2 of the fair value hierarchy. The fair values for all the properties have been derived using the sales comparison approach or the investment approach. 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 are as follows:

	31.3.2014 RM'000	31.3.2013 RM'000
Freehold land and buildings	1,976	2,052
Long-term leasehold land and buildings	27,004	27,796
	28,980	29,848

The long-term leasehold land and buildings have unexpired lease periods ranging from 65 years to 881 years (31 March 2013: 66 years to 882 years).

The titles to certain long-term leasehold land and buildings and freehold land and buildings included in property and equipment at carrying value of RM250,000 (31 March 2013: RM239,000) and RM1,300,000 (31 March 2013: RM1,296,000) respectively, 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.

4(b) INTANGIBLE ASSETS - SOFTWARE

	31.3.2014 RM'000	31.3.2013 RM'000
Cost	7,418	8,206
Accumulated amortisation	(4,956)	(6,234)
Net book value	2,462	1,972

	2014 RM'000	2013 RM'000
Net book value		
At beginning of the financial year	1,972	1,089
Additions at cost	1,085	1,206
Amortisation for the financial year	(595)	(323)
At end of the financial year	2,462	1,972

5 NON-CURRENT ASSETS HELD FOR SALE

	31.3.2014 RM'000	31.3.2013 RM'000
Non-current assets held for sale :		
Freehold land (Note 4(a))	-	143
Freehold building (Note 4(a))	-	46
	-	189

During the financial year ended 31 March 2013, the Company entered into a sale and purchase agreement to disposed a property in Sungai Petani. The disposal was completed on 15 July 2013 for a consideration of RM 200,000 and a realised gain of RM 11,000 was recognised in the income statement for the financial year ended 31 March 2014.

6 INVESTMENT PROPERTIES

	Freehold land and building	Leasehold land and building	Total
	RM'000	RM'000	RM'000
At 1 April 2013	11,100	34,442	45,542
Fair value gain (Note 25)	850	686	1,536
At 31 March 2014	11,950	35,128	47,078
At 1 April 2012	10,800	33,133	43,933
Fair value gain (Note 25)	300	1,309	1,609
At 31 March 2013	11,100	34,442	45,542

During the current financial year, the Directors revalued all freehold and long term leasehold properties of the Company held as investment properties based on independent valuation on the open market value basis by Rahim & Co. Chartered Surveyors Sdn. Bhd., an independent professional qualified valuer.

Recurring fair value measurements

All freehold and long term leasehold properties of the Company are within Level 2 of the fair value hierarchy. The fair values for all the properties have been derived using the sales comparison approach or the investment approach. 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 leasehold land and buildings and freehold land and buildings included in investment properties of the Company at carrying value of RM35,128,000 (31 March 2013: RM34,442,000) and RM11,950,000 (31 March 2013: RM11,100,000) respectively 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.

7 INVESTMENTS

The Company's investments are as follows:

	31.3.2014 RM'000	31.3.2013 RM'000
Available-for-sale ("AFS") financial assets	172,993	203,466

The assets included in the above categories are detailed in the table below:

	31.3.2014 RM'000	31.3.2013 RM'000
(a) AFS financial assets		
At fair value:		
Unquoted equity securities in Malaysia	38	47
Unquoted corporate debt securities in Malaysia	170,750	201,094
Accrued interest	2,205	2,325
Total AFS financial assets	172,993	203,466

(b) Carrying value of financial assets

	AFS RM'000	HTM RM'000	Total RM'000
At 1 April 2012	203,648	35,409	239,057
Purchases	96,871	-	96,871
Disposal/maturity/repayment	(90,662)	(35,000)	(125,662)
Amortisation adjustment	(251)	(4)	(255)
Movement in accrued interest	749	(405)	344
Fair value loss recorded in:			
- Other comprehensive income	(6,889)	-	(6,889)
At 31 March 2013 / 1 April 2013	203,466	-	203,466
Purchases	10,142	-	10,142
Disposal/maturity/repayment	(36,269)	-	(36,269)
Amortisation adjustment	(199)	-	(199)
Movement in accrued interest	(120)	-	(120)
Fair value loss recorded in:			
- Other comprehensive income	(4,027)	-	(4,027)
At 31 March 2014	172,993	-	172,993

7 INVESTMENTS (CONTINUED)

(b) Carrying value of financial assets (continued)

The maturity structure of AFS financial assets is as follows:

	31.3.2014 RM'000	31.3.2013 RM'000
Investments mature within 12 months	40,942	12,385
Investments mature after 12 months	132,051	191,081
	172,993	203,466

(c) Fair value hierarchy of AFS financial assets

Recurring fair value measurements

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

	31.3.2014 RM'000	31.3.2013 RM'000
Level 1	-	-
Level 2	172,955	203,419
Level 3	38	47
	172,993	203,466

8 LOANS AND RECEIVABLES

	31.3.2014 RM'000	31.3.2013 RM'000
Staff loans:		
Staff housing loans (secured)	272	303
Fixed and call deposits with licensed banks with maturity more than 1 month	595,384	530,894
Accrued interest	6,552	6,521
	601,936	537,415
Other receivables:		
Malaysia Motor Insurance Pool ('MMIP')		
- Cash calls paid to MMIP	17,989	-
- Assets held under MMIP	34,202	26,054
MMIP commission receivable	6,515	6,001
Deposits	657	741
Prepayments	413	403
Other receivables	1,432	1,677
	61,208	34,876
Total loans and receivables	663,416	572,594
The following loans and receivables		
Mature within 12 months	548,241	509,752
Mature after 12 months	53,695	27,663

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

9 DEFERRED TAX ASSETS/(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 financial position:

	31.3.2014 RM'000	31.3.2013 RM'000
Deferred tax (liabilities)/assets	(3,830)	3,569

	2014 RM'000	2013 RM'000
At beginning of the financial year	3,569	(3,828)
(Charged)/credited to income statement (Note 29)		
- property and equipment	166	(249)
- investment properties	(18)	(402)
- AFS financial assets	(198)	(658)
- HTM financial assets	-	671
- retirement benefits	(29)	(14)
- other payables	625	2,476
- premium liabilities	5	(38)
- claims liabilities	500	-
- other receivables	(3,888)	3,888
	(2,837)	5,674
Credited/(charged) to equity		
Asset revaluation reserve		
Property and equipment	(5,569)	-
AFS reserve		
AFS financial assets	1,007	1,723
At end of the financial year	(3,830)	3,569

9 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

	31.3.2014	31.3.2013
	RM'000	RM'000
Deferred tax assets (before offsetting)		
Other receivables	4	3,892
Retirement benefits	219	248
AFS financial assets	128	-
Other payables	5,524	4,898
Claims liabilities	500	-
	6,375	9,038
Offsetting	(6,375)	(5,469)
Deferred tax assets (after offsetting)	-	3,569
Deferred tax liabilities (before offsetting)		
Property and equipment	6,945	541
Investment properties	3,190	3,172
AFS financial assets	-	681
Premium liabilities	70	75
	10,205	5,469
Offsetting	(6,375)	(5,469)
Deferred tax liabilities (after offsetting)	3,830	-

10 REINSURANCE ASSETS

	31.3.2014	31.3.2013
	RM'000	RM'000
Reinsurance of insurance contract:		
Claims liabilities (Note 17)	146,151	154,151
Premium liabilities (Note 17)	65,327	59,850
	211,478	214,001

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

11 INSURANCE RECEIVABLES

	31.3.2014	31.3.2013
	RM'000	RM'000
Due premium including agents, brokers and co-insurers balance	28,462	27,913
Due from reinsurers and cedants	11,068	9,244
	39,530	37,157
Less: Impairment allowance	(4,851)	(6,116)
	34,679	31,041
Knock-for-knock claims recoveries due from other insurers	1,630	1,386
Less: Impairment allowance	(119)	(89)
	1,511	1,297
	36,190	32,338

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

	31.3.2014	31.3.2013
	RM'000	RM'000
Gross amount of recognised insurance receivables	41,570	37,545
Less: Gross amount of commissions payable recognised in the statement of financial position	(5,380)	(5,207)
Net amount of financial assets presented in the statement of financial position	36,190	32,338

12 DEFERRED ACQUISITION COSTS

	RM'000
Deferred acquisition costs:	
At 1 April 2012	22,165
Movement during the financial year (Note 26)	226
At 31 March 2013	22,391
Movement during the financial year (Note 26)	1,889
At 31 March 2014	24,280

12 DEFERRED ACQUISITION COSTS (CONTINUED)

	RM'000
Deferred acquisition costs - reinsurance:	
At 1 April 2012	(8,167)
Movement during the financial year (Note 26)	2,409
At 31 March 2013	(5,758)
Movement during the financial year (Note 26)	(356)
At 31 March 2014	(6,114)

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

13 CASH AND CASH EQUIVALENTS

	31.3.2014 RM'000	31.3.2013 RM'000
Cash and bank balances	1,305	1,315
Call deposits with licensed banks	6,072	4,042
Accrued interest	36	4
	7,413	5,361

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

14 SHARE CAPITAL

	31.3.2014		31.3.2013	
	Amount	Number of shares	Amount	Number of shares
	RM'000	'000	RM'000	'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

	31.3.2014	31.3.2013
	RM'000	RM'000
Non-distributable		
Asset revaluation reserve	18,329	23,010
AFS reserve	(2,195)	825
	16,134	23,835

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

16 RETAINED EARNINGS

Under the single-tier tax system which comes into effect from the year of assessment 2008, companies are not required to have tax credits under Section 108 of the Income Tax Act, 1967 for dividend payment purpose. Dividends paid under this system are tax exempt in the hands of shareholders.

Companies with Section 108 credits as at 31 December 2007 may continue to pay franked dividends to their shareholders under limited circumtances. Companies also have an irrevocable option to disregard their accumulated tax credits under Section 108 and opt to pay dividends under the single-tier system. The change in the tax legislation also provides for the Section 108 balances to be locked in as at 31 December 2007 in accordance with Section 39 of the Finance Act, 2007. With the expiry of the transitional period of 6 years on 31 December 2013, the unutilised tax credit balance under Section 108(6) of the Income Tax Act, 1967 will be disregarded.

The Company can distribute all of its retained earnings as at 31 March 2014 as single-tier dividends.

17 INSURANCE CONTRACT LIABILITIES

	31.3.2014			31.3.2013		
	Gross	Re-insurance	Net	Gross	Re-insurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
General insurance	709,781	(211,478)	498,303	656,050	(214,001)	442,049

The general insurance contract liabilities and the movement are further analysed follows:

	31.3.2014			31.3.2013		
	Gross	Re-insurance	Net	Gross	Re-insurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Provision for claims	318,427	(115,273)	203,154	295,974	(116,385)	179,589
Provision for incurred but not reported ("IBNR") claims	135,314	(30,878)	104,436	126,549	(37,766)	88,783
Claims liabilities (i)	453,741	(146,151)	307,590	422,523	(154,151)	268,372
Premium liabilities (ii)	256,040	(65,327)	190,713	233,527	(59,850)	173,677
	709,781	(211,478)	498,303	656,050	(214,001)	442,049

17 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(i) Claims liabilities

	2014			2013		
	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	422,523	(154,151)	268,372	413,064	(150,846)	262,218
Claims incurred for the current accident year (direct and facultative)	286,793	(73,786)	213,007	259,549	(79,906)	179,643
Adjustment to claims incurred in prior accident years (direct and facultative)	(14,660)	7,002	(7,658)	(29,371)	2,386	(26,985)
Claims incurred during the financial year (treaty inwards claims)	18,027	(23)	18,004	17,232	-	17,232
Movement in PRAD of claims liabilities at 75% confidence level	(3,024)	3,048	24	6,298	(2,187)	4,111
Movement in claims handling expenses	1,108	146	1,254	(179)	3	(176)
Claims paid during the financial year	(257,026)	71,613	(185,413)	(244,070)	76,399	(167,671)
At end of the financial year	453,741	(146,151)	307,590	422,523	(154,151)	268,372

17 INSURANCE CONTRACT LIABILITIES (CONTINUED)

(i) Claims liabilities by class of business

	31.3.2014			31.3.2013		
	Motor	Non-Motor	Total	Motor	Non-Motor	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross claims liabilities	359,739	94,002	453,741	319,632	102,891	422,523
Reinsurance	(77,630)	(68,521)	(146,151)	(77,741)	(76,410)	(154,151)
Net claims liabilities	282,109	25,481	307,590	241,891	26,481	268,372

(ii) Premium liabilities

	2014			2013		
	Gross	Re-insurance	Net	Gross	Re-insurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At beginning of the financial year	233,527	(59,849)	173,678	218,434	(76,620)	141,814
Premiums written during the financial year	529,870	(155,437)	374,433	471,930	(139,290)	332,640
Premiums earned during the financial year	(507,357)	149,959	(357,398)	(456,837)	156,060	(300,777)
At end of the financial year	256,040	(65,327)	190,713	233,527	(59,850)	173,677

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

18 SUBORDINATED LOAN

	31.3.2014 RM'000	31.3.2013 RM'000
Unsecured subordinated loan:		
Principal payable after 12 months	30,000	30,000
Interest on subordinated loan, payable within 12 months	436	436
	30,436	30,436

On 29 June 2010, the Company obtained from its shareholders, a subordinated loan amounting to RM30 million to improve the Company's capital adequacy ratio.

The tenure of this subordinated loan is ten (10) years and shall be repaid in full on the maturity basis. The interest rate applicable for the subordinated loan is as follows:

(a) nine per cent (9%) per annum on monthly rest from the disbursement date until the end of the fifth (5th) anniversary of the disbursement date;

(b) eleven per cent (11%) per annum on monthly rest from the sixth (6th) anniversary of the disbursement date until the tenth (10th) anniversary of the disbursement date or the full settlement of the subordinated loan, whichever is earlier.

The Company has the right to elect the maturity date by giving one (1) month written notice to the Lenders of its proposed maturity date which shall not fall less than five (5) years from the disbursement date, and upon the approval of Bank Negara Malaysia.

The Company recognised a finance cost of RM2,700,000 (2013: RM2,702,000) during the current financial year.

Recurring fair value measurements

The fair value of the subordinated loan is RM 26,936,312 at the date of the statement of financial position and is within Level 2 of the fair value hierarchy.

19 INSURANCE PAYABLES

	31.3.2014 RM'000	31.3.2013 RM'000
Due to insureds, agents, brokers and co-insurers	13,118	17,900
Due to reinsurers and cedants	66,584	58,010
	79,702	75,910

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

	31.3.2014 RM'000	31.3.2013 RM'000
Gross amount of recognised insurance payables	85,082	81,117
Less : Gross amount of commissions receivable recognised in the statement of financial position	(5,380)	(5,207)
Net amount of financial liabilities presented in the statement of financial position.	79,702	75,910

20 OTHER PAYABLES

	31.3.2014 RM'000	31.3.2013 RM'000
Amount due to a shareholder	61	61
Payroll liabilities	13,351	14,855
Defined contribution plan	482	392
Unclaimed monies	1,005	932
Cash collaterals held on bond business	657	646
Stamp duty and service tax payable	1,624	1,655
Accrual of insurance levy	81	50
MMIP collection payable	3,897	6,918
Profit commission payable	2,494	2,040
Interest on premium reserve	1,658	1,052
Tenant deposits	547	708
Accrued expenses	6,359	5,052
Other payables	671	1,393
	32,887	35,754

The amount due to a shareholder of the Company is unsecured, interest free and has no fixed terms of repayment.

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

21 POST EMPLOYMENT BENEFIT OBLIGATIONS

Defined contribution plan:

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.

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.

21 POST-EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

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

	RM'000
At 1 April 2012	610
Benefits paid	(237)
Charged to income statement	228
At 31 March 2013	601
Benefits paid	(467)
Charged to income statement	262
At 31 March 2014	396

	31.3.2014 RM'000	31.3.2013 RM'000
Payable within 12 months	-	60
Payable after 12 months	396	541
	396	601

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

	31.3.2014 RM'000	31.3.2013 RM'000
Present value of unfunded obligations	396	601

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

	2014 RM'000	2013 RM'000
Current service cost	(3)	(9)

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

	31.3.2014 %	31.3.2013 %
Discount rate	7	7
Expected salary of salary increase	8	8

On 1 April 2004, the Company discontinued the operations of its unfunded defined benefit plan for all of its employees except for a few who opted for the amount due to them as at 31 March 2004 to be paid upon their retirement.

22 OPERATING REVENUE

	2014 RM'000	2013 RM'000
Gross earned premiums	507,357	456,837
Investment income (Note 23)	29,492	28,304
	536,849	485,141

23 INVESTMENT INCOME

	2014 RM'000	2013 RM'000
AFS financial assets		
Dividend/interest income		
- Corporate debt securities	8,510	8,144
- Real estate investment trusts	-	3,206
Amortisation of premiums, net of accretion of discounts	(199)	(251)
HTM financial assets		
Interest income		
- Corporate debt securities	-	797
Amortisation of premiums, net of accretion of discounts	-	(4)
Interest income earns and receivables and cash and cash equivalents	19,556	14,801
Rental income	2,954	2,717
Less: Rates and maintenance expenses	(1,329)	(1,106)
	29,492	28,304

24 REALISED GAINS AND LOSSES

	2014 RM'000	2013 RM'000
Realised gain/(loss) for:		
Property and equipment	11	(13)
AFS financial assets	134	17,893
Foreign currency translation	3	(68)
	148	17,812

25 FAIR VALUE GAINS AND LOSSES

	2014 RM'000	2013 RM'000
Fair value gain on investment properties (Note 6)	1,536	1,609
Impairment (loss)/reversal of impairment loss on self-occupied properties (Note 4(a))	(4)	15
	1,532	1,624

26 COMMISSION INCOME/EXPENSE

	2014 RM'000	2013 RM'000
Commission income:		
Commission income	36,804	30,930
Movement in deferred acquisition costs (Note 12)	(356)	2,409
	36,448	33,339
Commission expense:		
Commission expense	(58,137)	(49,815)
Movement in deferred acquisition costs (Note 12)	1,889	226
	(56,248)	(49,589)

27 OTHER INCOME

	2014 RM'000	2013 RM'000
Gross servicing fees from MMIP	28,873	25,370
Less: Related management expenses include depreciation charge of RM192,000 (2013: RM175,000) (Note 28)	(11,507)	(11,812)
	17,366	13,558
Interest on deposits retained	(957)	(1,013)
Property and equipment written off	(5)	(9)
Others	2,927	1,400
	19,331	13,936

28 MANAGEMENT EXPENSES

	2014 RM'000	2013 RM'000
Staff costs:		
Salaries and bonus	34,371	35,489
Defined contribution plan	4,956	5,001
Others	3,515	3,224
	42,842	43,714
Advertising	5,329	3,273
Auditors' remuneration	269	247
Depreciation of property and equipment (Note 4(a))	2,592	2,456
Amortisation of intangible assets - software (Note 4(b))	595	323
EDP expenses	3,346	2,937
Insurance levy	192	419
Postage and telephone	2,356	2,055
Printing and stationery	3,151	2,602
Rental of properties	1,025	956
Training expenses	1,654	1,482
Reimbursement of depreciation charge from MMIP (Note 27)	(192)	(175)
Write-back of impairment allowance for insurance receivables (Note 36)	(12)	(121)
Recoveries of bad debt written off	(451)	-
Fund management and professional fees	984	966
Entertainment	1,516	1,338
Credit card charges	5,002	4,676
Others	5,832	5,521
	33,188	28,955
Total management expenses	76,030	72,669

Included in management expenses are emoluments received by Directors of the Company during the financial year:

	2014 RM'000	2013 RM'000
Non-Executive Directors:		
- fees	690	687
- other emoluments	256	236
Total Directors' remuneration	946	923

28 MANAGEMENT EXPENSES (CONTINUED)

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

	2014 RM'000	2013 RM'000
Non-Executive Directors:		
Less than RM50,000	-	1
RM50,001 - RM100,000	9	10
More than RM 100,000	1	-

The remuneration, including benefits-in-kind, attributable to the Chief Executive Officer of the Company during the financial year amounted to RM2,032,000 (2013: RM1,421,000).

29 TAX EXPENSE

	2014 RM'000	2013 RM'000
Current tax:		
Current financial year	18,280	27,079
Under/(over)-provision in prior financial year	248	(729)
Deferred tax (Note 9)	2,837	(5,674)
Tax expense	21,365	20,676

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

	2014 RM'000	2013 RM'000
Profit before taxation	84,738	97,007
Tax calculated at the statutory rate of 25% (2013: 25%)	21,185	24,252
Tax effect of:		
- expenses not deductible for tax purposes	1,274	1,142
- income not subject to tax	-	(101)
- deductible temporary differences not recognised previously	(733)	-
- expenses entitled for double deduction	(609)	(3,888)
Under/(over)-provision of tax in prior financial year	248	(729)
	21,365	20,676

30 EARNINGS PER SHARE

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

	2014 RM'000	2013 RM'000
Profit attributable to ordinary equity holders	63,373	76,331
Weighted average number of shares in issue	100,000	100,000
Basic earnings per share (sen)	63.37	76.33

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 transaction involving ordinary shares between the reporting date and the date of completion of these financial statements.

31 DIVIDENDS

	2014		2013	
	Gross dividend per share (sen)	Amount of dividend RM'000	Gross dividend per share (sen)	Amount of dividend RM'000
In respect of the financial year ended 31 March 2012: Final dividend paid, net of tax	-	-	8.00	6,000
In respect of the financial year ended 31 March 2013: Interim dividend paid, net of tax	-	-	10.00	7,500
In respect of the financial year ended 31 March 2013: Final dividend paid, net of tax	13.47	10,100	-	-
In respect of the financial year ended 31 March 2014: Interim single tier dividend paid	25.00	25,000	-	-
	38.47	35,100	18.00	13,500

32 COMMITMENTS

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

	31.3.2014	31.3.2013
	RM'000	RM'000
Authorised by the Directors and contracted for:		
- Property and equipment	1,243	624
Authorised by the Directors but not contracted for:		
- Property and equipment	2,325	2,331
	3,568	2,955

(b) Operating lease commitments

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

	31.3.2014	31.3.2013
	RM'000	RM'000
Not later than 1 year	3,084	1,314
Later than 1 year and no later than 5 years	4,159	2,762
Later than 5 years	253	-
	7,496	4,076

33 SIGNIFICANT RELATED PARTY DISCLOSURES

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 undertakes various transactions with other companies deemed related parties by virtue of them being members of DRB-HICOM Berhad group of companies ("DRB-HICOM Group") and other related parties on agreed terms and conditions.

Related companies	Country of incorporation	Relationship
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

Significant related party balances

The significant related party balances at the date of the statement of financial position are set out below.

Fixed and call deposits	31.3.2014 RM'000	31.3.2013 RM'000
Fixed and call deposits in affiliated company United Overseas Bank Berhad	120,000	48,760
Fixed and call deposits in related company Bank Muamalat Malaysia Berhad	60,000	19,000
Accrued interest in related company Bank Muamalat Malaysia Berhad	163	263
Accrued interest in affiliated company United Overseas Bank Berhad	1,359	334

Insurance receivables		
Due premiums from related companies, DRB-HICOM Group	4,252	4,336
Impairment allowance on due premiums from related companies, DRB-HICOM Group	(463)	(3,712)
Due premiums from affiliated company, United Overseas Bank Berhad	(57)	(17)

33 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Significant related party balances (continued)

	31.3.2014 RM'000	31.3.2013 RM'000
Cash and cash equivalents		
Call deposits in affiliated company		
United Overseas Bank Berhad	2,000	2,000
Bank balance in affiliated company		
United Overseas Bank Berhad	(3,877)	(7,126)
Bank balance in related company		
Bank Muamalat Malaysia Berhad	438	85
Accrued interest in affiliated company		
United Overseas Bank Berhad	1	3
Other receivables		
Other receivable due from immediate holding company, Uni.Asia Capital Sdn. Bhd.	5	5
Subordinated loan		
Due to immediate holding company,		
Uni.Asia Capital Sdn. Bhd.	23,082	23,082
Due to non-controlling shareholders of the Company	3,918	3,918
Claim liabilities		
Due to related companies, DRB-HICOM Group	6,541	10,970
Due to related companies, by virtue of their relationship with ultimate holding company, Etika Strategi Sdn. Bhd.	1,300	2,275
Due to affiliated company, United Overseas Bank Bhd	46	-
Insurance payables		
Due to related companies, DRB-HICOM Group	-	182
Due to affiliated company, United Overseas Bank Bhd	11	7
Due to related companies, by virtue of their relationship with ultimate holding company, Etika Strategi Sdn. Bhd.	1	189

33 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Significant related party balances (continued)

	31.3.2014 RM'000	31.3.2013 RM'000
Other payables		
Due to related companies, DRB-HICOM Group	149	628
Due to immediate holding company, Uni.Asia Capital Sdn. Bhd.	336	336
Due to non-controlling shareholders of the Company	57	57
Dividend payable to immediate holding company, Uni.Asia Capital Sdn. Bhd. and other shareholders	-	7,500

Significant related party transactions	2014 RM'000	2013 RM'000
Transactions with related companies, DRB-HICOM Group:		
- Gross premiums received/receivable	(26,193)	(21,956)
- Claims paid	7,757	2,352
- Commission paid	10,692	6,587
- Management expenses	7,211	4,945
Transaction with immediate holding company, Uni.Asia Capital Sdn. Bhd.		
- Finance cost	2,077	2,079
Transactions with affiliated company, United Overseas Bank Berhad		
- Gross premium received/receivable	(2,859)	(2,728)
- Claims paid	1,407	76
- Commissions paid	4,584	423
- Interest income	(3,469)	(1,102)
- Management expenses	306	366
Transaction with related company, Bank Muamalat Malaysia Berhad		
- Interest income	(1,813)	(689)

33 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Significant related party transactions (continued)

	2014 RM'000	2013 RM'000
Transactions with related companies, by virtue of their relationship with ultimate holding company, Etika Strategi Sdn. Bhd.		
- Gross premiums received/receivable	(2,050)	(1,035)
- Commission paid	2,346	1,390
- Claims paid	324	254
- Management expenses	2	12
Transactions with non-controlling shareholders and Directors:		
- Gross premiums received/receivable	(36)	(19)
- Claims paid	-	2
- Management expenses	126	126
- Finance cost	353	353

Key management personnel represents persons with the authority and responsibility for planning, directing and controlling activities of the Company either directly or indirectly.

	2014 RM'000	2013 RM'000
Key management personnel compensation		
Salaries and other short-term employee benefits:		
- Chief Executive Officer/Chief Financial Officer	2,339	1,646
- Directors (Note 28)	946	923
	3,285	2,569

34 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

ERM framework is updated regularly to ensure relevance and compliance with the recent/applicable laws, regulations and guidelines issued by 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 in assisting the Board to oversee the overall risk management processes by identifying key business risks and ensuring appropriate implementation of system to manage these risks. The RMC-B is tasked to oversee Senior Management's activities in managing key risk areas and to ensure that the risk management process is in place and functioning effectively.

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.

34 RISK MANAGEMENT FRAMEWORK (CONTINUED)

The ERM & 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: risk taking units (1^{st} defence), risk control unit (2^{nd} defence) and internal audit (3^{rd} defence). The risk taking units are the Operational management who manage the day-to-day management of risks inherent in their business activities, while the risk control units are responsible setting the risk management framework and monitor 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.

35 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 more than one year such as Contractor's All Risk and Workmen 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 Compensation, Marine Cargo/Hull, Liability, Health and other miscellaneous classes.

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.

35 INSURANCE RISK (CONTINUED)

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.

- Authority 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. Investigation 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. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

- 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 it's 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.

35 INSURANCE RISK (CONTINUED)

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

	2014			2013		
	Gross premium	Re-insurance premium ceded	Net premium	Gross premium	Re-insurance premium ceded	Net Premium
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Motor	408,687	(92,372)	316,315	360,127	(80,169)	279,958
Fire	55,186	(35,373)	19,813	49,658	(31,961)	17,697
Marine, Aviation and Transit	9,603	(7,597)	2,006	9,756	(7,793)	1,963
Miscellaneous	56,394	(20,095)	36,299	52,389	(19,367)	33,022
	529,870	(155,437)	374,433	471,930	(139,290)	332,640

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

	31.3.2014			31.3.2013		
	Gross	Re-insurance	Net	Gross	Re-insurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Motor	568,187	(122,365)	445,822	521,992	(121,643)	400,349
Fire	57,551	(42,153)	15,398	45,807	(36,030)	9,777
Marine, Aviation and Transit	11,290	(8,452)	2,837	12,555	(10,447)	2,108
Miscellaneous	72,753	(38,508)	34,246	75,696	(45,881)	29,815
	709,781	(211,478)	498,303	656,050	(214,001)	442,049

35 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 loss development pattern and loss ratio movement.

Additional qualitative judgement 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. Implicit inflation is allowed for future claims to the extent evident in past claims development.

The Company has based its risk margin for adverse deviation for the reserves for unexpired risks and insurance claims at a minimum 75% of sufficiency, according to the requirement set by BNM under the RBC Framework.

Sensitivities

The risks inherent in general insurance contracts are reflected in the insurance contract liabilities which include the premium and claims liabilities, as set out under Note 17 to the financial statements. Premium liabilities comprise reserves for unexpired risks, whilst claims liabilities comprise loss reserves which include provisions for both outstanding claims notified and outstanding claims incurred but not reported.

Outstanding claims provisions are usually established by skilled claims personnel based upon their experience and knowledge, and known facts of individual claims at hand. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder and Bornhuetter-Ferguson ("BF") methods. The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses based upon past development patterns including the implicit underlying trends. The BF methods which tend to be more stable and the more preferred methods also require the input of initial expected loss ratios ("IELRs") which usually are based upon past claims experience.

Thus, general insurance contract liabilities are normally determined based on previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Of particular relevance is past experience with similar cases, historical claims development trends, legislation changes, judicial decisions, economic conditions and claims handling procedures.

35 INSURANCE RISK (CONTINUED)

Sensitivities (continued)

However, additional qualitative judgements are also 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. The estimates of the general insurance contract liabilities are therefore sensitive to various factors and uncertainties and the actual future premium and claims liabilities may not develop exactly as projected and could vary significantly from initial estimates. To increase the probability that the estimates would ultimately be adequate, provisions for adverse deviations are also included in the estimates.

IELRs is an important assumption in the BF estimation techniques. Increasing the IELRs by 10% yields the following impact:

	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
31 March 2014					
Initial expected loss ratios	+10%	7,976	6,501	(6,501)	(4,876)
31 March 2013					
Initial expected loss ratios	+10%	8,117	6,819	(6,819)	(5,144)

* Impact on equity reflects adjustments for tax, when applicable

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

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 relatively 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 31 March 2014 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.

35 INSURANCE RISK (CONTINUED)

Gross claims liabilities for 31 March 2014:

Motor

Accident year	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	Total RM'000
At end of accident year	150,528	147,913	168,608	194,102	182,953	173,517	185,738	200,296	
One year later	164,980	186,700	206,920	221,067	209,077	200,049	223,498		
Two years later	171,121	185,532	215,856	225,128	216,014	210,247			
Three years later	185,713	188,403	215,460	223,995	212,452				
Four years later	188,882	187,432	215,508	220,709					
Five years later	188,250	187,161	214,285						
Six years later	186,801	185,885							
Seven years later	187,738								
Current estimate of cumulative claims incurred	187,738	185,885	214,285	220,709	212,452	210,247	223,498	200,296	1,655,110
At end of accident year	83,438	81,545	87,559	81,559	83,477	86,781	89,033	96,410	
One year later	141,907	144,501	183,234	169,655	156,411	158,219	174,936		
Two years later	152,318	160,606	189,334	197,539	185,001	187,038			
Three years later	168,290	175,858	205,353	211,270	194,737				
Four years later	181,842	183,097	210,255	214,737					
Five years later	184,516	184,298	210,828						
Six years later	185,958	185,087							
Seven years later	187,158								
Cumulative payment to-date	187,158	185,087	210,828	214,737	194,737	187,038	174,936	96,410	1,450,931

35 INSURANCE RISK (CONTINUED)

Gross claims liabilities for 31 March 2014 (continued):

Motor

Accident year	Before 2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	Total RM'000
Gross general insurance outstanding liabilities (direct and facultative)	2,267	579	799	3,457	5,972	17,715	23,209	48,562	103,886	206,446
Gross IBNR	-	-	-	-	-	108	743	9,366	53,594	63,811
Gross general insurance outstanding liabilities(treaty inwards)										51,822
Best estimates of claims liabilities										322,079
Claims handling expenses										10,019
PRAD at 75% confidence level										27,641
Gross general insurance contract claims liabilities per statement of financial position										359,739

35 INSURANCE RISK (CONTINUED)

Gross claims liabilities for 31 March 2014 (continued):

Non-motor

Accident year	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	Total RM'000
At end of accident year	25,758	22,146	54,951	33,246	48,968	30,625	28,921	29,435	
One year later	30,863	31,609	66,561	39,811	51,988	30,322	29,750		
Two years later	30,186	27,030	57,084	39,288	47,938	27,441			
Three years later	29,622	25,946	54,923	36,916	46,903				
Four years later	30,056	25,066	54,229	37,789					
Five years later	30,084	25,245	53,874						
Six years later	29,847	24,905							
Seven years later	30,055								
Current estimate of cumulative claims incurred	30,055	24,905	53,874	37,789	46,903	27,441	29,750	29,435	280,152
At end of accident year	13,834	10,962	8,563	7,812	16,798	7,045	7,108	7,281	
One year later	23,759	21,875	35,280	22,660	33,182	14,435	15,738		
Two years later	27,152	23,427	41,135	26,270	38,463	18,389			
Three years later	28,470	23,748	43,195	27,235	40,389				
Four years later	28,673	24,179	44,428	27,948					
Five years later	28,877	24,783	45,435						
Six years later	29,166	24,811							
Seven years later	29,579								
Cumulative payment to-date	29,579	24,811	45,435	27,948	40,389	18,389	15,738	7,281	209,570

35 INSURANCE RISK (CONTINUED)

Gross claims liabilities for 31 March 2014 (continued):

Non-motor

Accident year	Before 2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	Total RM'000
Gross general insurance outstanding liabilities (direct and facultative)	12,108	477	94	8,439	9,841	6,514	9,051	14,012	22,155	82,691
Gross IBNR	-	-	-	-	-	-	-	-	1,763	1,763
Gross general insurance outstanding liabilities (treaty inwards)										2,636
Best estimates of claims liabilities										87,090
Claims handling expenses										2,224
PRAD at 75% confidence level										4,688
Gross general insurance contract claims liabilities per statement of financial position										94,002

35 INSURANCE RISK (CONTINUED)

Net claims liabilities for 31 March 2014:

Motor

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	Total RM'000
At end of accident year	145,824	143,308	163,687	188,461	139,228	101,035	134,945	157,374	
One year later	158,083	160,414	199,354	212,884	151,573	116,581	161,673		
Two years later	163,587	178,382	205,874	216,541	156,638	122,043			
Three years later	176,497	180,634	205,446	215,717	153,578				
Four years later	178,973	179,990	205,037	212,730					
Five years later	178,537	179,746	203,903						
Six years later	177,337	178,520							
Seven years later	177,697								
Current estimate of cumulative claims incurred	177,697	178,520	203,903	212,730	153,578	122,043	161,673	157,374	1,367,518
At end of accident year	80,871	78,664	84,990	79,440	67,028	48,018	63,562	74,509	
One year later	137,003	139,102	157,425	164,121	114,818	91,985	127,167		
Two years later	146,998	154,564	182,162	190,753	135,176	108,772			
Three years later	180,676	169,205	195,933	203,674	141,505				
Four years later	172,596	175,845	200,170	207,002					
Five years later	175,163	176,995	200,718						
Six years later	176,538	177,753							
Seven years later	177,221								
Cumulative payment to-date	177,221	177,753	200,718	207,002	141,505	108,772	127,167	74,509	1,214,647

35 INSURANCE RISK (CONTINUED)

Net claims liabilities for 31 March 2014 (continued):

Motor

Accident year	Before 2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	Total RM'000
Net general insurance outstanding liabilities (direct and facultative)	1,612	476	767	3,185	5,727	12,074	13,271	34,508	82,865	154,485
Net IBNR	-	-	-	-	-	99	345	5,932	41,394	47,770
Net general insurance outstanding liabilities (treaty inward)										51,822
Best estimates of claims liabilities										254,077
Claims handling expenses										7,867
PRAD at 75% confidence level										20,166
Net general insurance contract claims liabilities per statement of financial position										282,110

35 INSURANCE RISK (CONTINUED)

Net claims liabilities for 31 March 2014:

Non-motor

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	Total RM'000
At end of accident year	19,168	17,994	23,531	21,374	18,590	13,563	12,617	13,637	
One year later	19,132	18,765	24,662	21,103	17,898	12,902	13,558		
Two years later	18,600	18,173	25,165	20,135	16,541	11,976			
Three years later	18,368	18,024	24,552	19,147	16,992				
Four years later	18,490	17,767	23,797	18,830					
Five years later	18,415	17,789	23,878						
Six years later	18,002	17,584							
Seven years later	17,998								
Current estimate of cumulative claims incurred	17,998	17,584	23,878	18,830	16,992	11,976	13,558	13,637	134,453
At end of accident year	8,645	8,478	6,670	6,978	5,564	4,587	4,544	5,509	
One year later	15,720	15,977	17,776	14,771	12,927	8,925	9,671		
Two years later	17,036	17,066	21,194	16,677	14,452	10,114			
Three years later	17,466	17,780	22,079	17,081	15,025				
Four years later	17,576	17,422	23,015	17,170					
Five years later	17,744	17,540	23,100						
Six years later	17,798	17,544							
Seven years later	17,975								
Cumulative payment to-date	17,975	17,544	23,100	17,170	15,025	10,114	9,671	5,509	116,108

35 INSURANCE RISK (CONTINUED)

Net claims liabilities for 31 March 2014 (continued):

Non-motor

Accident year	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	Total RM'000
Net general insurance outstanding liabilities (direct and facultative)	1,034	23	40	779	1,660	1,967	1,862	3,887	8,128	19,380
Net IBNR		-	-	-	-	-	-	-	602	602
Net general insurance outstanding liabilities (treaty inwards)										2,636
Best estimates of claims liabilities										22,618
Claims handling expenses										582
PRAD at 75% confidence level										2,280
Net general insurance contract claims liabilities per statement of financial position										25,480

35 INSURANCE RISK (CONTINUED)

Gross claims liabilities for 31 March 2013:

Motor

Accident year	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	Total RM'000
At end of accident year	157,359	150,528	147,913	168,608	194,102	182,953	173,517	185,738	
One year later	161,284	164,980	186,700	206,920	221,067	209,077	200,049		
Two years later	187,004	171,121	185,532	215,856	225,128	216,014			
Three years later	171,225	185,713	188,403	215,460	223,995				
Four years later	180,434	188,882	187,432	215,508					
Five years later	181,519	188,250	187,161						
Six years later	180,352	186,801							
Seven years later	180,066								
Current estimate of cumulative claims incurred	180,066	186,801	187,161	215,508	223,995	216,014	200,049	185,738	1,595,332
At end of accident year	83,817	83,438	81,545	87,559	81,559	83,477	86,781	89,033	
One year later	139,478	141,907	144,501	183,234	169,655	156,411	158,219		
Two years later	150,154	152,318	160,606	189,334	197,539	185,001			
Three years later	159,270	168,290	175,858	205,353	211,270				
Four years later	169,577	181,842	183,097	210,255					
Five years later	176,290	184,516	184,298						
Six years later	179,325	185,958							
Seven years later	179,737								
Cumulative payment to-date	179,737	185,958	184,298	210,255	211,270	185,001	158,219	89,033	1,403,771

35 INSURANCE RISK (CONTINUED)

Gross claims liabilities for 31 March 2013 (continued):

Motor

Accident year	Before 2006 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	Total RM'000
Gross general insurance outstanding liabilities (direct and facultative)	3,853	329	843	2,863	5,253	12,725	31,013	41,830	96,705	195,414
Gross IBNR	-	-	-	-	-	1,387	4,513	9,113	36,925	51,938
Gross general insurance outstanding liabilities(treaty inwards)										37,363
Best estimates of claims liabilities										284,715
Claims handling expenses										8,651
PRAD at 75% confidence level										26,266
Gross general insurance contract claims liabilities per statement of financial position										319,632

35 INSURANCE RISK (CONTINUED)

Gross claims liabilities for 31 March 2013 (continued):

Non-motor

Accident year	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	Total RM'000
At end of accident year	41,115	25,758	22,146	54,951	33,246	48,968	30,625	28,921	
One year later	53,070	30,863	31,609	66,561	39,811	51,988	30,322		
Two years later	53,316	30,186	27,030	57,084	39,288	47,938			
Three years later	48,580	29,622	25,946	54,923	36,916				
Four years later	48,729	30,056	25,066	54,229					
Five years later	48,351	30,084	25,245						
Six years later	47,322	29,847							
Seven years later	47,860								
Current estimate of cumulative claims incurred	47,860	29,847	25,245	54,229	36,916	47,938	30,322	28,921	301,278
At end of accident year	10,051	13,834	10,962	8,563	7,812	16,798	7,045	7,108	
One year later	29,654	23,759	21,875	35,280	22,660	33,182	14,435		
Two years later	34,060	27,152	23,427	41,135	26,270	38,463			
Three years later	34,950	28,470	23,748	43,195	27,235				
Four years later	35,421	28,673	24,179	44,428					
Five years later	35,617	28,877	24,783						
Six years later	36,046	29,166							
Seven years later	36,072								
Cumulative payment to-date	36,072	29,166	24,783	44,428	27,235	38,463	14,435	7,108	221,690

35 INSURANCE RISK (CONTINUED)

Gross claims liabilities for 31 March 2013 (continued):

Non-motor

Accident year	Before 2006 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	Total RM'000
Gross general insurance outstanding liabilities (direct and facultative)	654	11,788	681	462	9,801	9,681	9,475	15,887	21,813	80,242
Gross IBNR	-	-	-	-	-	-	-	-	7,966	7,966
Gross general insurance outstanding liabilities (treaty inwards)										3,114
Best estimates of claims liabilities										91,322
Claims handling expenses										2,482
PRAD at 75% confidence level										9,087
Gross general insurance contract claims liabilities per statement of financial position										102,891

35 INSURANCE RISK (CONTINUED)

Net claims liabilities for 31 March 2013:

Motor

Accident year	Before 2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	Total RM'000
At end of accident year	149,483	145,824	143,308	163,687	188,461	139,228	101,035	134,945	
One year later	152,785	158,083	160,414	199,354	212,884	151,573	116,581		
Two years later	157,853	163,587	178,382	205,874	216,541	156,638			
Three years later	161,419	176,497	180,634	205,446	215,717				
Four years later	170,242	178,973	179,990	205,037					
Five years later	170,625	178,537	179,746						
Six years later	169,788	177,337							
Seven years later	169,513								
Current estimate of cumulative claims incurred	169,513	177,337	179,746	205,037	215,717	156,638	116,581	134,945	1,355,514
At end of accident year	78,158	80,871	78,664	84,990	79,440	67,028	48,018	63,562	
One year later	130,908	137,003	139,102	157,425	164,121	114,818	91,985		
Two years later	141,723	146,998	154,564	182,162	190,753	135,176			
Three years later	150,148	180,676	169,205	195,933	203,674				
Four years later	159,981	172,596	175,845	200,170					
Five years later	166,332	175,163	176,995						
Six years later	168,803	176,538							
Seven years later	169,198								
Cumulative payment to-date	169,198	176,538	176,995	200,170	203,674	135,176	91,985	63,562	1,217,298

35 INSURANCE RISK (CONTINUED)

Net claims liabilities for 31 March 2013 (continued):

Motor

Accident year	Before 2006 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	Total RM'000
Net general insurance outstanding liabilities (direct and facultative)	2,496	315	799	2,751	4,867	12,043	21,462	24,596	71,383	140,712
Net IBNR	-	-	-	-	-	1,068	590	5,266	30,310	37,234
Net general insurance outstanding liabilities (treaty inward)										37,363
Best estimates of claims liabilities										215,309
Claims handling expenses										6,563
PRAD at 75% confidence level										20,019
Net general insurance contract claims liabilities per statement of financial position										241,891

35 INSURANCE RISK (CONTINUED)

Net claims liabilities for 31 March 2013:

Non-motor

Accident year	Before 2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	Total RM'000
At end of accident year	19,833	19,168	17,994	23,531	21,374	18,590	13,563	12,617	
One year later	20,409	19,132	18,765	24,662	21,103	17,898	12,902		
Two years later	20,947	18,600	18,173	25,165	20,135	16,541			
Three years later	20,360	18,368	18,024	24,552	19,147				
Four years later	20,167	18,490	17,767	23,797					
Five years later	20,171	18,415	17,789						
Six years later	19,705	18,002							
Seven years later	19,737								
Current estimate of cumulative claims incurred	19,737	18,002	17,789	23,797	19,147	16,541	12,902	12,617	140,532
At end of accident year	8,810	8,645	8,478	6,670	6,978	5,564	4,587	4,544	
One year later	16,409	15,720	15,977	17,776	14,771	12,927	8,925		
Two years later	18,154	17,036	17,066	21,194	16,677	14,452			
Three years later	18,552	17,466	17,780	22,079	17,081				
Four years later	18,689	17,576	17,422	23,015					
Five years later	18,754	17,744	17,540						
Six years later	18,794	17,798							
Seven years later	18,805								
Cumulative payment to-date	18,805	17,798	17,540	23,015	17,081	14,452	8,925	4,544	122,160

35 INSURANCE RISK (CONTINUED)

Net claims liabilities for 31 March 2013 (continued):

Non-motor

Accident year	2006 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	Total RM'000
Net general insurance outstanding liabilities (direct and facultative)	189	932	204	249	782	2,066	2,089	3,977	8,073	18,561
Net IBNR		-	-	-	-	-	-	-	1,772	1,772
Net general insurance outstanding liabilities (treaty inwards)										3,113
Best estimates of claims liabilities										23,446
Claims handling expenses										632
PRAD at 75% confidence level										2,403
Net general insurance contract claims liabilities per statement of financial position										26,481

36 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 cash flow 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 primarily 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.

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 on monthly meeting by Credit Control Committee and Credit Control Department and Business Unit in monitoring on the outstanding position. The Company also has guidelines to evaluate intermediaries before their appointment as well as setting credit limits to these appointees.

36 FINANCIAL RISK (CONTINUED)

Credit exposure

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

	31.3.2014	31.3.2013
	RM'000	RM'000
Available-for-sale financial assets	172,993	203,466
Reinsurance assets - excluding premium liabilities - reinsurance	146,151	154,151
Loans and receivables - excluding prepayments	663,003	572,191
Insurance receivables - excluding deferred reinsurance premium	34,761	30,910
Cash and cash equivalents	7,413	5,361
	1,024,321	966,079

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.

	Neither past due nor impaired/ investment grade	Past due but not impaired	Past due and impaired	Total
	RM'000	RM'000	RM'000	RM'000
31 March 2014				
Investments:				
Available-for-sale financial assets	172,958	-	1,044	174,002
Reinsurance assets, excluding premium liabilities - reinsurance	146,151	-	-	146,151
Loans and receivables, excluding prepayments	663,003	-	-	663,003
Insurance receivables, excluding deferred reinsurance premium	8,106	26,655	4,970	39,731
Cash and cash equivalents	7,413	-	-	7,413
	996,201	26,655	6,014	1,030,300
Allowance for impairment	-	-	(5,979)	(5,979)
	996,201	26,655	35	1,024,321

36 FINANCIAL RISK (CONTINUED)

Credit exposure by credit quality (continued)

31 March 2013	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
Investments:				
Available-for-sale financial assets	199,475	-	5,000	204,475
Reinsurance assets, excluding premium liabilities - reinsurance	154,151	-	-	154,151
Loans and receivables, excluding prepayments	572,191	-	-	572,191
Insurance receivables, excluding deferred reinsurance premium	7,341	23,569	6,205	37,115
Cash and cash equivalents	5,361	-	-	5,361
	938,519	23,569	11,205	973,293
Allowance for impairment	-	-	(7,214)	(7,214)
	938,519	23,569	3,991	966,079

36 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	AAA	AA	A	BBB	B	D	Unrated	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 March 2014									
Available-for-sale financial assets	6,178	100,559	50,547	-	-		35	15,674	172,993
Reinsurance assets, excluding premium liabilities - reinsurance	-	-	49,977	60,966	-	1,712	-	33,496	146,151
Loans and receivables, excluding prepayments	-	297,030	116,271	158,333	-	-	-	91,369	663,003
Insurance receivables, excluding deferred reinsurance premium	-	2,643	82	1,473	-	2,005	-	28,558	34,761
Cash and cash equivalents	-	452	2,358	4,546	-	-	-	57	7,413
	6,178	400,684	219,235	225,318	-	3,717	35	169,154	1,024,321

	Government Guaranteed	AAA	AA	A	BBB	B	D	Unrated	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 March 2013									
Available-for-sale financial assets	6,435	122,305	50,941	1,984	-	-	3,991	17,810	203,466
Reinsurance assets, excluding premium liabilities - reinsurance	-	-	53,486	65,183	334	-	-	35,148	154,151
Loans and receivables, excluding prepayments	-	125,227	96,272	270,520	-	-	-	80,172	572,191
Insurance receivables, excluding deferred reinsurance premium	-	2,849	136	1,224	-	422	-	26,279	30,910
Cash and cash equivalents	-	587	2,601	1,087	-	-	-	1,086	5,361
	6,435	250,968	203,436	339,998	334	422	3,991	160,495	966,079

36 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 amount are contractually due.

	31 – 60 days RM'000	61 – 90 days RM'000	91- 180 days RM'000	> 180 days RM'000	Total RM'000
31 March 2014					
Insurance receivables	4,099	2,266	12,039	8,251	26,655
31 March 2013					
Insurance receivables	4,055	4,455	8,539	6,520	23,569

Age analysis of financial assets past due and impaired

At 31 March 2014, based on a combination of collective and individual assessment of receivables, there are impaired insurance receivables of RM4,970,000 (31 March 2013: RM6,205,000). For assets to be classified as "past due and impaired", contractual payment must be in arrears for more than 90 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 2012	6,326
Movement during the financial year (Note 28)	(121)
At 31 March 2013	6,205
Movement during the financial year (Note 28)	(12)
Written off during the financial year	(1,223)
At 31 March 2014	4,970

At 31 March 2014, there is an impaired available-for-sale financial asset of RM1,009,000 (31 March 2013: RM1,009,000). A reconciliation of the impairment loss of the available-for-sale financial asset is as follows:

	RM'000
At 1 April 2012	1,009
Movement during the financial year	-
At 31 March 2013	1,009
Movement during the financial year	-
At 31 March 2014	1,009

36 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 maintained adequate liquidity to meet their 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 ("RMC") 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 assets 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 their 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 arranging credit line with banks and 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 financial assets and financial 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.

36 FINANCIAL RISK (CONTINUED)

Maturity profiles (continued)

31 March 2014	Carrying value	Up to a year*	1 to 3 years	3 to 5 years	5 to 15 years	Over 15 years	No maturity date	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets:								
Available-for-sale	172,993	49,968	52,970	17,208	91,363	7,746	73	219,328
Reinsurance assets, excluding premium liabilities - reinsurance	146,151	50,289	81,304	10,918	3,197	443	-	146,151
Loans and receivables, excluding prepayments	663,003	619,666	283	59	367	-	53,316	673,691
Insurance receivables, excluding deferred reinsurance premiums	34,761	34,761	-	-	-	-	-	34,761
Cash and cash equivalents	7,413	7,413	-	-	-	-	-	7,413
Total financial assets	1,024,321	762,097	134,557	28,185	94,927	8,189	53,389	1,081,344
Claims liabilities	453,741	185,979	228,337	28,418	10,494	513	-	453,741
Subordinated loan	30,436	2,700	30,658	-	-	-	-	33,358
Insurance payables, excluding deferred premiums and commission	79,702	79,702	-	-	-	-	-	79,702
Post employment benefit	396		-	180	39	137	40	396
Other payables	32,887	31,302	852	116	616	-	-	32,886
Total financial liabilities	597,162	299,683	259,847	24,714	11,149	650	40	600,083

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

36 FINANCIAL RISK (CONTINUED)

Maturity profiles (continued)

31 March 2013	Caryying value RM'000	Up to a year* RM'000	1 to 3 years RM'000	3 to 5 years RM'000	5 to15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
Financial assets:								
Available-for-sale	203,466	18,514	99,467	15,817	104,324	7,958	4,085	250,165
Reinsurance assets, excluding premium liabilities - reinsurance	154,151	57,544	83,355	6,318	3,481	3,453	-	154,151
Loans and receivables, excluding prepayments	572,191	550,158	76	59	373	-	27,390	578,056
Insurance receivables, excluding deferred reinsurance premiums	30,910	30,910	-	-	-	-	-	30,910
Cash and cash equivalents	5,361	5,361	-	-	-	-	-	5,361
Total financial assets	966,079	662,487	182,898	22,194	108,178	11,411	31,475	1,018,643
Claims liabilities	422,523	169,546	198,781	36,735	13,056	4,405	-	422,523
Subordinated loan	30,436	2,700	33,811	-	-	-	-	36,511
Insurance payables, excluding deferred premiums and commissions	30,910	30,910	-	-	-	-	-	30,910
Post employment benefit	601	60	90	176	219	56	-	601
Other payables	35,754	34,198	-	-	-	-	1,991	36,189
Dividend payable	7,500	7,500	-	-	-	-	-	7,500
Total financial liabilities	527,724	244,914	232,682	36,911	13,275	4,461	1,991	534,234

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

36 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 two months to the Investment Committee and quarterly to the 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.

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 no exposure in currency risk.

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 and deposit placements. 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 of statements of profit or loss and changes in equity (due to changes in fair value of available-for-sale financial assets).

36 FINANCIAL RISK (CONTINUED)

Interest rate/ Profit yield rate (continued)

	31 March 2014		31 March 2013	
	Impact on PBT	Impact on Equity*	Impact on PBT	Impact on Eqity*
	RM'000	RM'000	RM'000	RM'000
Change in Variable				
Interest Rate +50bps	-	(2,415)	-	(3,108)
Interest Rate -50bps	-	2,513	-	3,237

* 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 instruments 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 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 management 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.

37 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%. The Company has a capital adequacy ratio in excess of the minimum requirement.

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

	31.3.2014 RM'000	31.3.2013 RM'000
Eligible Tier 1 Capital:		
Share capital (paid up)	100,000	100,000
Retained earnings	246,683	218,300
	346,683	318,300
Tier 2 Capital:		
Asset revaluation reserve	18,329	23,010
AFS reserve	(2,195)	825
Subordinated loan	30,000	30,000
	46,134	53,835
Deduction	-	(3,569)
Total capital available	392,817	368,566

STATEMENT BY DIRECTORS PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Dato' Haji Kamil Khalid Ariff and Dato' Mohamed Hazlan Bin Mohamed Hussain, two of the Directors of Uni.Asia General Insurance Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 16 to 103 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 March 2014 and of the financial performance and cash flows of the Company for the financial year ended on that date in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and comply with the provisions of the Companies Act, 1965.

Signed on behalf of the Board of Directors in accordance with their resolution dated 22 May 2014.

DATO' HAJI KAMIL KHALID ARIFF
DIRECTOR

DATO' MOHAMED HAZLAN BIN MOHAMED HUSSAIN
DIRECTOR

Kuala Lumpur
22 May 2014

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 Uni.Asia General Insurance Berhad, do solemnly and sincerely declare that the financial statements set out on pages 16 to 103 are, in my opinion, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed
at Kuala Lumpur in Malaysia
on 22 May 2014

TAN SEE DIP

Before me,

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF UNI.ASIA GENERAL INSURANCE BERHAD
(Incorporated in Malaysia)
(Company No. 16688 K)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Uni.Asia General Insurance Berhad, which comprise the statement of financial position as at 31 March 2014, and the statements of income, other comprehensive income, changes in equity and cash flows of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 16 to 103.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of these financial statements that give true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and comply with the provisions of the Companies Act, 1965, and for such internal control as the Directors determine are 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 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 judgement, 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 Company'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 Company's internal control. An audit also includes evaluating the appropriateness of 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.

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Company as of 31 March 2014 and of its financial performance and cash flows for the financial year then ended.

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.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

SOO HOO KHOON YEAN
(No. 2682/10/15 (J))
Chartered Accountant

Kuala Lumpur
22 May 2014

LIST OF PROPERTIES as at FYE March 2014

No.	Location and Address	Date of Acquisition	Description / Existing Use	Approximate Age of Building Years	Tenure	Approximate Area (sq.m): Built-up	Net Book Value as at 31.03.2014 RM'000
1	**Menara Uni.Asia No.1008, Jalan Sultan Ismail, 50250 Kuala Lumpur, Wilayah Persekutuan**	14 July 1999	Ground, 2nd, 6th to 10th floors used as Uni.Asia General Insurance's Corporate Head Office.	15	Leasehold 99 years expiring on 06.02.2078	6,466	45,782
2	**Menara Uni.Asia No.1008, Jalan Sultan Ismail, 50250 Kuala Lumpur, Wilayah Persekutuan**	31 July 2001	11th to 13Ath floors are rented out.	15	Leasehold 99 years expiring on 06.02.2078	4,728	35,128
3	**Adjacent Land (Plot A), Menara Uni.Asia**	30 December 1990	Vacant land.	13	Leasehold 82 years expiring on 15.08.2083	256	0
4	**Lot 5453, A-4 Jalan Kg. Baru, Sg. Petani, Kedah**	26 February 1994	4 storey shophouse used as branch office.	19	Freehold	433	849
5	**Suite 3.1, 3.2 and 3.3, Menara Penang Garden, Penang.**	6 May 1992 & 5 Aug 1993	Suite 3.1, 3.2 and 3.3 are used as branch office and regional office.	20	Freehold	574	1,296
6	**Lot 951 (471) & 801, Mukim 11, Barat Daya, Penang.**	12 February 1980	Vacant Land.	21	Freehold	8,551	3,150
7	**122 & 122A, Jalan Raja Musa Aziz, Ipoh.**	12 January 1981	2 units of 3 storey shophouse used as branch office.	32	Leasehold 999 years expiring on 21.09.2894	866	938
8	**9th - 12th Floors, Menara Safuan, Kuala Lumpur, Wilayah Persekutuan.**	31 December 1994	9th to 12th floors are rented out.	31	Freehold	1,859	8,800
9	**No. 13, Jalan Melur 8, Taman Suria Jaya, Cheras, Selangor.**	24 August 1981	4 storey terrace shophouse being used as a store.	31	Leasehold 99 years expiring on 23.01.2085	544	489
10	**No. 360 Taman Melaka Raya, Melaka.**	11 March 1993	3 storey shophouse used as a branch office.	21	Leasehold 99 years expiring on 04.10.2082	368	699
11	**9B Condominium, Type A, Frasers Pine Resort, Bukit Fraser, Raub, Pahang.**	06 August 1982	3 Bedroom duplex apartment unit - Vacant	28	Leasehold 99 years expiring on 23.05.2082	166	249

LIST OF PROPERTIES as at FYE March 2014

No.	Location and Address	Date of Acquistion	Description / Existing Use	Approximate Age of Building Years	Tenure	Approximate Area (sq.m): Built-up	Net Book Value as at 31.03.2014 RM'000
12	**688-C, Jalan Bukit Ubi, Kuantan, Pahang.**	19 March 1981	3 storey shophouse used as a branch office.	32	Freehold	403	629
13	**No 17 & 18, Jalan Tebrau, Johor Bahru, Johor.**	31 March 1982	Ground, 1st 2nd, floors of Lot 17 & 18 used as branch office and regional office.	31	Freehold	691	1,967
14	**Lot 329 & 330, Central Road East, Kuching, Sarawak.**	13 March 1993	1st floor of Lot 320 is vacant and others are used as branch office.	19	Leasehold 999 years expiring on 03.05.2781	687	1,289
15	**Wisma Uni.Asia, No 361, Taman Bukit Emas, Jalan Tampin, 70450 Seremban.**	29 May 1995	3 storey shophouse used as branch office.	33	Freehold	470	499
	TOTAL						**101,764**