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PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

CORPORATE INFORMATION

DIRECTORS

Datuk Datu Harun bin Datu Mansor, JP (Chairman)
Datuk Lim Siong Eng
Haji Onn bin Abdullah (Retired on 25 May 2015)
Francis Lai @ Lai Vun Sen
Datuk Siau Wui Kee
Lim Fung Ha
Petrus Gimbad
Haji Mohamed Rifai Bin Mohd Razi
Haji Pg Mahmuddin Bin Pg Md Tahir Nasruddin (Appointed on 7 July 2015)

SECRETARY

Kan Poh Yee

REGISTERED OFFICE

7th Floor,
Wisma Perkasa, Jalan Gaya
88845 Kota Kinabalu
Sabah

PRINCIPAL PLACE OF BUSINESS

6th, 9th and 10th Floors
Plaza Berjaya
No. 12, Jalan Imbi
55100 Kuala Lumpur

DOMICILE : MALAYSIA

AUDITORS

Messrs Ernst & Young
Chartered Accountants
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damanlela
50490 Kuala Lumpur

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(Incorporated in Malaysia)

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DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2015.

PRINCIPAL ACTIVITY

The principal activity of the Group and of the Company is the underwriting of all classes of general insurance business.

The principal activities of the wholesale unit trust funds are as disclosed in Note 4(c) to the financial statements.

There has been no significant change in the nature of these activities during the financial year.

FINANCIAL RESULTS

The results of the operations of the Group and of the Company for the year ended 31 December 2015 are as follows:

	Group RM	Company RM
Net profit for the year	15,771,597	15,441,542
Attributable to:		
Equity holder of the Company	15,635,990	
Non-controlling interest	135,607	
	15,771,597	

RESERVES AND PROVISIONS

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

DIVIDENDS

The amount of dividends declared and paid by the Company since the end of the previous financial year is as follows:

	Company RM
In respect of financial year ended 31 December 2014 and as reported in the Director's report of that year:	
Final single tier dividend of 8.56% on 100,000,000 ordinary shares declared and paid on 25 May 2015.	8,560,000

At the forthcoming Annual General Meeting, a final single-tier dividend in respect of the financial year ended 31 December 2015 of 7.72% on 100,000,000 ordinary shares amounting to a total dividend payable of RM7,720,000 (7.72 sen per ordinary share) will be proposed for shareholders' approval. This dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2016.

INSURANCE LIABILITIES

Before the statements of financial position, income statements and statements of comprehensive income of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that there was adequate provision for its insurance liabilities in accordance with the valuation methods prescribed in the Risk Based Capital (RBC) Framework for Insurers by Bank Negara Malaysia (BNM).

IMPAIRED DEBTS

Before the statements of financial position, income statements and statements of comprehensive income of the Group and 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 impaired debts and the making of impairment allowance for impaired debts and satisfied themselves that all known impaired debts had been written off and that adequate allowance had been made for impaired debts.

PROGRESSIVE INSURANCE BHD
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IMPAIRED DEBTS (CONT'D.)

At the date of this report, the Directors of the Group and of the Company are not aware of any circumstances which would render the amount written off for impaired debts or the amount of the impairment allowance for impaired debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the statements of financial position, income statements and statements of comprehensive income of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to their recoverable amount.

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

CONTINGENT LIABILITIES

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

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

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

PROGRESSIVE INSURANCE BHD
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CONTINGENT LIABILITIES (CONT'D.)

In the opinion of the Directors, no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their 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 Group and 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 financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading or inappropriate.

ITEMS OF AN UNUSUAL NATURE

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

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

ISSUE OF SHARES

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

PROGRESSIVE INSURANCE BHD
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DIRECTORS AND THEIR INTERESTS IN SHARES

Directors who served since the date of the last report and at the date of this report are:
Datuk Datu Harun bin Datu Mansor, JP
Datuk Lim Siong Eng
Francis Lai @ Lai Vun Sen
Datuk Siau Wui Kee
Lim Fung Ha
Petrus Gimbad
Haji Mohamed Rifai Bin Mohd Razi
Haji Pg Mahmuddin Bin Pg Md Tahir Nasruddin (Appointed on 7 July 2015)
Haji Onn bin Abdullah (Retired on 25 May 2015)

Datuk Datu Harun bin Datu Mansor, JP and Datuk Siau Wui Kee retire pursuant to Section 129 of the Companies Act, 1965 at the next Annual General Meeting, and being eligible, offer themselves for re-election.

In accordance with Article 81(B) of the Company's Articles of Association, Haji Pg Mahmuddin Bin Pg Md Tahir Nasruddin being eligible, offers himself for re-election.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefits (other than benefits included in the aggregate amount of emoluments and fees received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company as shown in Note 17(b) to the financial statements) by reason of a contract made by the Company or a related company 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.

There were no arrangements during and at the end of the year to which the Group and the Company was a party, whereby the Directors of the Company might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

CORPORATE GOVERNANCE

The Board of Directors fully appreciate the importance of and is committed to the principles of good corporate governance and is responsible to ensure that the highest standards of corporate governance are observed and that the affairs of the Group and of the Company are conducted with professionalism and with the objective of safeguarding policyholders' interests, shareholders' investments and meeting the obligations owed to other stakeholders.

PROGRESSIVE INSURANCE BHD
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CORPORATE GOVERNANCE (CONT'D.)

The Company has complied with the prescriptive requirements of BNM/RH/GL 003-2: Prudential Framework of Corporate Governance for Insurers issued by Bank Negara Malaysia ("BNM") and adopted management practices that are consistent with the best practise standards advocated in the Framework.

BOARD RESPONSIBILITY AND OVERSIGHT

The Board has the full responsibility of leading the Company and providing strategic directions in terms of setting corporate objectives and business strategies for the Company and discharges its responsibility through compliance with the prescriptive requirements and adopting the best practice standards advocated in the Prudential Framework of Corporate Governance for Insurers.

Board Meetings

Six (6) Board meetings were held during the year 2015 and the number of meetings attended by each Director was as follows:

Director	No. of Board Meetings Attended	Attendance at AGM
Datuk Datu Harun bin Datu Mansor, JP	6/6	Yes
Datuk Lim Siong Eng	6/6	Yes
Francis Lai @ Lai Vun Sen	6/6	Yes
Datuk Siau Wui Kee	6/6	Yes
Lim Fung Ha	4/6	Yes
Petrus Gimbad	5/6	Yes
Haji Mohamed Rifai Bin Mohd Razi	6/6	Yes
Haji Pg Mahmuddin Bin Pg Md Tahir Nasruddin (Appointed on 7 July 2015)	2/2	No
Haji Onn bin Abdullah (Retired on 25 May 2015)	3/3	Yes

BOARD RESPONSIBILITY AND OVERSIGHT (CONT'D.)

Director (Cont'd.)

As at the date of this report, the Board comprises seven (7) non-executive Directors, of which three (3) are independent, and one (1) Executive Director/Chief Executive Officer. The Board consists mainly of non-executive Directors which has enhanced the Board's objectivity and enabled it to effectively discharge its oversight function. The Board members are from diverse backgrounds with a mix of financial, technical, legal and business expertise and have the necessary depth of experience to deliberate on issues regarding strategy, monitoring of performance, succession and resources planning, formalisation of policies on issues specifically reserved for its decision and ensuring that the Group's internal controls and procedures are adequate. All Directors comply with the prescribed limit of other directorships held.

The position of the Chairman on the Board without executive responsibilities has ensured a balance of power and authority. The non-executive Directors are independent of management and do not participate in the day to day management of the Company.

The independent Directors fulfil their roles of corporate accountability and the following committees are established to assist the Board in the discharge of its duties. The activities and members of the relevant committees are as follows:

Audit and Examination Committee

The activities of the Audit and Examination Committee (AEC) are governed by its terms of reference that are approved by the Board. The Committee, comprising of non-executive members, meets regularly and a total of four (4) meetings were held during the year ended 31 December 2015. The Committee reviews the Annual Financial Statements of the Company tabled to the Board for approval and adequacy and effectiveness of internal control systems and perform any other functions as advised by the Board.

The Internal Audit Department (IAD) assists the AEC in the discharge of its duties and responsibilities and amongst others, it reports on the Group's management, records, accounting policies and controls.

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BOARD RESPONSIBILITY AND OVERSIGHT (CONT'D.)

Audit and Examination Committee (Cont'd.)

The IAD reports to the AEC and its findings and recommendations are communicated to the Board.

Members		Meetings Attended
Petrus Gimbad	Chairman-Non-executive (Independent	3/4
Datuk Siau Wui Kee	Non-executive	4/4
Haji Mohamed Rifai Bin Mohd Razi	Non-executive (Independent)	4/4
Haji Pg Mahmuddin Bin Pg Md Tahir Nasruddin (Appointed on 28 May 2014)	Non-executive (Independent)	2/2
Haji Onn bin Abdullah (Retired on 25 May 2015)	Non-executive	2/2

Investment Committee

The Committee reviews and recommends investment strategies and policies for the Board's approval and meets quarterly and other times as required. The Committee monitors the investment performance of the Company against the strategic plan, ensures investments are in accordance with the approved internal policies, investment risk management processes are in place and reports to the Board on any specific transactions requiring the awareness and sanction of the Board.

Members		Meetings Attended
Datuk Lim Siong Eng	Chairman - Non-executive	4/4
Datuk Datu Harun bin Datu Mansor, JP	Non-executive	4/4
Lim Fung Ha	Non-executive	2/4
Haji Mohamed Rifai Bin Mohd Razi	Non-executive (Independent)	4/4
Francis Lai @ Lai Vun Sen	Executive	4/4
Haji Onn bin Abdullah (Retired on 25 May 2015)	Non-executive	2/2

PROGRESSIVE INSURANCE BHD
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BOARD RESPONSIBILITY AND OVERSIGHT (CONT'D.)

Risk Management Committee

The Company has in place a formal and integrated enterprise-wide risk management framework to identify, evaluate and manage risks by identifying all major risks in critical areas of operations, assessing the possible impact of significant exposures and the risk mitigation measures taken.

The Committee reviews and recommends risk management strategies and policies for the Board's approval including assessing the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively on a continuing basis.

Members		Meetings Attended
Datuk Datu Harun bin Datu Mansor, JP	Chairman - Non-executive	4/4
Datuk Lim Siong Eng	Non-executive	4/4
Datuk Siau Wui Kee	Non-executive	4/4
Haji Mohamed Rifai Bin Mohd Razi	Non-executive (Independent)	4/4
Haji Pg Mahmuddin Bin Pg Md Tahir Nasruddin (Appointed on 7 July 2015)	Non-executive (Independent)	2/2

Establishment Committee

The Committee, comprising of non-executive members, reviews on an annual basis the remuneration package and other benefits applicable to the executive Director, management and staff and recommendations are made to the Board. The Committee ensures that the recommended remuneration package links reward to performance and the level of responsibilities undertaken and that they are in accordance with market practice.

Members		Meetings Attended
Datuk Datu Harun bin Datu Mansor, JP	Chairman - Non-executive	1/1
Datuk Lim Siong Eng	Non-executive	1/1
Lim Fung Ha	Non-executive	1/1
Datuk Siau Wui Kee	Non-executive	1/1
Petrus Gimbad	Non-executive (Independent)	1/1
Francis Lai @ Lai Vun Sen	Executive	1/1

PROGRESSIVE INSURANCE BHD
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BOARD RESPONSIBILITY AND OVERSIGHT (CONT'D.)

Nominating Committee

The Committee has responsibilities of assessing and recommending nominees for directorship including re-appointments and establishing a mechanism for formal assessment on the effectiveness and contribution of the Board as a whole, Board Committees, individual Directors and the performance of the Chief Executive Officer. The Committee reviews and recommends to the full Board to ensure that the composition of the Board in terms of appropriate mix of skills and experience, size, balance of power and authority between executives and non-executives are in place. The members of the Nominating Committee are from various academic backgrounds and with extensive experience in both the government and private sectors.

Members		Meetings Attended
Datuk Datu Harun bin Datu Mansor, JP	Chairman - Non-executive	2/2
Datuk Lim Siong Eng	Non-executive	2/2
Francis Lai @ Lai Vun Sen	Executive	2/2
Lim Fung Ha	Non-executive	0/2
Petrus Gimbad	Non-executive (Independent)	0/2

MANAGEMENT ACCOUNTABILITY

The Company has in place a documented and updated organisation structure with clear reporting lines and job descriptions for management and executive employees. In addition, there are also well documented policies and procedures in the operating manuals for all major functions within the Company. Monthly executive committee and departmental/branch meetings are held for better communication amongst the senior management team and employees on the affairs and operations of the Company.

CORPORATE INDEPENDENCE

Related party transactions, if any, are disclosed to the Board and they are on terms and conditions no more favourable than those available on similar transactions to the Company's other customers.

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

PUBLIC ACCOUNTABILITY

The Company upholds the principles of good business practices and ensures that dealings with the public are conducted fairly, honestly, and professionally. The Company has in place a system to handle public complaints and grievances, and the information on the avenue for further recourse against unfair practices is disclosed to the insureds.

FINANCIAL REPORTING

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

The Board receives regular financial and management reports and senior management receives monthly management reports to enable them to effectively monitor the performance and goals of the Company.

In line with the implementation of the Goods and Services Tax (GST) Act, 2014 on 1 April 2015, the Company had registered its business with the Royal Malaysian Customs. With the active participation by all operational units of the Company, the systems and processes of the Company have been enhanced to meet the requirements of GST, where appropriate.

INTERNAL CONTROLS AND OPERATIONAL RISK MANAGEMENT

The Directors acknowledge their responsibility over both the system of internal controls maintained by the Company and in reviewing its effectiveness. The scope of internal controls cover not only financial but also operational and compliance controls as well as business risk management.

The business risk management, other than insurance operations, includes the business recovery plan in the event of a business disruption, adequate treaty reinsurance programmes and half yearly stress tests to detect possible sources of vulnerability. The Company has implemented an enterprise-wide risk management framework through the application of the corporate risk scorecard to proactively identify and manage risks effectively in order to achieve the Company's business objectives. There are procedures in place for both internal and external auditors to report their findings and recommendations to the Board, Audit and Examination Committee and Management. All aspects of the systems of internal controls are subject to regular review to ensure their adequacy and effectiveness.

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

AUDITORS

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

Signed on behalf of the Board
in accordance with a resolution
of the Directors dated 8 March 2016

DATUK DATU HARUN BIN DATU MANSOR, JP	)	
	)	
	)	
	)	DIRECTORS
	)	
	)	
	)	
FRANCIS LAI @ LAI VUN SEN	)	

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PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

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

We, **Datuk Datu Harun bin Datu Mansor, JP** and **Francis Lai @ Lai Vun Sen**, being two of the Directors of **PROGRESSIVE INSURANCE BHD**, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 17 to 120 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Company as at 31 December 2015 and of their results and their cash flows for the year then ended.

Signed on behalf of the Board
in accordance with a resolution
of the Directors dated 8 March 2016

DATUK DATU HARUN BIN DATU MANSOR, JP	)	
	)	
	)	DIRECTORS
	)	
FRANCIS LAI @ LAI VUN SEN	)	

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT 1965

I, **Kan Poh Yee**, being the officer primarily responsible for the financial management of **PROGRESSIVE INSURANCE BHD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 17 to 120 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 abovementioned **KAN POH YEE**
at Kuala Lumpur in the Federal Territory
on 8 March 2016

KAN POH YEE

Before me,

PESURUHJAYA SUMPAH
W.490
S. ARULSAMY
MALAYSIA

16 - Tingkat Bawah Jalan Pudu,
55100 Kuala Lumpur.

EY
Building a better working world

Ernst & Young AF:0039
GST Reg No: 001556430848
Chartered Accountants
Level 23A Menara Milenium
Jalan Damanlela, Pusat Bandar Damansara
50490 Kuala Lumpur Malaysia

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Independent auditors' report to the members of
Progressive Insurance Bhd
(Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of Progressive Insurance Bhd, which comprise the statements of financial position as at 31 December 2015 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 17 to 120.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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 entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of 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.

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Independent auditors' report to the members of
Progressive Insurance Bhd (Contd.)
(Incorporated in Malaysia)

Opinion

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

Report on other legal and regulatory requirements

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

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

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

Kuala Lumpur, Malaysia
8 March 2016

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

		Group		Company	
	Note	2015 RM	2014 RM	2015 RM	2014 RM
ASSETS					
Property and equipment	3	11,856,637	11,730,028	11,856,637	11,730,028
Investments:		253,501,279	239,148,409	255,663,979	241,469,959
- Available-for-sale ("AFS") financial assets	4 (a)	68,055,131	64,468,661	188,161,781	179,627,056
- Financial assets at fair value through profit or loss ("FVTPL")	4 (b)	185,446,148	174,679,748	67,502,198	61,842,903
Reinsurance assets	5	94,624,275	81,815,369	94,624,275	81,815,369
Loans and other receivables	6	173,031,352	169,396,729	167,896,302	163,979,204
Tax recoverable		1,291,504	3,214,705	1,291,504	3,214,705
Deferred tax assets	7	1,005,545	881,174	1,005,545	881,174
Insurance receivables	8	24,705,946	21,949,332	24,705,946	21,949,332
Cash and bank balances		12,302,801	8,512,319	11,881,832	8,350,929
TOTAL ASSETS		572,319,339	536,648,065	568,926,020	533,390,700

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 (CONT'D.)

		Group		Company	
	Note	**2015**	**2014**	**2015**	**2014**
		RM	**RM**	**RM**	**RM**
EQUITY AND LIABILITIES					
Share capital	9	100,000,000	100,000,000	100,000,000	100,000,000
Reserves	10	117,324,170	110,134,010	117,395,448	110,201,143
		217,324,170	210,134,010	217,395,448	210,201,143
Non-controlling interests		3,391,440	3,259,789	-	-
TOTAL EQUITY		220,715,610	213,393,799	217,395,448	210,201,143
Insurance contract liabilities	11	278,451,007	257,409,219	278,451,007	257,409,219
Other financial liabilities	12	36,207,219	33,197,575	36,207,219	33,197,575
Insurance payables	13	31,376,851	27,442,009	31,376,851	27,442,009
Other payables	14	5,568,652	5,205,463	5,495,495	5,140,754
TOTAL LIABILITIES		351,603,729	323,254,266	351,530,572	323,189,557
TOTAL EQUITY AND LIABILITIES		572,319,339	536,648,065	568,926,020	533,390,700

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

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Gross written premiums	11(ii)	159,094,486	167,027,050	159,094,486	167,027,050
Change in unearned premiums provision		1,589,120	5,237,551	1,589,120	5,237,551
Gross earned premiums	11(ii)	160,683,606	172,264,601	160,683,606	172,264,601
Gross written premiums ceded to reinsurers	11(ii)	(72,835,614)	(75,474,355)	(72,835,614)	(75,474,355)
Change in unearned premiums provision		(1,005,381)	(2,494,048)	(1,005,381)	(2,494,048)
Premiums ceded to reinsurers	11(ii)	(73,840,995)	(77,968,403)	(73,840,995)	(77,968,403)
Net earned premiums		86,842,611	94,296,198	86,842,611	94,296,198
Investment income, net	16	13,427,733	13,732,703	12,778,895	12,912,207
Realised gains and losses	18	2,391,342	3,981,653	2,412,587	4,167,036
Fair value gains and losses	19	894,374	(6,374,650)	784,343	(6,347,576)
Commission income		16,349,142	17,739,420	16,349,142	17,739,420
Other operating income	20	6,502,049	3,999,414	6,502,049	3,999,414
Other income		39,564,640	33,078,540	38,827,016	32,470,501
Gross claims paid		(71,154,273)	(82,818,598)	(71,154,273)	(82,818,598)
Claims ceded to reinsurers		21,064,800	25,930,962	21,064,800	25,930,962
Gross change in contract liabilities		(22,630,908)	994,938	(22,630,908)	994,938
Change in contract liabilities ceded to reinsurers		11,814,287	(4,298,368)	11,814,287	(4,298,368)
Net claims incurred	21	(60,906,094)	(60,191,066)	(60,906,094)	(60,191,066)
Commission expenses		(20,096,656)	(21,782,919)	(20,096,656)	(21,782,919)
Management expenses	17	(28,332,904)	(27,086,969)	(27,925,335)	(26,722,234)
Other expenses		(48,429,560)	(48,869,888)	(48,021,991)	(48,505,153)

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015 (CONT'D.)

		Group		Company	
	Note	2015 RM	2014 RM	2015 RM	2014 RM
Profit before taxation		17,071,597	18,313,784	16,741,542	18,070,480
Taxation	22	(1,300,000)	(950,380)	(1,300,000)	(950,380)
Net profit for the year		15,771,597	17,363,404	15,441,542	17,120,100
Earnings per ordinary share (sen) - basic and diluted	23	15.8	17.4	15.4	17.1
Attributable to:					
Equity holder of the Company		15,635,990	17,249,946		
Non-controlling interests		135,607	113,458		
		15,771,597	17,363,404		

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

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Net profit for the year		15,771,597	17,363,404	15,441,542	17,120,100
Other comprehensive income/ (loss)					
Items that may be reclassified to income statements in subsequent periods:					
Fair value change on AFS financial assets:					
Gain on fair value changes		62,141	143,684	260,734	220,924
Transferred to profit or loss upon disposal		(61,344)	(136,100)	(61,344)	(83,830)
Deferred tax	7	113,373	(23,424)	113,373	(23,424)
Other comprehensive income/ (loss) for the year, net of tax		114,170	(15,840)	312,763	113,670
Total comprehensive income for the year		15,885,767	17,347,564	15,754,305	17,233,770
Total comprehensive income for the year attributable to:					
Equity holder of the Company		15,750,160	17,234,106	15,754,305	17,233,770
Non-controlling interests		135,607	113,458	-	-
		15,885,767	17,347,564	15,754,305	17,233,770

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

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

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

Group

	← Attributable to owners of the Company →						
	← Non-distributable	→		Distributable			
	Share capital RM (Note 9)	Property revaluation reserve RM	Available for sale ("AFS") reserve RM	Retained earnings RM	Total RM	Non-controlling Interests RM	Total equity RM
At 1 January 2014	100,000,000	2,617,432	249,696	97,746,876	200,614,004	2,142,829	202,756,833
Total comprehensive (loss)/income for the year	-	-	(15,840)	17,249,946	17,234,106	113,458	17,347,564
Dividends paid during the year (Note 24)	-	-	-	(7,714,100)	(7,714,100)	-	(7,714,100)
Net creation of units in wholesale unit trust funds	-	-	-	-	-	1,003,502	1,003,502
At 31 December 2014	100,000,000	2,617,432	233,856	107,282,722	210,134,010	3,259,789	213,393,799
At 1 January 2015	100,000,000	2,617,432	233,856	107,282,722	210,134,010	3,259,789	213,393,799
Total comprehensive income for the year	-	-	114,170	15,635,990	15,750,160	135,607	15,885,767
Dividends paid during the year (Note 24)	-	-	-	(8,560,000)	(8,560,000)	-	(8,560,000)
Net cancellation of units in wholesale unit trust funds	-	-	-	-	-	(3,956)	(3,956)
At 31 December 2015	100,000,000	2,617,432	348,026	114,358,712	217,324,170	3,391,440	220,715,610

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

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

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

Company

	← Attributable to owners of the Company →				
	← Non-distributable		→	Distributable	
	Share capital RM (Note 9)	**Property revaluation reserve RM**	**Available for sale ("AFS") reserve RM**	**Retained earnings RM**	**Total equity RM**
At 1 January 2014	100,000,000	2,617,432	574,474	97,489,567	200,681,473
Total comprehensive income for the year	-	-	113,670	17,120,100	17,233,770
Dividends paid during the year (Note 24)	-	-	-	(7,714,100)	(7,714,100)
Balance at 31 December 2014	100,000,000	2,617,432	688,144	106,895,567	210,201,143
At 1 January 2015	100,000,000	2,617,432	688,144	106,895,567	210,201,143
Total comprehensive income for the year	-	-	312,763	15,441,542	15,754,305
Dividends paid during the year (Note 24)	-	-	-	(8,560,000)	(8,560,000)
Balance at 31 December 2015	100,000,000	2,617,432	1,000,907	113,777,109	217,395,448

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

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

GROUP	2015 RM	2014 RM
Cash flow from operating activities		
Profit before taxation	17,071,597	18,313,784
Investment (income)/loss and cash flows:		
Interest income	(12,148,613)	(11,781,270)
Dividend income	(2,247,935)	(3,139,573)
Realised loss recorded in income statement	(2,301,362)	(4,003,568)
Fair value (gains)/ loss recorded in income statement	(894,374)	6,374,650
Purchase of AFS financial assets	(84,707,298)	(57,700,969)
Proceeds from disposal of AFS financial assets	81,298,500	132,744,274
Purchase of FVTPL financial assets	(107,535,964)	(194,692,735)
Proceeds from disposal of FVTPL financial assets	99,492,492	158,789,178
Interest received	11,629,745	11,974,319
Dividends received	2,041,916	2,803,205
Non-cash items:		
Depreciation of property and equipment	1,525,026	1,443,136
Net amortisation of premiums	498,849	710,674
Net allowance for impairment on insurance receivables	351,161	148,372
Reversal of allowance for impairment of reinsurance assets	(2,000,000)	-
Impairment of other receivables	50,000	-
Property and equipment written off	-	176
(Gain)/loss on disposal of property and equipment	(89,980)	21,914
Changes in working capital:		
Increase in loans and receivables	(9,889,132)	(11,119,263)
(Increase)/decrease in insurance receivables	(3,107,774)	4,225,240
Increase in insurance contract liabilities	10,232,879	559,929
Decrease in fixed and call deposits	6,726,481	3,040,427
Increase/(decrease) in insurance payables	3,934,841	(538,679)
Increase/(decrease) in other payables	3,372,838	(9,346,775)
Cash (used in)/generated from operating activities	13,303,893	48,826,446
Income tax refunded, net	612,200	818,808
Net cash generated from operating activities	13,916,093	49,645,254
Investing Activities		
Proceeds from disposal of property and equipment	196,146	21,860
Purchase of property and equipment	(1,757,801)	(1,588,155)
Net cash generated from investing activities	(1,561,655)	(1,566,295)

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONT'D.)

	2015 RM	2014 RM
Financing Activities		
Dividends paid to shareholders	(8,560,000)	(7,714,100)
Proceeds from creation of units to non-controlling interests	5,146	1,004,495
Payment for cancellation of units to non-controlling interests	(9,102)	(41,710,899)
Net cash used in financing activities	(8,563,956)	(48,420,504)
Net increase/(decrease) in cash and cash equivalents	3,790,482	(341,545)
Cash and cash equivalents at beginning of year	8,512,319	8,853,864
Cash and cash equivalents at end of year	12,302,801	8,512,319

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

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015
COMPANY

	2015 RM	2014 RM
Cash flow from operating activities		
Profit before taxation	16,741,542	18,070,480
Investment (income)/loss and cash flows:		
Interest income	(6,135,733)	(6,219,235)
Dividend income	(2,247,935)	(3,139,573)
Distribution income	(4,749,660)	(4,056,090)
Realised gains recorded in income statement	(2,322,607)	(4,188,950)
Fair value (gains)/ losses recorded in income statement	(784,343)	6,347,576
Purchase of AFS financial assets	(84,707,298)	(106,700,970)
Proceeds from disposal of AFS financial assets	81,298,500	92,753,124
Purchase of FVTPL financial assets	(54,017,239)	(59,787,815)
Proceeds from disposal of FVTPL financial assets	51,606,467	75,668,128
Interest received	5,673,758	6,410,161
Dividends received	2,041,916	2,803,205
Distribution received	-	268,042
Non-cash items:		
Depreciation of property and equipment	1,525,026	1,443,136
Net (accretion)/amortisation of premiums	(115,533)	25,225
Net allowance for impairment on insurance receivables	351,161	148,372
Reversal of allowance for impairment of reinsurance assets	(2,000,000)	-
Impairment of other receivables	50,000	-
Property and equipment written off	-	176
(Gain)/loss on disposal of property and equipment	(89,980)	21,914
Changes in working capital:		
Increase in loans and receivables	(9,889,131)	(11,119,170)
(Increase)/decrease in insurance receivables	(3,107,774)	4,225,240
Increase in insurance contract liabilities	10,232,879	559,929
Decrease in fixed and call deposits	6,387,114	4,171,320
Increased/(decrease) in insurance payables	3,934,841	(538,679)
Increase/(decrease) in other payables	3,364,387	(9,183,138)
Cash generated from/(used in) operating activities	13,040,358	7,982,408
Income tax refunded, net	612,200	818,808
Net cash generated from/(used in) operating activities	13,652,558	8,801,216

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015 (CONT'D.)

	2015 RM	2014 RM
Investing Activities		
Proceeds from disposal of property and equipment	196,146	21,860
Purchase of property and equipment	(1,757,801)	(1,588,155)
Net cash generated from investing activities	(1,561,655)	(1,566,295)
Financing Activity		
Dividends paid to shareholders, representing net cash used in financing activity	(8,560,000)	(7,714,100)
Net increase/(decrease) in cash and cash equivalents	3,530,903	(479,179)
Cash and cash equivalents at beginning of year	8,350,929	8,830,108
Cash and cash equivalents at end of year	11,881,832	8,350,929

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

1. CORPORATE INFORMATION

The Company is a limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at 7th Floor, Wisma Perkasa, Jalan Gaya, 88845 Kota Kinabalu, Sabah and the principal place of business of the Company is located at 6th, 9th and 10th Floors, Plaza Berjaya, No. 12 Jalan Imbi, 55100 Kuala Lumpur.

The principal activity of the Group and of the Company is the underwriting of all classes of general insurance business. The principal activities of the wholesale unit trust funds are as disclosed in Note 4(c) to the financial statements. There has been no significant change in the nature of these activities during the financial year.

The financial statements of the Group and of the Company are authorised for issue by the Board of Directors in accordance with a resolution of the directors on 8 March 2016.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

(a) Statement of Compliance

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

There are some new pronouncements that have been issued by the Malaysian Accounting Standards Board ("MASB") that have been adopted by the Group and Company. The effects arising from the adoption of these pronouncements are disclosed in Note 2.4.

The financial statements of the Group and of the Company have also been prepared on a historical cost basis, except as disclosed in the accounting policies below.

The Company has met the minimum capital requirements as prescribed by the Risk-Based Capital Framework for insurers ("the Framework") issued by BNM as at the reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.1 Basis of Preparation (Cont'd.)

(a) Statement of Compliance (Cont'd.)

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

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

(b) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the Company's subsidiaries are prepared for the same reporting date as the Company using consistent accounting policies to the transactions and events in similar circumstances.

The consolidated financial statements are prepared if control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

(i) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other voteholders;

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.1 Basis of Preparation (Cont'd.)

(b) Basis of Consolidation (Cont'd.)

(ii) Potential voting rights held by the Company, other vote holders or other parties;

(iii) Rights arising from other contractual arrangements; and

(iv) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed earlier.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of the subsidiaries to bring its accounting policy in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.1 Basis of Preparation (Cont'd.)

(b) Basis of Consolidation (Cont'd.)

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Company loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment. On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is recognised as gain or loss on disposal in the income statement.

2.2 Summary of Significant Accounting Policies

(a) Foreign Currency Transactions

Transactions in foreign currencies are measured in the functional currency of the Group and of the Company and are recorded on initial recognition in the functional currency at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(a) Foreign Currency Transactions (Cont'd.)

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss. Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(b) Premium Income

Premiums are recognised in the same financial period when risks are assumed. Premiums in respect of risks assumed for which billings have yet to be raised as at the reporting date are accrued to the extent that they can be reliably estimated.

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

(c) Claims Expenses

Claims expenses represent amounts incurred by the Group and the Company as a result of an insured event occurring as defined in the terms of each insurance contract. Claims expenses include the amounts paid or payable to the policyholder upon the occurrence of an insured event as well as related expenses. Claims expenses are recognised in profit or loss upon notification of the occurrence of an insured event or events or as a result of a liability adequacy test performed at each reporting date.

(d) Commission Expenses

The cost of acquiring and renewing insurance policies is recognised as incurred and allocated to the periods in which it is probable they give rise to income.

PROGRESSIVE INSURANCE BHD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(e) Reinsurance

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

Reinsurance arrangements entered into by the Group and the Company that meet the classification requirements of insurance contracts as described in Note 2.2(q) are accounted for as note below. Arrangements that do not meet these classification requirements are accounted for as financial assets. As at the reporting date, all reinsurance arrangements entered into by the Group and the Company during the year met the classification requirements of insurance contracts.

Reinsurance assets represent amounts recoverable from reinsurers for insurance contract liabilities which have yet to be settled at the reporting date. Amounts recoverable from reinsurers are measured consistently with the amounts associated with the underlying insurance contract and the terms of the relevant reinsurance arrangement.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently if an indication of impairment arises during the reporting period.

Impairment occurs when there is objective evidence as a result of an event that occured after initial recognition of the reinsurance asset that the Group and the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the company will receive from the reinsurer. The impairment loss is recorded in the income statement.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(f) Other Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and the revenue can be measured reliably. The following specific recognition criteria must also be met before the revenue is recognised:

(i) Interest Income

Interest income is recognised using the effective interest method.

(ii) Dividend Income

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

(iii) Rental Income

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

(g) Income Tax

Income tax on profit or loss for the year comprises current and deferred tax.

At each reporting date, the carrying amount of deferred tax assets is reviewed and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(g) Income Tax (Cont'd.)

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(i) Current Tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(ii) Deferred Tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(h) Employee Benefits

(i) Short Term Benefits

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

(ii) Defined Contribution Plans

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

(i) Property and Equipment

All items of property and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and 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 profit or loss during the financial period in which they are incurred.

Subsequent to recognition, property and equipment except for freehold and leasehold office lots are stated at cost less accumulated depreciation and any accumulated impairment losses.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(i) Property and Equipment (Cont'd.)

Freehold and leasehold office lots are stated at revalued amounts, which is the fair value at the date of the revaluation less any accumulated impairment losses. Fair value is determined based on the comparison method of valuation that is undertaken by professionally qualified independent valuers. Revaluations are performed with sufficient regularity with additional valuations in the intervening years where market conditions indicate that the carrying values of the revalued assets are materially different from the fair values.

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

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Depreciation of property and equipment is provided on a straight-line basis, to write-off the cost of each asset to its residual value over its estimated useful life as follows:

Freehold and leasehold office lots	50 years
Office equipment	4 - 7 years
Furniture, fixtures and fittings	10 years
Motor vehicles	5 years
Office renovation	5 years
Soft furnishing	5 years

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(i) Property and Equipment (Cont'd.)

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

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition is recognised in profit or loss in the year the asset is derecognised.

(j) Impairment of Non-Financial Assets

The Group and the Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group and the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")). In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises except for assets that were previously revalued where the revaluation was taken to comprehensive income. In this case, the impairment is also recognised in comprehensive income up to the amount of any previous revaluation.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(j) Impairment of Non-Financial Assets (Cont'd.)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

(k) Financial Assets

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

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss ("FVTPL"), loans and receivables ("LAR") and available-for-sale ("AFS") financial assets. The classification depends on the purpose for which the investments were acquired or originated.

(i) Financial Assets at FVTPL

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

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(k) Financial Assets (Cont'd.)

(i) Financial Assets at FVTPL (Cont'd.)

Financial assets are designated as financial assets at FVTPL if they fulfill the following conditions:

- the designation eliminates or significantly reduces a measurement or recognition inconsistency treatment that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on different bases, or

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

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

(ii) LAR

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as LAR. Subsequent to initial recognition, LAR are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the LAR are derecognised or impaired, and through the amortisation process.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(k) Financial Assets (Cont'd.)

(iii) AFS Financial Assets

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(l) Impairment of Financial Assets

The Group and the Company assess at each reporting date whether there are any objective evidence that a financial asset is impaired.

(i) Financial Assets Carried at Amortised Cost

To determine whether there are objective evidence that an impairment loss on financial assets have been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as insurance receivables, objective evidence of impairment of insurance receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(l) Impairment of Financial Assets (Cont'd.)

(ii) AFS Financial Assets

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

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

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

(m) Insurance Receivables

Insurance receivables are amounts receivable under the contractual terms of an insurance contract. On initial recognition, insurance receivables are measured at fair value based on the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortized cost using effective interest method. Receivables are assessed as and when or at each reporting date whether there is objective evidence of impairment as a result of one or more events having an impact on the receivables amounts.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the insurance receivable's original effective interest rate. The impairment loss is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(m) Insurance Receivables (Cont'd.)

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

(n) Cash and Cash Equivalents

For the purpose of the Statements of Cash Flows, cash and cash equivalents consist of cash and bank balances.

The Statements of Cash Flows are prepared using the indirect method.

(o) Product Classification

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

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

Conversely, investment contracts are those contracts that transfer financial risk with no significant insurance risk. Based on this definition, all policies issued by the Group and the Company have been assessed to be insurance contracts as at the reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(o) Product Classification (Cont'd.)

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

(p) Insurance Payable

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

(q) Insurance Contract Liabilities

Insurance contract liabilities are recognised and measured in accordance with the terms and conditions of the respective insurance contracts and are also based on regulatory guidelines, specifically, the Risk-Based Capital ("RBC") Framework for insurers issued by BNM.

The insurance contract liabilities of the Group and the Company comprise claim liabilities and premium liabilities.

(i) Claim Liabilities

Claim liabilities represent the Group's obligations, whether contractual or otherwise, to make future payments in relation to all claims that have been incurred as at reporting date. Claim liabilities are the estimated cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and other recoveries. Claim liabilities comprise liabilities for outstanding claims - being the cost of claims incurred and reported to the Group - as well as a reserve for claims incurred but not reported ("IBNR") and a provision of risk margin for adverse deviation ("PRAD") calculated at 75% confidence level at the overall Group and Company level.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(q) Insurance Contract Liabilities (Cont'd.)

(i) Claim Liabilities (Cont'd.)

Liabilities for outstanding claims are recognised as advised by policyholders. IBNR claims are estimated via an actuarial valuation performed by a qualified actuary, using a mathematical method of estimation based on, amongst others, actual claim development patterns.

(ii) Premium Liabilities

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

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

- **Unexpired risk reserves**

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

  URR is estimated via an actuarial valuation performed by a qualified actuary, using a mathematical method of estimation similar to IBNR claims.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(q) Insurance Contract Liabilities (Cont'd.)

(ii) Premium Liabilities (Cont'd.)

- **Unearned premium**

The UPR represents 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 period. The methods of computation of UPR are as follows:

- 25% method for marine and aviation cargo and transit

- 1/24th method for all other classes of general business in respect of Malaysian policies, reduced by the lower of the following commission rates or actual commission incurred:

Motor, bond, group medical insurance and foreign workers compensation	10%
Fire, engineering, marine hull, aviation and individual medical insurance	15%
Other classes	25%

- 1/8th method for all other classes of overseas inward treaty business with a deduction of 20% for acquisition costs.

- Non-annual policies are time-apportioned over the period of the risks.

(iii) Liability Adequacy Test

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(q) Insurance Contract Liabilities (Cont'd.)

(iii) Liability Adequacy Test (Cont'd.)

The estimation of claim liabilities and premium liabilities performed at reporting date is part of the liability adequacy tests performed by the Group and the Company. Based on this, all insurance contract liabilities as at reporting date are deemed to be adequate.

(r) Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured reliably. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability.

(s) Financial Liabilities

Financial liabilities classified as other financial liabilities are recognised in the statements of financial position when the Group and the Company become a party to the contractual provisions of the financial instrument. Other financial liabilities include cash collateral deposits received from policyholders. Insurance and other payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Gains and losses are recognised in the income statement when the liabilities are derecognised and through the amortisation process.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(t) Share Capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

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

(u) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group and the Company all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets. All leases that do not transfer substantially all the risks and rewards are classified as operating leases.

(ii) Operating Leases - the Group and the Company as Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

(v) Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group and the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

(v) Fair Value Measurement (Cont'd.)

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

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value maximising the use of relevant observable inputs and minising the use of unobservable inputs.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 - inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 - inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - inputs are unobservable inputs for the asset or liability.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the financial year end.

The fair value of the freehold office lots was determined based on the market approach that reflects recent transaction prices for similar properties. There has been no change to the valuation technique during the year.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of Significant Accounting Policies (Cont'd.)

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

GST, a multistage consumption tax on domestic consumption was implemented nationwide on 1 April 2015.

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

2.3 Significant Accounting Judgments, Estimates And Assumptions

(a) Critical judgments made in applying accounting policies

The following are significant judgments made by management in the process of applying the Group's and the Company's accounting policies that have significant effect on the amounts recognised in the financial statements.

(i) Deferred tax assets

Deferred tax assets are recognised based upon the likely timing and level of future taxable profits together with future tax planning strategies for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

(ii) Impairment of AFS financial assets

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

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Significant Accounting Judgments, Estimates And Assumptions (Cont'd.)

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

(ii) Impairment of AFS financial assets (Cont'd.)

The recoverable value of AFS financial assets is then compared with its carrying value to determine the impairment loss to be recognised in the financial statements.

(b) Key sources of estimation uncertainty

(i) Valuation of freehold and leasehold office lots

The measurement of the fair value for freehold and leasehold office lots is arrived at by reference to market evidence of transaction prices for similar office lots and is performed by a recognised professional independent valuer.

(ii) Valuation of general insurance contract liabilities

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

The principal uncertainty in the Group's general insurance business arises from the technical provisions which include the provisions of premiums and claims liabilities. The premium liabilities comprise unexpired risk reserves while claim liabilities comprise provision for outstanding claims and IBNR.

The establishment of technical provisions is an inherently uncertain process. The development and eventual settlement of premiums and claims liabilities may vary from their initial estimates as premiums and claims liabilities are sensitive to various factors and uncertainties.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Significant Accounting Judgments, Estimates And Assumptions (Cont'd.)

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

(ii) Valuation of general insurance contract liabilities (Cont'd.)

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including a reasonable expectation of future events under similar circumstances.

There may be significant reporting lags between the occurrence of an insured event and the time it is reported to the Group and the Company. Following the identification and notification of an insured loss, the quantum of loss may not be reasonably ascertained due to uncertainty arising from inflation, judicial interpretations, legislative changes and claims handling procedures.

2.4 Changes in Accounting Policies

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

On 1 January 2015, the Group and the Company adopted the following amended MFRSs for annual financial periods beginning on or after 1 January 2015.

Amendments to MFRS 119: Defined Benefit Plans - Employee Contributions
Amendments to MFRS 13: Fair Value Measurement
 (Annual Improvements to 2011-2013 Cycle)
Amendments to MFRS 116: Property and Equipment
 (Annual Improvements to 2010-2012 Cycle)
Amendments to MFRS 124: Related Party Disclosure
 (Annual Improvements to 2010-2012 Cycle)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Changes in Accounting Policies (Cont'd.)

The adoption of the amendments to MFRS during the year has not resulted in any material financial impact to the financial statements.

2.5 Standards Issued but Not Yet Effective

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

Effective for the financial periods beginning on or after 1 January 2016

Amendments to MFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations (Annual Improvements to 2012-2014 Cycle)
Amendments to MFRS 7 - Financial Instruments: Disclosures (Annual Improvements to 2012-2014 Cycle)
Amendments to MFRS 10, MFRS12 and MFRS 128 - Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 11 - Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 101 - Disclosure Initiative
Amendments to MFRS 116 - Property, Plant and Equipment: Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 - Property, Plant and Equipment (Bearer Plants)
Amendments to MFRS 119 - Employee Benefits (Annual Improvements 2012–2014 Cycle)
Amendments to MFRS 127 - Separate Financial Statements: Equity Method in Separate Financial Statements

Effective for the financial periods beginning on or after 1 January 2016

Amendments to MFRS 134 - Interim Financial Reporting (Annual Improvements 2012–2014 Cycle)
Amendments to MFRS 138 - Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 141 - Agriculture: Bearer Plants
MFRS 14 - Regulatory Deferral Accounts

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Standards Issued but Not Yet Effective (Cont'd.)

Effective for the financial periods beginning on or after 1 January 2018

MFRS 15 - Revenue from Contracts with Customers
MFRS 9 - Financial Instruments (IFRS 9 issued by International Accounting Standards Board in July 2014)

Deferred

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

The directors expect that the adoption of the above standards and amendments to standards will have no material impact on the financial statements in the period of initial application except as disclosed below :

(a) Financial Instruments

In July 2014, the MASB issued the final version of MFRS 9 *Financial Instruments*, replacing MFRS 139. This Standard made changes to the requirements for classification and measurement, impairment, and hedge accounting.

This Standard will come into effect on or after 1 January 2018 with early adoption permitted. Restropective application is required, but comparative information is not compulsory. The Group and the Company are currently assessing the impact of the adoption of this Standard in relation to the new requirements for classification and measurement and impairment, but the requirements for hedge accounting is not relevant to the Group and the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Standards Issued but Not Yet Effective (Cont'd.)

Deferred (Cont'd.)

(a) Financial Instruments (Cont'd.)

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

(i) Classification and measurement

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

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

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

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

- Classification of financial liabilities will remain largely unchanged, other than the fair value gains and losses attributable to changes in 'own credit risk' for financial liabilities designated and measured at fair value through profit or loss to be presented in other comprehensive income.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Standards Issued but Not Yet Effective (Cont'd.)

Deferred (Cont'd.)

(a) Financial Instruments (Cont'd.)

(ii) Impairment

The MFRS 9 impairment requirements are based on an expected credit loss model ("ECL") that replaces the incurred loss model under the current accounting standard. The Group and Company will be generally required to recognise either a 12-month or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. The ECL model will apply to financial assets measured at amortised cost or at FVOCI, irrevocable loan commitments and financial guarantee contracts, which will include loans, advances and financing and debt instruments held by the Group and the Company. MFRS 9 will change the Group's and the Company's current methodology for calculating allowances for impairment, in particular for individual and collective assessment and provisioning.

(iii) Hedge accounting

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

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3. PROPERTY AND EQUIPMENT

Group/Company	At Valuation		At Cost					
	Freehold Office Lots RM	Long-term Leasehold Office Lots RM	Office Equipment RM	Furniture, Fixtures & Fittings RM	Motor Vehicles RM	Office Renovation RM	Soft Furnishing RM	Total 2015 RM
VALUATION/COST								
At 1 January 2015	6,500,000	3,598,000	8,152,465	1,098,211	1,223,807	2,035,353	178,236	22,786,072
Additions	-	-	605,747	12,570	389,157	750,327	-	1,757,801
Disposals	-	-	-	(1,998)	(296,382)	-	-	(298,380)
At 31 December 2015	6,500,000	3,598,000	8,758,212	1,108,783	1,316,582	2,785,680	178,236	24,245,493
ACCUMULATED DEPRECIATION								
At 1 January 2015	520,000	295,200	7,058,929	821,656	1,015,998	1,166,169	178,092	11,056,044
Charge for the year	130,000	71,800	640,339	77,244	165,117	440,501	25	1,525,026
Disposals	-	-	-	(1,832)	(190,382)	-	-	(192,214)
At 31 December 2015	650,000	367,000	7,699,268	897,068	990,733	1,606,670	178,117	12,388,856
NET BOOK VALUE								
At 31 December 2015	5,850,000	3,231,000	1,058,944	211,715	325,849	1,179,010	119	11,856,637

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3. PROPERTY AND EQUIPMENT (CONT'D.)

Group/Company	At Valuation		At Cost					
	Freehold Office Lots RM	Long-term Leasehold Office Lots RM	Office Equipment RM	Furniture, Fixtures & Fittings RM	Motor Vehicles RM	Office Renovation RM	Soft Furnishing RM	Total 2014 RM
VALUATION/COST								
At 1 January 2014	6,500,000	3,598,000	7,604,961	1,107,078	1,282,029	1,208,878	178,111	21,479,057
Additions	-	-	601,900	159,655	-	826,475	125	1,588,155
Disposals	-	-	-	(165,737)	(58,222)	-	-	(223,959)
Write-offs	-	-	(54,396)	(2,785)	-	-	-	(57,181)
At 31 December 2014	6,500,000	3,598,000	8,152,465	1,098,211	1,223,807	2,035,353	178,236	22,786,072
ACCUMULATED DEPRECIATION								
At 1 January 2014	390,000	223,400	6,493,287	887,130	803,666	875,690	176,925	9,850,098
Charge for the year	130,000	71,800	620,022	87,255	242,413	290,479	1,167	1,443,136
Disposals	-	-	-	(150,104)	(30,081)	-	-	(180,185)
Write-offs	-	-	(54,380)	(2,625)	-	-	-	(57,005)
At 31 December 2014	520,000	295,200	7,058,929	821,656	1,015,998	1,166,169	178,092	11,056,044
NET BOOK VALUE								
At 31 December 2014	5,980,000	3,302,800	1,093,536	276,555	207,809	869,184	144	11,730,028

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3. PROPERTY AND EQUIPMENT (CONT'D.)

(i) The Group's freehold and leasehold office lots are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment loss. The freehold and leasehold office lots were revalued based on the valuation carried out by independent professional valuers, JS Valuers Property Consultants Sdn. Bhd. on an open market value basis using the comparison method.

The valuers above are independent valuers not related to the Group and they are members of the Royal Institution of Surveyors Malaysia (RISM) with appropriate qualifications and recent experience in the fair value measurement of properties in the relevant location.

The strata titles to the freehold office lots have yet to be issued by the relevant authorities.

(ii) The carrying amounts of the revalued properties had they been stated at cost less accumulated depreciation would be as follows:

	Group/Company	
	2015	**2014**
	RM	**RM**
Freehold office lots	2,704,750	2,855,014
Long-term leasehold office lots	1,927,068	1,992,989
	4,631,818	4,848,003

(iii) Description of valuation techniques used and key inputs to valuation on freehold and leasehold office lots of the Group and the Company are as follows:

	Valuation technique	**Unobservable inputs**
Freehold office lots	Comparison method	Estimated value per square foot
Long term leasehold office lots	Comparison method	Estimated value per square foot

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

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4. INVESTMENTS

(a) AFS Financial Assets

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Malaysian Government Securities	958,400	507,800	958,400	507,800
Corporate debt securities	67,096,731	63,960,861	67,096,731	63,960,861
Wholesale unit trust funds	-	-	120,106,650	115,158,395
Total	68,055,131	64,468,661	188,161,781	179,627,056

(b) Financial Assets at FVTPL

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Held for trading:				
Corporate debt securities	117,943,950	112,836,845	-	-
Unit trust funds	5,527,467	5,422,923	5,527,467	5,422,923
Equity securities	61,974,731	56,419,980	61,974,731	56,419,980
Total	185,446,148	174,679,748	67,502,198	61,842,903
Total investments	253,501,279	239,148,409	255,663,979	241,469,959

(c) Investments in subsidiaries - Wholesale unit trust funds

Details of the Company's investments in subsidiaries - wholesale unit trust funds in Malaysia are as follows:

Established in Malaysia	**Effective Direct Interests**	
	2015	**2014**
Affin Hwang Institutional Bond Fund	96.72%	96.71%
United Institutional Income Fund	98.00%	98.00%

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4. INVESTMENTS (CONT'D.)

(c) Investments in subsidiaries - Wholesale unit trust funds (Cont'd.)

	Principal Activities
Affin Hwang Institutional Bond Fund	Unit Trust Fund holding investments in fixed income securities/sukuk
United Institutional Income Fund	Unit Trust Fund holding investments in fixed income securities

5. REINSURANCE ASSETS

	Note	Group/Company 2015 RM	2014 RM
Reinsurance of insurance contracts			
Claim liabilities	11 (i)	76,858,841	65,044,554
Premium liabilities	11 (ii)	17,765,434	18,770,815
		94,624,275	83,815,369
Allowance for impairment		-	(2,000,000)
		94,624,275	81,815,369

Movement in allowance for impairment account - individually impaired:

	Note	2015 RM	2014 RM
At 1 January		2,000,000	2,000,000
Reversal of allowance for impairment	17	(2,000,000)	-
At 31 December		-	2,000,000

6. LOANS AND OTHER RECEIVABLES

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
Other receivables:				
Other receivables, deposits and prepayments	1,563,321	1,528,275	1,563,321	1,528,275
Income due and accrued	2,495,947	2,430,388	1,230,634	1,221,968
Share of net assets held by MMIP *	73,188,651	63,317,540	73,188,651	63,317,540
Amounts receivable from sale of shares/ matured bonds	1,041,639	602,251	1,041,639	602,251
Less: Impairment of other receivables	(50,000)	-	(50,000)	-
	78,239,558	67,878,454	76,974,246	66,670,034
Fixed and call deposits with:				
Licensed banks in Malaysia	55,791,794	62,518,275	51,922,056	58,309,170
Other financial institutions	39,000,000	39,000,000	39,000,000	39,000,000
	94,791,794	101,518,275	90,922,056	97,309,170
Total loans and other receivables	173,031,352	169,396,729	167,896,302	163,979,204

* The share of net assets of MMIP includes the Company's cash contributions of RM34,359,477 (2014: RM27,347,901) made to MMIP, pursuant to cash calls made by the MMIP during the current and previous financial years. The cash contributions of RM7,011,576 were made during the year in respect of the Company's share of MMIP's accumulated losses up to 31 December 2014 (2014: accumulated losses up to 31 December 2013)

As a participating member of MMIP, the Company shares a proportion of the Pool's net assets/liabilities. At each reporting date, the Company accounts for its share of the assets, liabilities and performance of the Pool. The net assets held under MMIP represents the Company's share of the Pool's net assets, before insurance contract liabilities. The Company's share of the Pool's insurance contract liabilities and net exposure arising from its participation in the Pool is disclosed in Note 11.

6. LOANS AND OTHER RECEIVABLES (CONT'D.)

Movement for impairment of other receivables account:

	Group/Company 2015 RM	2014 RM
At 1 January	-	-
Allowance for impairment	50,000	-
At 31 December	50,000	-

Included in the fixed and call deposits are cash collaterals received from policyholders of RM34,834,709 (2014: RM31,920,474) for guarantees issued on behalf of policyholders (Note 12).

The weighted average effective interest rates of the fixed and call deposits as at 31 December 2015 were 3.73% (2014: 3.36%) per annum.

7. DEFERRED TAX ASSETS

	Group/Company 2015 RM	2014 RM
At 1 January	881,174	122,761
Recognised in profit or loss (Note 22)	10,998	781,837
Recognised in other comprehensive income	113,373	(23,424)
At 31 December	1,005,545	881,174

Presented after appropriate offsetting as follow:

	Group/Company 2015 RM	2014 RM
Deferred tax assets	2,131,229	1,943,862
Deferred tax liabilities	(1,125,684)	(1,062,688)
	1,005,545	881,174

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7. DEFERRED TAXATION (CONT'D.)

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

Group/Company - Deferred tax assets

	Premium liabilities RM	Provisions RM	Impaired AFS financial assets RM	Accretion of discounts net of amortisation of premiums RM	Unutilised business losses RM	Unabsorbed capital allowance RM	Total RM
At 1 January 2015	(7,296)	606,468	1,312,500	32,190	-	-	1,943,862
Recognised in profit or loss	99,029	60,378	-	27,960	-	-	187,367
At 31 December 2015	91,733	666,846	1,312,500	60,150	-	-	2,131,229
At 1 January 2014	(14,297)	616,450	1,312,500	12,530	744,776	262,973	2,934,932
Recognised in profit or loss	7,001	(9,982)	-	19,660	(744,776)	-262,973	(991,070)
At 31 December 2014	(7,296)	606,468	1,312,500	32,190	-	-	1,943,862

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7. DEFERRED TAXATION (CONT'D.)

Group/Company - Deferred tax liabilities

	Accelerated capital allowances RM	Property revaluation reserve RM	Fair value gains on financial assets at FVTPL RM	AFS reserve RM	Total RM
At 1 January 2015	(37,842)	(709,050)	(167,758)	(148,038)	(1,062,688)
Recognised in:					
Profit or loss	(17,406)	1,886	(160,849)	-	(176,369)
Other comprehensive income	-	-	-	113,373	113,373
At 31 December 2015	(55,248)	(707,164)	(328,607)	(34,665)	(1,125,684)
At 1 January 2014	(200,263)	(724,136)	(1,763,158)	(124,614)	(2,812,171)
Recognised in:					
Profit or loss	162,421	15,086	1,595,400	-	1,772,907
Other comprehensive income	-	-	-	(23,424)	(23,424)
At 31 December 2014	(37,842)	(709,050)	(167,758)	(148,038)	(1,062,688)

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8. INSURANCE RECEIVABLES

	Group/Company 2015 RM	Group/Company 2014 RM
Due premiums including agents/brokers and co-insurers balances	24,647,862	19,510,918
Due from reinsurers and cedants	3,020,774	5,033,783
	27,668,636	24,544,701
Less: Allowance for impairment	(2,962,690)	(2,595,369)
	24,705,946	21,949,332

The Group and Company's amounts due from reinsurers and cedants have been offset against amount due to reinsurers and cedants as follows:

	Gross carrying amount RM	Gross amounts offset in the balance sheet RM	Net amounts in the balance sheet RM
31 December 2015			
Premium ceded	4,013,143	(241,276)	3,771,867
Commissions payable	(1,083,716)	33,408	(1,050,308)
Claims recoveries	300,729	(1,514)	299,215
	3,230,156	(209,382)	3,020,774
31 December 2014			
Premium ceded	6,543,728	(780,395)	5,763,333
Commissions payable	(1,077,375)	133,490	(943,885)
Claims recoveries	490,844	(276,508)	214,336
	5,957,197	(923,413)	5,033,784

	Group/Company Individually impaired RM	Collectively impaired RM	Total RM
Movement in allowance accounts:			
At 1 January 2015	393,572	2,201,797	2,595,369
(Write back of)/allowance for impairment loss	(39,157)	414,893	375,736
Write off of impairment loss	-	(8,415)	(8,415)
At 31 December 2015	354,415	2,608,275	2,962,690

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8. INSURANCE RECEIVABLES (CONT'D.)

	Group/Company		
	Individually impaired RM	Collectively impaired RM	Total RM
Movement in allowance accounts (Cont'd.):			
At 1 January 2014	2,051,308	2,090,303	4,141,611
Allowance for impairment loss	2,679	147,982	150,661
Write off of impairment loss	(1,660,415)	(36,488)	(1,696,903)
At 31 December 2014	393,572	2,201,797	2,595,369

9. SHARE CAPITAL

	Group/Company			
	2015		2014	
	No. of shares	RM	No. of shares	RM
At beginning/end of year				
Authorised	100,000,000	100,000,000	100,000,000	100,000,000
Issued and fully paid up	100,000,000	100,000,000	100,000,000	100,000,000

10. RESERVES

Reserves of the Company relates to the following:

(a) Property revaluation reserve

The property revaluation reserve represents the surplus on revaluation of properties and is not distributable as cash dividends until its realisation.

(b) AFS reserve

The AFS reserve is in respect of unrealised gains on AFS financial assets net of deferred taxation.

(c) Retained earnings

The Company may distribute dividends out of its entire retained earnings under the single tier system.

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11. INSURANCE CONTRACT LIABILITIES

Group/Company	2015			2014		
	Gross RM	Reinsurance RM	Net RM	Gross RM	Reinsurance RM	Net RM
Provision for claims reported by policyholders	143,985,515	(65,845,847)	78,139,668	125,152,685	(52,741,638)	72,411,047
Provision for incurred but not reported claims ("IBNR")	54,212,407	(3,955,076)	50,257,331	51,860,428	(6,092,970)	45,767,458
Claims handling expenses	1,769,961	-	1,769,961	1,546,166	-	1,546,166
Provision of risk margin for adverse deviations ("PRAD")	12,855,626	(7,057,918)	5,797,708	11,633,322	(6,209,946)	5,423,376
Claim liabilities (i)	212,823,509	(76,858,841)	135,964,668	190,192,601	(65,044,554)	125,148,047
Premium liabilities (ii)	65,627,498	(17,765,434)	47,862,064	67,216,618	(18,770,815)	48,445,803
	278,451,007	(94,624,275)	183,826,732	257,409,219	(83,815,369)	173,593,850

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11. INSURANCE CONTRACT LIABILITIES (CONT'D.)

Group/Company	2015 Gross RM	2015 Reinsurance RM	2015 Net RM	2014 Gross RM	2014 Reinsurance RM	2014 Net RM
(i) Claim Liabilities						
At 1 January	190,192,601	(65,044,554)	125,148,047	191,187,539	(69,342,922)	121,844,617
Claims incurred in the current accident year	169,863,363	(41,193,905)	128,669,458	144,482,811	(20,069,217)	124,413,594
Movements in claims incurred in prior accident years	(76,078,182)	6,314,818	(69,763,364)	(62,659,151)	(1,563,377)	(64,222,528)
Reversal of impairment loss on reinsurance asset recognised during the year	-	2,000,000	2,000,000	-	-	-
Claims paid during the year (Note 21)	(71,154,273)	21,064,800	(50,089,473)	(82,818,598)	25,930,962	(56,887,636)
At 31 December	212,823,509	(76,858,841)	135,964,668	190,192,601	(65,044,554)	125,148,047
(ii) Premium Liabilities						
At 1 January	67,216,618	(18,770,815)	48,445,803	72,454,169	(21,264,863)	51,189,306
Premiums written in the year	159,094,486	(72,835,614)	86,258,872	167,027,050	(75,474,355)	91,552,695
Premiums earned during the year	(160,683,606)	73,840,995	(86,842,611)	(172,264,601)	77,968,403	(94,296,198)
At 31 December	65,627,498	(17,765,434)	47,862,064	67,216,618	(18,770,815)	48,445,803

As at 31 December 2015, the insurance contract liabilities above includes the Company's share of MMIP's claims and premium liabilities amounting to RM67,672,755 (2014: RM61,143,229) and RM7,648,924 (2014: RM10,471,457) respectively.

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11. INSURANCE CONTRACT LIABILITIES (CONT'D.)

The Company's share in the net assets held under MMIP is as disclosed in Note 6. Presented below is the Company's net exposure position arising from of its participation in MMIP after considering its share of the Pool's insurance contract liability.

	Group/Company	
	2015	2014
	RM	RM
Assets/(Liabilities):		
Total Assets:		
- Accumulated cash contributions to MMIP	34,359,477	27,347,901
- Other assets	39,156,322	36,327,936
Insurance payables	(2,785)	(2,785)
Other payables and provisions	(324,363)	(135,898)
AFS reserve	-	(219,614)
Net assets held under MMIP (Note 6)	73,188,651	63,317,540
Insurance contract liabilities		
- Claim liabilities	(67,672,755)	(61,143,229)
- Premium liabilities	(7,648,924)	(10,471,457)
Net position	(2,133,028)	(8,297,146)

12. OTHER FINANCIAL LIABILITIES

	Group/Company	
	2015	2014
	RM	RM
Cash collateral deposits received from from policyholders (Note 6)	34,834,709	31,920,474
Interest on cash collateral deposits received from policyholders	1,372,510	1,277,101
	36,207,219	33,197,575

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13. INSURANCE PAYABLES

	Group/Company 2015 RM	Group/Company 2014 RM
Due to reinsurers and cedants	29,342,991	24,378,536
Due to agents/brokers and co-insurers balances	2,033,860	3,063,473
	31,376,851	27,442,009

The Group and Company's amounts due to reinsurers and cedants have been offset against amount from reinsurers and cedants as follows:

	Gross carrying amount RM	Gross amounts offset in the balance sheet RM	Net amounts in the balance sheet RM
31 December 2015			
Premium ceded	(32,556,689)	728,251	(31,828,438)
Commissions payable	3,071,725	(208,013)	2,863,712
Claims recoveries	(753,588)	375,323	(378,265)
	(30,238,552)	895,561	(29,342,991)
31 December 2014			
Premium ceded	(28,713,946)	269,033	(28,444,913)
Commissions payable	3,822,175	(101,647)	3,720,528
Claims recoveries	(42,967)	388,816	345,849
	(24,934,738)	556,202	(24,378,536)

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14. OTHER PAYABLES

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
Provision for bonus	2,467,385	2,425,873	2,467,385	2,425,873
Amounts payable for purchase of shares/ bonds	842,856	494,058	842,856	494,058
Provision for professional and legal fees	30,000	259,000	30,000	259,000
Salaries and wages control	752,065	494,570	752,065	494,570
Other payables	1,231,746	1,504,846	1,158,589	1,440,137
Accrued expenses	244,600	27,116	244,600	27,116
	5,568,652	5,205,463	5,495,495	5,140,754

15. OPERATING REVENUE

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
Gross written premium	159,094,486	167,027,050	159,094,486	167,027,050
Investment income before investment expenses (Note 16)	13,897,699	14,210,169	13,248,861	13,389,673
	172,992,185	181,237,219	172,343,347	180,416,723

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16. INVESTMENT INCOME, NET

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
Financial assets at FVTPL				
Dividend income:				
Equity securities quoted in Malaysia	1,914,243	2,450,388	1,914,243	2,450,388
Unit trust funds	333,692	689,185	333,692	689,185
AFS financial assets				
Interest/profit income:				
Malaysian Government Securities	164,845	343,881	59,216	61,416
Corporate debt securities	9,030,337	7,997,465	3,241,699	2,987,480
Amortisation of premium net of accretion of discounts/ (Accretion of discounts net of amortisation of premium)	(498,849)	(710,674)	115,533	(25,225)
Distribution income from wholesale unit trust funds	-	-	4,749,660	4,056,090
Interest/profit income from fixed and call deposits	2,953,431	3,439,924	2,834,818	3,170,339
Investment income before investment expenses (Note 15)	13,897,699	14,210,169	13,248,861	13,389,673
Less: Investment expenses	(469,966)	(477,466)	(469,966)	(477,466)
	13,427,733	13,732,703	12,778,895	12,912,207

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17. MANAGEMENT EXPENSES

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
Employee benefits expenses (a)	18,095,513	16,562,623	18,095,513	16,562,623
Non-executive directors remuneration (b):	498,565	414,700	498,565	414,700
- Fees	483,000	401,000	483,000	401,000
- Other emoluments	15,565	13,700	15,565	13,700
Auditors' remuneration				
- Audit fees	155,420	140,000	140,000	140,000
- Regulatory related fees	30,000	30,000	30,000	30,000
- GST related fees	35,000	-	35,000	-
- Non-audit fees	22,513	13,000	12,500	13,000
Management/survey fees	893,326	621,755	893,326	621,755
Allowance for/(net reversal) impairment on :				
- insurance receivables	375,736	150,661	375,736	150,661
- reinsurance assets	(2,000,000)	-	(2,000,000)	-
Bad debts recovered	(24,576)	(2,289)	(24,576)	(2,289)
Impairment of other receivables	50,000	-	50,000	-
Depreciation (Note 3)	1,525,026	1,443,136	1,525,026	1,443,136
Property and equipment written off	-	176	-	176
Operating leases:				
- Minimum lease payments for premises	513,600	465,800	513,600	465,800
- Minimum lease payments for office equipment	49,905	45,552	49,905	45,552
Computer maintenance charges	1,051,241	973,454	1,051,241	973,454
Other expenses	7,061,635	6,228,401	6,679,499	5,863,666
Total management expense	28,332,904	27,086,969	27,925,335	26,722,234

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17. MANAGEMENT EXPENSES (CONT'D.)

(a) Employee benefits expenses

	Group/Company 2015 RM	Group/Company 2014 RM
Wages, salaries and bonuses	13,840,578	12,753,982
Social security contributions	106,843	100,525
Contribution to Employees Provident Fund	2,295,039	2,135,207
Short term accumulating compensated absence	-	(3,193)
Other benefits	1,853,053	1,576,102
	18,095,513	16,562,623

Included in employee benefits expenses is the executive director's/chief executive officer's remuneration amounting to RM1,262,569 (2014: RM1,153,372) as disclosed in Note 17(b).

(b) Directors' remuneration

	Group/Company 2015 RM	Group/Company 2014 RM
(i) Executive Director - Francis Lai @ Lai Vun Sen		
- Salary	562,614	511,467
- Allowance	105,000	100,000
- Defined contribution plan	185,781	169,929
- Bonus	409,174	371,976
Total salary costs (Note 17)	1,262,569	1,153,372
Benefits-in-kind	38,623	43,685
	1,301,192	1,197,057
(ii) Non-Executive Directors		
- Fees	483,000	401,000
- Other emoluments	15,565	13,700
	498,565	414,700
	1,799,757	1,611,757

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17. MANAGEMENT EXPENSES (CONT'D.)

(b) Directors' remuneration (Cont'd.)

	Group/Company	
	2015	**2014**
	RM	**RM**
Name:		
Datuk Datu Harun bin Datu Mansor, JP	149,565	141,700
Datuk Lim Siong Eng June 2016	62,000	56,000
Datuk Siau Wui Kee	60,000	52,000
Lim Fung Ha	52,000	52,000
Petrus Gimbad	54,000	50,000
Haji Mohamed Rifai Bin Mohd Razi	63,000	8,000
Haji Pg Mahmuddin Bin Pg MD Tahir Nasruddin (Appointed on 7 July 2015)	6,000	-
Haji Onn bin Abdullah (Retired on 25 May 2015)	52,000	55,000
	498,565	414,700

18. REALISED GAINS AND LOSSES

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
Financial assets at FVTPL:				
Equity securities	2,261,263	4,105,120	2,261,263	4,105,120
Corporate debt securities	(21,245)	(237,653)	-	-
AFS financial assets:				
Corporate debt securities	19,478	82,952	19,478	82,952
Malaysian Government Securities	41,866	53,148	41,866	53,148
Wholesale unit trust funds	-	-	-	(52,270)
Gain/(loss) on disposal of property and equipment	89,980	-21,914	89,980	(21,914)
	2,391,342	3,981,653	2,412,587	4,167,036

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19. FAIR VALUE GAINS AND LOSSES

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Fair value gain/(losses) on financial assets at FVTPL	894,374	(6,374,650)	784,343	(6,347,576)
	894,374	(6,374,650)	784,343	(6,347,576)

20. OTHER OPERATING INCOME

	Group/Company	
	2015	2014
	RM	RM
Policy transfer fees	20	110
Realised gains/ (losses) on foreign exchange	30,818	(25,154)
Rental income	21,600	21,600
Sundry income	5,965,870	3,672,970
Service charges	483,741	329,888
	6,502,049	3,999,414

21. NET CLAIMS INCURRED

	Group/Company	
	2015	2014
	RM	RM
Gross claims paid less salvage	71,154,273	82,818,598
Claims ceded to reinsurers	(21,064,800)	(25,930,962)
Net claims paid	50,089,473	56,887,636

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21. NET CLAIMS INCURRED (CONT'D.)

	Group/Company	
	2015	**2014**
	RM	**RM**
Gross change in contract liabilities:		
At 31 December	212,823,509	190,192,601
At 1 January	(190,192,601)	(191,187,539)
	22,630,908	(994,938)
Change in contract liabilities ceded to reinsurers:		
At 31 December	(76,858,841)	(65,044,554)
At 1 January	65,044,554	69,342,922
	(11,814,287)	4,298,368
	60,906,094	60,191,066

22. TAXATION

	Group/Company	
	2015	**2014**
	RM	**RM**
Current income tax	1,376,529	1,732,217
Over provision of income tax in prior years	(65,531)	-
	1,310,998	1,732,217
Deferred tax (Note 7):		
- Relating to origination and reversal of temporary differences	35,833	(976,533)
- Effect on deferred tax due to changes in income tax rates	(1,985)	(1,337)
- (Over)/under provision of deferred tax in prior years	(44,846)	196,033
	(10,998)	(781,837)
	1,300,000	950,380

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22. TAXATION (CONT'D.)

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

	Group	
	2015	**2014**
	RM	**RM**
Profit before taxation	17,071,597	18,313,784
Taxation at Malaysian statutory tax rate of 25%	4,267,899	4,578,446
Effect on deferred tax due to changes in income tax rates	(1,985)	(1,337)
Income not subject to tax	(2,994,696)	(2,339,698)
Expenses not deductible for tax purposes	1,892,053	856,628
Over provison of income tax in prior years	(65,531)	-
(Over)/under provision of deferred tax assets in prior years	(44,846)	196,033
Additional tax deduction in respect of cash contributions made to MMIP *	(1,752,894)	(2,339,692)
Taxation for the year	1,300,000	950,380

	Company	
	2015	**2014**
	RM	**RM**
Profit before taxation	16,741,542	18,070,480
Taxation at Malaysian statutory tax rate of 25%	4,185,386	4,517,620
Effect on deferred tax due to changes in income tax rates	(1,985)	(1,337)
Income not subject to tax	(1,610,056)	(2,091,563)
Expenses not deductible for tax purposes	589,924	669,319
Over provison of income tax in prior years	(65,531)	-
(Over)/under provision of deferred tax assets in prior years	(44,844)	196,033
Additional tax deduction in respect of cash contributions made to MMIP *	(1,752,894)	(2,339,692)
Taxation for the year	1,300,000	950,380

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22. TAXATION (CONT'D.)

* In accordance with P.U.(A) 419, Income Tax Act 1967, the Ministry of Finance has granted a double tax deduction relief for all general insurance companies' contributions to the MMIP for losses incurred by the pool up to 31 December 2014. In the current financial year the Company made a total cash contribution of RM7,011,576 (2014: RM9,358,767) to MMIP.

On 25 October 2013, the 2014 Malaysian Budget stated that the corporate tax rate will be reduced by 1% from the current rate of 25% to 24%, with effect from year assessment 2016 onwards. This change in corporate tax rate has been reflected in the carrying value of deferred taxes of the Company.

23. EARNINGS PER ORDINARY SHARE

The basic earnings per ordinary share is calculated based on the net profit for the year of the Group of RM15,771,597 (2014: RM17,363,404) and of the Company of RM15,441,542 (2014: RM17,120,100) and the number of ordinary shares in issue during the year of 100,000,000(2014: 100,000,000).

There was no dilutive potential effects of ordinary shares in issue at the end of the financial year.

24. DIVIDENDS

	Recognised in Year	
	2015	**2014**
	RM	**RM**
In respect of financial year:		
2014: Final single-tier dividend of 8.56% on 100,000,000 ordinary shares (8.56 sen net per ordinary share)	8,560,000	-
2013: Final single-tier dividend of 7.70% on 100,000,000 ordinary shares (7.7 sen net per ordinary share)	-	7,714,100

24. DIVIDENDS (CONT'D.)

At the forthcoming Annual General Meeting, a final single-tier dividend in respect of the financial year ended 31 December 2015 of 7.72% on 100,000,000 ordinary shares amounting to a total dividend payable of RM7,720,000 (7.72 sen per ordinary share) will be proposed for shareholders' approval. This dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2016.

25. OPERATING LEASE ARRANGEMENTS

The Group and the Company as lessee

The Group and the Company have entered into non-cancellable operating lease arrangements for the use of certain office premises. Certain contracts in these leases carry renewal options in the contracts. These contracts include fixed rentals over the tenure of the lease period.

The Group and the Company also leases office equipment under non-cancellable operating lease agreements with an automatic yearly renewal option unless a written termination notice is served by either party.

The future aggregate minimum lease payments under non-cancellable operating leases contracted for as at reporting date but not recognised as liabilities are as follows:

Future minimum rental payments:

	2015 RM	2014 RM
Not later than 1 year	566,172	558,252
Later than 1 year and not later than 5 years	1,621,498	1,692,267
Later than 5 years	1,171,726	1,350,247
	3,359,396	3,600,766

26. RELATED PARTY DISCLOSURES

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

The transactions between the Group and the Company and its related parties were based on normal commercial terms and conditions and made on terms equivalent to those that prevail in arm's length transactions.

(a) The Group and the Company had the following significant transactions and balances with related parties during and at the end of the year:

	Company	
	2015	**2014**
	RM	**RM**
Wholesale unit trust funds:		
Distribution income	4,749,660	4,056,090

	Group/Company	
	2015	**2014**
	RM	**RM**
Fellow subsidiary:		
Balances:		
Corporate debt securities	5,000,000	5,000,000
Fixed deposits placement at year end	5,000,000	5,000,000
Transactions:		
Interest income	388,640	388,486
Related Companies:		
Balances:		
Corporate debt securities	5,000,000	5,000,000
Transactions:		
Gross premium	7,573,572	6,268,903
Gross claims paid	(1,787,275)	(1,067,601)
Commission income	(419,909)	(387,277)

26. RELATED PARTY DISCLOSURES (CONT'D.)

(b) The key management of the Company comprise the Chief Executive Officer who is also the Executive Director and the Directors. The remuneration of key management is disclosed in Note 17(b).

27. CAPITAL COMMITMENTS

	2015 RM	2014 RM
Authorised but not contracted for - property and equipment	3,997,600	2,273,150

28. RISK MANAGEMENT FRAMEWORK

Risk management forms an integral part of the Group's core business processes and the Board, with the assistance of the management, had implemented risk management processes within the Group and the Company that sets out the overall business strategies and the general risk management philosophy. The Group and the Company are exposed to operational, financial and general risks.

Investments in subsidiaries - Wholesale unit trust funds is exposed to a variety of risks which include market risk, credit risk, liquidity risk, capital risk and early redemption risk.

Financial risk management in wholesale unit trust funds is carried out through internal control processes adopted by the fund manager and adherence to the investment restrictions as stipulated by the Securities Commission's Guidelines on wholesale unit trust funds and the Trust Deeds.

The risk management infrastructure of the Group and the Company set out clear accountability and responsibility for the risk management processes which underlines the oversight, principal risk management and control responsibilities:

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28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Processes	Parties Responsible
Approval of risk management policies, risk appetite and risk tolerance	**Board of Directors** Risk Management Committee (RMC)
Formulate and implement risk methodology structure, policies, risk appetite and risk tolerance	**Dedicated Committee** · Risk Management Work Group (RMWG)
Independent monitoring and review	**Independent Risk Management** · Internal Audit Department · Compliance Unit
Implementation and compliance with risk management policies and procedures	**Business Units** · Business Development Department, and Branches · Underwriting Department · Claims Department · Management Information Systems Department · Human Resource Department · Accounts & Finance and Investment Department

The formalised risk management framework of the Group and of the Company are as follows:

The Board of Directors are responsible for the Group's risk appetite/risk tolerance, capital management framework and risk management policies.

The Risk Management Committee ("RMC") was established to provide oversight on the risk management initiatives and drive the risk management processes in identifying principal business risks and the implementation of appropriate systems to manage these risks. The RMC is supported by the Risk Management Work Group ("RMWG").

The RMWG, headed by the Chief Executive Officer, is responsible to identify detailed risk management activities undertaken by the senior management team and communicate to the RMC on critical risks (present and potential) in terms of likelihood of exposures, the impact on the Group's business and the management action plans to manage and mitigate these risks on a continuing basis.

28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

The risk management policies are subject to review to ensure that they remain relevant and effective in managing the associated risks due to changes in the market and regulatory environments.

The independent risk management review under the Internal Audit Department provides support to the dedicated Audit and Examination Committee ("AEC") and is responsible to ascertain that the risk policies are implemented and complied with.

The role of the AEC, supported by the Internal Audit Department, is to provide an independent assessment of the adequacy, effectiveness and reliability of the risk management processes and system of internal controls and compliance with risk processes, laws, internal policies and regulatory guidelines.

The Business Units are responsible for identifying, mitigating and managing risks within their respective lines of business and ensure that their day-to-day business activities are carried out in accordance with the established risk management policies, procedures and limits.

Capital Management Plan

The Company has updated its Capital Management Plan ("CMP") in compliance with the Guidelines on Internal Capital Adequacy Assessment Processes ("ICAAP") issued by BNM for Insurers with effect from 1 September 2012.

Under the ICAAP Guidelines, there are six (6) key elements tabulated as below:

- Board and Senior Management Oversight
- Comprehensive Risk Assessment
- Individual Target Capital Level ("ITCL")
- Stress Testing
- Sound Capital Management
- Monitoring, Reporting and Review of ICAAP

The objective of the CMP is to optimise the efficiency and effective use of resources in order to maximise the returns and provide an appropriate level of capital protection to policyholders. The possible sources of vulnerabilities that can impact directly or indirectly on the operations and financial resilience of the Group and of the Company whilst complying with rules and regulations issued by the relevant authorities are taken into account.

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28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Capital Management Plan (cont'd.)

The management of capital is guided by the CMP which is driven by the Group's business strategies and plans and organisational requisites which take into account the business and regulatory environment in which the Group and the Company operates.

The CMP takes into account how adverse scenarios are likely to affect the Group's risk management activities and sets out thresholds that act as triggers for corrective actions. The intensity of corrective actions increases depending on which threshold level is breached. The CMP ensures that an appropriate level of capital is maintained at all times.

Disclosure of the Company's regulatory capital requirements and compliance with the RBC Framework are disclosed at Notes 30 and 2.1.

Stress Testing

The Board and Management recognise stress testing as an effective risk management tool to identify potential threats due to exceptional but adverse plausible events.

The stress testing process has been designed to suit the Company's business environment and risk profile and is commensurate with the nature, complexity and sophistication of its business activities. Assumptions underlying the stress tests are consistent with the results of the comprehensive risk assessment to ensure that they are realistic. Challenging scenarios are incorporated into the stress testing exercise and will be continuously reviewed with the changing business environment. The stress testing process helps determine the extent by which capital may be eroded from exceptional but adverse plausible events.

The Board and Management participate actively in providing feedback and participating in the discussions on the methodology, assumptions and results of each stress testing exercise.

The Company's stress testing process complies with the Guidelines of Stress Testing for Insurers issued by BNM. The results of the stress tests are submitted to BNM on a half yearly basis.

The stress test results together with the counter measures taken are tabled for the Board's deliberation and recommendation prior to submission to BNM.

28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Insurance risk

The Group and the Company underwrite various classes of general insurance contracts. The major classes of insurance business written are Fire, Motor, Marine, Bond and Engineering, Workmen's Compensation and Liabilities, Personal Accident and other Miscellaneous classes.

Insurance risk comprise both actuarial and underwriting risks resulting from pricing and acceptance processes and the inherent uncertainty regarding the occurrence, amount and timing of insurance liabilities. Insurance contracts transfer risks of the policyholders by indemnifying them against adverse effects arising from the occurrence of specified uncertain future events. The principal risk of the Group and the Company under insurance contracts is that the actual claims and benefits payment differ from expectations and assumption used in the product pricing, risks that arise from fluctuations in timing, frequency and severity of claims as well as the adequacy of insurance liability reserves.

The Group and the Company are also exposed to risks arising from climate changes, natural disasters and terrorism activities. There is also inflation risk for longer tailed exposures that take some years to settle. The Group and the Company work closely with reinsurance brokers and reinsurers and have in place a prudent underwriting process. In addition, the Group's reinsurance structure, strategies and policies are reviewed annually by management and approved by the Board. Reinsurance structures are designed based on the type of risks and catastrophe cover is obtained to mitigate catastrophic exposures.

Only reinsurers with a minimum rating of A are considered and the Group and the Company limits its risks to any one reinsurer by ceding different products to different parties on its panel of reinsures. In those exceptional cases where reinsurers with ratings lower than A are considered, a simultaneous payment clause is introduced in the policy to mitigate the risk of default and concentration of exposure.

Risks under general insurance policies usually cover a twelve-month duration with the exception of marine cargo which covers the duration of the voyage and some non-annual policies such as bond and engineering, workmen's compensation, etc., with a cover period of more than one year. The risk inherent in general insurance contracts is reflected in the insurance liabilities which include the premium and claims liabilities. The premium liabilities comprise the higher of reserve for unexpired risk or unearned premium reserve while the claims liabilities comprise the loss reserves which include both provision for outstanding claims notified and outstanding claims incurred but not reported.

28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Insurance risk (Cont'd.)

The Group and the Company's objectives of managing insurance risk are to improve the long-term financial performance of the business and to achieve sustainable growth in profitability, strong asset quality and to continually optimise shareholders' value.

The Group and the Company's underwriting strategy is to ensure that the risks underwritten are well diversified across the classes of insurance business and geographical areas. The variability of risks is managed by the selection and implementation of underwriting guidelines, which are designed to ensure that risks are diversified in terms of type of risks and level of insured benefits.

The Group and the Company adopts the following measures to manage its insurance risks:

(i) The Group and the Company adopt an underwriting policy that aims to take advantage of its competitive strengths while avoiding risks with disruptive volatility to ensure underwriting profitability. Acceptance of risk is guided by a set of underwriting guidelines with set limits on the type of risks underwritten, underwriting capacity and authority of individuals to underwrite risks based on their specific expertise.

(ii) The Group and the Company have in place a claims management and control system to pay claims and to detect claims overpayment or fraud. The Group and the Company have claims review policies to assess new and ongoing claims. Review of claims handling procedures and investigation of possible fraudulent claims are put in place to reduce the risk exposure of the Group and the Company. The Group and the Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that may negatively impact the business. Inflation risk is mitigated by taking anticipated inflation into account when estimating insurance contract liabilities.

(iii) The Group and the Company purchase reinsurance protection as part of its risks mitigation programme. The objective of purchasing reinsurance is to provide capacity for the Group and the Company while protecting its financial position and optimising the Group's capital efficiency. Reinsurance is ceded on a facultative, quota share, proportional and non-proportional basis. The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group and the Company substantially dependent upon any single reinsurance contract.

28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

The table below sets out the concentration of the Group's gross and net written premium by types of product.

	2015			2014		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Motor	52,335	(2,182)	50,153	57,371	(2,000)	55,371
Fire	28,272	(16,951)	11,321	27,662	(16,687)	10,975
MAT	14,100	(13,242)	858	15,825	(15,625)	200
Miscellaneous	64,387	(40,461)	23,926	66,169	(41,162)	25,007
	159,094	(72,836)	86,258	167,027	(75,474)	91,553

The table below sets out the concentration of the Group's insurance contract liabilities by types of product.

	2015			2014		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Motor	145,663	(3,231)	142,432	138,551	(3,198)	135,353
Fire	22,857	(17,682)	5,175	12,516	(6,961)	5,555
MAT	32,872	(31,296)	1,576	5,104	(4,070)	1,034
Miscellaneous	77,059	(42,415)	34,644	101,238	(69,586)	31,652
	278,451	(94,624)	183,827	257,409	(83,815)	173,594

Key assumptions

The principal assumptions underlying the estimation of insurance contract liabilities are determined on the basis that the Group's future claims development will follow a similar pattern to past claims experience. This includes assumptions in respect of average claims costs, claims handling costs and historical claims development trend. Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example, one-off occurrence as well as internal factors such as portfolio mix, policy conditions and claims handling procedures, legislative changes, judicial decisions and economic conditions. The actual claims and premium liabilities are unlikely to develop exactly as projected and may vary from initial estimates.

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28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Key assumptions (Cont'd.)

No discounting is made to the recommended claims and premium liability provisions as a prudent measure and no explicit inflation adjustment has been made to claims payable in the future. However, implicit inflation is allowed for future claims to the extent that it is evident in past claims development.

The Company has based its risk margin for adverse deviation for its URR and claim liabilities at a 75% confidence level in accordance with the requirements prescribed under the RBC Framework issued by BNM.

Sensitivities

The Group and the Company engaged an independent actuarial firm to run a sensivity analysis of the liabilities and comparison of past valuation results. An analysis of sensitivity around various scenarios provides an indication of the adequacy of the Group's estimation process in respect of its insurance contract liabilities. The table presented below demonstrates the sensitivity of the insurance contract liabilities to a change in the assumptions used in the estimation process.

The analysis below is performed for a change in one variable with all other variables remaining constant and ignores the values of the related assets, showing the impact on gross and net liabilities, profit before tax and equity. The variables include average claim costs, average number of claims and average claims settlement period for each accident year. The impact on the Group's claim liabilities arising from changes in key variables as well as the corresponding impact on profit before tax and equity are shown in the table below and the results show that the movements are non-linear.

	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on * equity RM'000
		← Increase / (Decrease) →			
31 December 2015					
Average claim cost	+10%	14,216	6,996	(6,996)	(5,247)
Average number of claims	+10%	12,986	6,830	(6,830)	(5,122)
Average claims settlement period	Increased by 6 months	4,048	2,236	(2,236)	(1,677)

28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Sensitivities (Cont'd.)

	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on * equity RM'000
		← Increase / (Decrease) →			
31 December 2015					
Average claim cost	-10%	(14,216)	(6,945)	6,945	5,208
Average number of claims	-10%	(12,986)	(6,777)	6,777	5,083
Average claims settlement period	Increased by 6 months	(3,931)	(2,164)	2,164	1,623
31 December 2014					
Average claim cost	+10%	12,624	7,874	(7,874)	(5,906)
Average number of claims	+10%	11,876	7,062	(7,062)	(5,297)
Average claims settlement period	Increased by 6 months	3,623	2,157	(2,157)	(1,618)
31 December 2014					
Average claim cost	-10%	(12,624)	(6,712)	6,712	5,034
Average number of claims	-10%	(11,876)	(5,849)	5,849	4,386
Average claims settlement period	Increased by 6 months	(3,518)	(2,087)	2,087	1,566

* The effect on equity is shown after tax impact.

Claims development table

The following tables show estimated cumulative incurred claims of the Group`s motor and non-motor businesses, including both claims notified and IBNR for each successive accident year at the end of each reporting period, together with cumulative payments to date. While the information in the tables provides a historical perspective on the adequacy of the unpaid claims estimate established in previous years, users of these financial statements are cautioned against extrapolating redundancies or deficiencies arising from the past claims development on current unpaid loss balances.

The Group and the Company believes that the estimated claim liabilities as at reporting date are adequate. However, due to the inherent uncertainties in the reserving process, it cannot be fully assured that such balances will ultimately prove to be adequate. The disclosure on claims development aims to compare the results of past valuations to the development of actual claims and the tables below summarise the analysis of claims development in total on a net of reinsurance and gross of reinsurance basis.

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28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

2015 Claims development table - Group and Company

Analysis of Claims Development - Gross of Reinsurance (RM'000)
Total Gross Business Within Malaysia

	Accident Year								
	2008	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**Total**
Ultimate Claims Incurred									
At end of accident year		75,700	60,757	82,342	80,888	85,032	71,721	93,129	
One year later	45,379	73,059	57,470	79,687	79,812	89,579	68,465		
Two years later	40,885	65,399	54,668	77,393	77,431	84,380			
Three years later	40,412	64,523	49,665	73,107	75,262				
Four years later	39,347	61,899	48,525	72,252					
Five years later	38,116	59,458	48,147						
Six years later	37,571	55,386							
Seven years later	39,278								
Current estimate of cumulative claims incurred	39,278	55,386	48,147	72,252	75,262	84,380	68,465	93,129	536,299
Cumulative Claims Paid									
At end of accident year	18,211	17,963	20,195	32,702	21,118	28,730	25,115	27,209	
One year later	31,935	35,181	42,828	58,368	50,920	64,655	45,868		
Two years later	34,950	40,534	45,819	64,934	61,256	71,735			
Three years later	36,184	41,811	45,589	66,547	66,488				
Four years later	36,608	42,842	46,910	67,259					
Five years later	36,756	42,840	47,385						
Six years later	36,828	42,726							
Seven years later	38,023								
Cumulative payments to date	38,023	42,726	47,385	67,259	66,488	71,735	45,868	27,209	406,693
Direct & Fac. Inwards	1,255	12,660	762	4,993	8,774	12,645	22,597	65,920	129,606
Treaty Inwards									68,591
Best Estimate of Claim Liabilities									198,197
Claim Handling Expenses									1,770
Fund PRAD at 75% Confidence Interval									12,856
Net General Insurance Claim Liabilities									212,823

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28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

2015 Claims development table - Group and Company (Cont'd.)

Analysis of Claims Development - Net of Reinsurance (RM'000)
Total Net Business Within Malaysia

	Accident Year								
	2008	2009	2010	2011	2012	2013	2014	2015	Total
Ultimate Claims Incurred									
At end of accident year	26,536	35,356	35,192	37,822	43,789	53,489	47,621	47,818	
One year later	24,693	34,013	33,759	35,033	44,230	48,671	48,200		
Two years later	23,990	32,616	32,811	33,925	44,033	47,312			
Three years later	23,776	31,929	30,541	33,377	43,491				
Four years later	23,224	30,981	30,718	33,147					
Five years later	22,642	31,961	30,584						
Six years later	22,420	29,477							
Seven years later	22,660								
Current estimate of cumulative claims incurred	22,660	29,477	30,584	33,147	43,491	47,312	48,200	47,818	**302,689**
Cumulative Claims Paid									
At end of accident year	10,912	11,767	12,434	14,867	15,254	19,006	18,775	18,827	
One year later	18,623	23,003	24,605	24,017	30,241	34,116	33,736		
Two years later	20,825	26,179	26,999	28,053	38,573	38,669			
Three years later	21,801	27,354	28,311	29,846	40,529				
Four years later	21,968	28,353	29,520	30,426					
Five years later	22,074	28,444	30,013						
Six years later	22,131	28,433							
Seven years later	22,249								
Cumulative payments to date	22,249	28,433	30,013	30,426	40,529	38,669	33,736	18,827	**242,882**
Direct & Fac. Inwards	411	1,044	571	2,721	2,962	8,643	14,464	28,991	**59,807**
Treaty Inwards									**68,591**
Best Estimate of Claim Liabilities									**128,398**
Claim Handling Expenses									**1,770**
Fund PRAD at 75% Confidence Interval									**5,798**
Net General Insurance Claim Liabilities									**135,966**

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28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

2014 Claims development table - Group and Company

Analysis of Claims Development - Gross of Reinsurance (RM'000)
Total Gross Business Within Malaysia

	Accident Year								
	2007	2008	2009	2010	2011	2012	2013	2014	Total
Ultimate Claims Incurred									
At end of accident year			75,700	60,757	82,342	80,888	85,032	71,721	
One year later		45,379	73,059	57,470	79,687	79,812	89,579		
Two years later	35,053	40,885	65,399	54,668	77,393	77,431			
Three years later	34,528	40,412	64,523	49,665	73,107				
Four years later	31,751	39,347	61,899	48,525					
Five years later	31,322	38,116	59,458						
Six years later	30,552	37,571							
Seven years later	29,135								
Current estimate of cumulative claims incurred	29,135	37,571	59,458	48,525	73,107	77,431	89,579	71,721	**486,527**
Cumulative Claims Paid									
At end of accident year	12,780	18,211	17,963	20,195	32,702	21,118	28,730	25,115	
One year later	24,566	31,935	35,181	42,828	58,368	50,920	64,655		
Two years later	27,738	34,950	40,534	45,819	64,934	61,256			
Three years later	28,720	36,184	41,811	45,589	66,547				
Four years later	29,538	36,608	42,842	46,910					
Five years later	30,170	36,756	42,840						
Six years later	30,295	36,828							
Seven years later	27,509								
Cumulative payments to date	27,509	36,828	42,840	46,910	66,547	61,256	64,655	25,115	**371,660**
Direct & Fac. Inwards	1,626	743	16,618	1,615	6,560	16,175	24,924	46,606	114,867
Treaty Inwards									**62,146**
Best Estimate of Claim Liabilities									**177,013**
Claim Handling Expenses									**1,546**
Fund PRAD at 75% Confidence Interval									**11,633**
Net General Insurance Claim Liabilities									**190,192**

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28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

2014 Claims development table - Group and Company (Cont'd.)

Analysis of Claims Development - Net of Reinsurance (RM'000)
Total Net Business Within Malaysia

	Accident Year								
	2007	2008	2009	2010	2011	2012	2013	2014	Total
Ultimate Claims Incurred									
At end of accident year	17,055	26,536	35,356	35,192	37,822	43,789	53,489	47,621	
One year later	21,275	24,693	34,013	33,759	35,033	44,230	48,671		
Two years later	19,076	23,990	32,616	32,811	33,925	44,033			
Three years later	18,544	23,776	31,929	30,541	33,377				
Four years later	18,184	23,224	30,981	30,718					
Five years later	17,728	22,642	29,962						
Six years later	17,561	22,420							
Seven years later	18,335								
Current estimate of cumulative claims incurred	18,335	22,420	29,962	30,718	33,377	44,033	48,671	47,621	275,137
Cumulative Claims Paid									
At end of accident year	7,745	10,912	11,767	12,434	14,867	15,254	19,006	18,775	
One year later	14,581	18,623	23,003	24,605	24,017	30,241	34,116		
Two years later	16,178	20,825	26,179	26,999	28,053	38,573			
Three years later	16,838	21,801	27,354	28,311	29,846				
Four years later	17,168	21,968	28,353	29,520					
Five years later	17,291	22,074	28,444						
Six years later	17,404	22,131							
Seven years later	17,699								
Cumulative payments to date	17,699	22,131	28,444	29,520	29,846	38,573	34,116	18,775	219,104
Direct & Fac. Inwards	636	289	1,518	1,198	3,531	5,460	14,555	28,846	56,033
Treaty Inwards									62,146
Best Estimate of Claim Liabilities									118,179
Claim Handling Expenses									1,546
Fund PRAD at 75% Confidence Interval									5,423
Net General Insurance Claim Liabilities (Note 11)									125,148

28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Financial risks

The Group and the Company is exposed to a variety of financial risks that includes credit risk, liquidity risk, market risk and operational risk that arise in the normal course of business. The Group and the Company's overall financial risk management objective is to ensure that the Group creates value for its shareholders whilst minimising potential exposures to adverse effects on its financial performance and positions.

The Group and the Company is guided by financial risk management policies and guidelines which set out the overall business strategies and the general risk management philosophy and processes. The Group has established internal processes to monitor the risks on an ongoing basis and support the development of Group's business.

(i) Credit risk

Credit risk is the potential financial loss resulting from the failure of counterparties such as, customers, intermediaries or counterparties to settle its financial and contractual obligations to the Group and the Company as and when they fall due.

The Group's primary exposure to credit risk arises through its investment in fixed income securities, receivables arising from sales of insurance policies and obligations of reinsurers through reinsurance contracts. The Group and the Company have put in place investment guidelines and credit policies as part of its overall credit risk management framework. The Group and the Company manages individual exposures as well as concentration of credit risks. At end of the reporting period, there were no significant concentration of credit risks.

Evaluation of an issuer's credit risk is undertaken by the Investment Unit within the Accounts and Finance Department. The Group and the Company uses the ratings assigned by external rating agencies to assess issuer's credit risk. Monitoring of credit and concentration risk is carried out by the Accounts and Finance Department which reports to the Investment Committee and the Board of Directors.

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

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28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Financial risks (Cont'd.)

(i) Credit risk (Cont'd.)

Receivables arising from insurance and reinsurance contracts are monitored by the Credit Control Unit within the Accounts and Finance Department to ensure adherence to the Group's credit policy. As part of the overall risk management strategy, the Group and the Company cedes insurance risk through facultative, quota share, proportional and non-proportional treaty reinsurance arrangements to mitigate concentration and overexposure of risks. The Group and the Company introduced the simultaneous payment clause in the policy when the proportion of any one or more foreign reinsurers' share of participation is deemed significant.

The Group and the Company monitor the credit quality and financial conditions of its reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically. When selecting its reinsurers, the Group and the Company considers their relative financial security, rating and mitigates concentration of risk by having a panel of reinsures. The security of the reinsurer is assessed based on public rating information and annual reports.

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28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Financial risks (Cont'd.)

(i) Credit risk (Cont'd.)

The following table shows the financial and insurance assets of the Group and of the Company by their credit rating:

Group

	AAA RM	AA RM	A RM	Malaysian Licenced Financial Institutions/ Insurers RM	Malaysian Government Securities RM	D RM	Not-rated RM	Not Subject to Credit risk RM	Total RM
31 December 2015									
Investments:									
Financial Assets at FVTPL	34,627,625	82,001,668	303,117	-	1,011,540	-	-	67,502,198	185,446,148
AFS financial assets	11,923,250	45,739,470	7,449,160	-	958,400	1	1,984,850	-	68,055,131
Reinsurance assets	-	2,159,500	33,340,625	54,255,553	-	-	4,868,597	-	94,624,275
Loans and other receivables, excluding fixed and call deposits	-	-	-	-	-	-	78,239,558	-	78,239,558
Fixed and call deposits	-	-	-	55,791,794	-	-	39,000,000	-	94,791,794
Insurance receivables	-	-	-	24,502,006	-	-	203,940	-	24,705,946
Cash and bank balances	-	-	-	12,302,801	-	-	-	-	12,302,801
	46,550,875	129,900,638	41,092,902	146,852,154	1,969,940	1	124,296,945	67,502,198	558,165,653

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28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Financial risks (Cont'd.)

(i) Credit risk (Cont'd.)

The following table shows the financial and insurance assets of the Group and of the Company by their credit rating:

Group

	AAA RM	AA RM	A RM	Malaysian Licenced Financial Institutions/ Insurers RM	Malaysian Government Securities RM	D RM	Not-rated RM	Not Subject to Credit risk RM	Total RM
31 December 2014									
Investments:									
Financial Assets at FVTPL	33,842,350	74,960,745	-	-	4,033,750	-	-	61,842,903	174,679,748
AFS financial assets	9,594,300	47,239,295	6,623,615	-	507,800	1	503,650	-	64,468,661
Reinsurance assets	-	864,503	29,000,500	47,695,050	-	-	4,255.316	-	81,815,369
Loans and other receivables, excluding fixed and call deposits	-	-	-	-	-	-	67,878,454	-	67,878,454
Fixed and call deposits	-	-	-	62,518,275	-	-	39,000,000	-	101,518,275
Insurance receivables	-	-	244	21,791,796	-	-	157,292	-	21,949,332
Cash and bank balances	-	-	-	8,512,319	-	-	-	-	8,512,319
	43,436,650	123,064,543	35,624,359	140,517,440	4,541,550	1	111,794,712	61,842,903	520,822,158

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28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Financial risks (Cont'd.)

(i) Credit risk (Cont'd.)

Company

	AAA RM	AA RM	A RM	Malaysian Licenced Financial Institutions/ Insurers RM	Malaysian Government Securities RM	D RM	Not-rated RM	Not Subject to Credit risk RM	Total RM
31 December 2015									
Investments:									
Financial Assets at FVTPL	-	-	-	-	-	-	-	67,502,198	67,502,198
AFS financial assets	11,923,250	45,739,470	7,449,160	-	958,400	1	1,984,851	120,106,649	188,161,781
Reinsurance assets	-	2,159,500	33,340,625	54,255,553	-	-	4,868,597	-	94,624,275
Loans and other receivables, excluding fixed and call deposits	-	-	-	-	-	-	76,974,246	-	76,974,246
Fixed and call deposits	-	-	-	51,922,056	-	-	39,000,000	-	90,922,056
Insurance receivables	-	-	-	24,502,006	-	-	203,940	-	24,705,946
Cash and bank balances	-	-	-	11,881,832	-	-	-	-	11,881,832
	11,923,250	47,898,970	40,789,785	142,561,447	958,400	1	123,031,634	187,608,847	554,772,334

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28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Financial risks (Cont'd.)

(i) Credit risk (Cont'd.)

Company

	AAA RM	AA RM	A RM	Malaysian Licenced Financial Institutions/ Insurers RM	Malaysian Government Securities RM	D RM	Not-rated RM	Not Subject to Credit risk RM	Total RM
31 December 2014									
Investments:									
Financial Assets at FVTPL	-	-	-	-	-	-	-	61,842,903	61,842,903
AFS financial assets	9,594,300	47,239,295	6,623,615	-	507,800	1	503,650	115,158,395	179,627,056
Reinsurance assets	-	864,503	29,000,500	47,695,050	-	-	4,255,316	-	81,815,369
Loans and other receivables, excluding fixed and call deposits	-	-	-	-	-	-	66,670,034	-	66,670,034
Fixed and call deposits	-	-	-	58,309,170	-	-	39,000,000	-	97,309,170
Insurance receivables	-	-	244	21,791,796	-	-	157,292	-	21,949,332
Cash and bank balances	-	-	-	8,350,929	-	-	-	-	8,350,929
	9,594,300	48,103,798	35,624,359	136,146,945	507,800	1	110,586,292	177,001,298	517,564,793

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28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Financial risks (Cont'd.)

(i) Credit risk (Cont'd.)

Credit exposure by credit quality

The table below provides information regarding the credit risk exposure of the Group and of the Company by classifying financial and insurance assets according to the credit ratings of counterparties.

Group

	Malayisan Licensed Financial Institutions/Insurers					
	Investment grade RM	'either past due nor impaired RM	Past due RM	Not rated RM	Not Subject to Credit risk RM	Total RM
31 December 2015						
Financial Assets at FVTPL	117,943,950	-	-	-	67,502,198	185,446,148
AFS financial assets	66,070,281	-	-	1,984,850	-	68,055,131
Reinsurance assets	35,500,125	54,255,553	-	4,868,597	-	94,624,275
Loans and other receivables	-	55,791,794	-	117,239,558	-	173,031,352
Insurance receivables	-	17,159,510	7,342,496	203,940	-	24,705,946
Cash and bank balances	-	12,302,801	-	-	-	12,302,801
	219,514,356	139,509,658	7,342,496	124,296,945	67,502,198	558,165,653

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28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Financial risks (Cont'd.)

(i) **Credit risk (Cont'd.)**

Credit exposure by credit quality

The table below provides information regarding the credit risk exposure of the Group and of the Company by classifying financial and insurance assets according to the credit ratings of counterparties.

Group

		Malayisan Licensed Financial Institutions/Insurers				
	Investment grade RM	either past due nor impaired RM	Past due RM	Not rated RM	Not Subject to Credit risk RM	Total RM
31 December 2014						
Financial Assets at FVTPL	112,836,845	-	-	-	61,842,903	174,679,748
AFS financial assets	63,965,011	-	-	503,650	-	64,468,661
Reinsurance assets	29,865,003	47,695,050	-	4,255,316	-	81,815,369
Loans and other receivables	-	62,518,275	-	106,878,454	-	169,396,729
Insurance receivables	244	19,808,434	1,983,362	157,292	-	21,949,332
Cash and bank balances	-	8,512,319	-	-	-	8,512,319
	206,667,103	138,534,078	1,983,362	111,794,712	61,842,903	520,822,158

28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

Financial risks (Cont'd.)

(i) Credit risk (Cont'd.)

Credit exposure by credit quality (Cont'd)

Company

		Malayisan Licensed Financial Institutions/Insurers				
	Investment grade RM	either past due nor impaired RM	Past due RM	Not rated RM	Not Subject to Credit risk RM	Total RM
31 December 2015						
AFS financial assets	66,070,281	-	-	1,984,851	120,106,649	188,161,781
Reinsurance assets	35,500,125	54,255,553	-	4,868,597	-	94,624,275
Loans and other receivables	-	51,922,056	-	115,974,246	-	167,896,302
Insurance receivables	-	16,213,621	7,342,496	203,940	-	23,760,057
Cash and bank balances	-	11,881,832	-	-	-	11,881,832
	101,570,406	134,273,062	7,342,496	123,031,634	120,106,649	486,324,247
31 December 2014						
AFS financial assets	63,965,011	-	-	503,650	115,158,395	179,627,056
Reinsurance assets	29,865,003	47,695,050	-	4,255,316	-	81,815,369
Loans and other receivables	-	58,309,170	-	105,670,034	-	163,979,204
Insurance receivables	244	19,808,434	1,983,362	157,292	-	21,949,332
Cash and bank balances	-	8,350,929	-	-	-	8,350,929
	93,830,258	134,163,583	1,983,362	110,586,292	115,158,395	455,721,890

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28 RISK MANAGEMENT FRAMEWORK (CONT'D.)

(i) Credit risk (Cont'd.)

Credit exposure by credit quality (Cont'd.)

A financial asset is deemed past due when the counterparty has failed to make payment when the outstanding amount falls due. The table below provides the financial assets past due at the balance sheet date.

Group/Company

	Past due but not impaired				
	Months 6-12 RM	More than 12 months RM	Total* RM	Past due and impaired RM	Total RM
2015					
Insurance receivable	4,657,434	2,685,062	7,342,496	2,962,690	10,305,186
2014					
Insurance receivable	1,506,495	476,867.00	1,983,362	2,595,369	4,578,731

* Reflects the nominal amounts of impaired balances.

(ii) Liquidity risk

Liquidity risk is the risk that the Group and the Company may not have sufficient liquid financial resources to meet their obligations when they fall due or any sudden or unplanned increase in demand for payment. In respect of catastrophic event, there is also a liquidity risk associated with the timing of recoveries between gross cash outflows and expected reinsurance recoveries. As part of the Group's policy on liquidity management, sufficient levels of financial resources are maintained to meet expected liquidity needs under normal and stressed conditions.

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

28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

(ii) Liquidity risk (Cont'd.)

The Group and the Company have established a Group and a Company-wide liquidity risk management policy setting out the assessment and determination of what constitutes liquidity risk. Compliance with the policy is monitored and reported monthly and exposures and breaches are reported to the Management as soon as possible. The Investment Committee, assisted by Management, are responsible for liquidity management based on guidelines approved by the Board.

There are guidelines on asset allocations, portfolio limit structures and maturity profiles of assets in order to ensure sufficient funding is available to meet insurance and investment contract obligations. As part of its liquidity management, the Group and the Company maintain sufficient levels of cash and cash equivalents to meet expected and unexpected payments and funding needs. In the event that there are unexpected outflows beyond the normal and stressed conditions, the Group and Company can still uplift the cash and fixed deposits to meet the funding needs.

The Group's treaty reinsurance contracts contain a "cash call" clause permitting the Group and the Company to make cash calls on claims and receive immediate payment for large losses without waiting for the usual periodic payment procedures that will mitigate and ease the funding needs for payment of large claims.

Maturity profiles

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

The maturity groupings for AFS and FVTPL financial assets which are debt instruments follow the maturity date of the instruments.

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28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

(ii) Liquidity risk (Cont'd.)

Maturity profiles (cont'd.)

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

Group		← Maturity Period				→		
	Carrying value RM	Up to a year RM	1-3 years RM	3-5 years RM	5-15 years RM	Over 15 years RM	No maturity RM	Total RM
31 December 2015								
Financial assets at FVTPL	185,446,148	23,991,565	54,944,932	37,219,405	17,634,750	-	67,502,198	201,292,850
AFS financial assets	68,055,131	10,601,160	11,066,040	23,558,475	45,497,425	1,060,500	-	91,783,600
Reinsurance assets	76,858,841	55,773,530	19,452,511	1,345,765	287,035	-	-	76,858,841
Loans and receivables, excluding fixed and call deposits	78,239,558	47,421,439	24,056,574	6,080,304	681,241	-	-	78,239,558
Fixed and call deposits	94,791,794	98,301,920	-	-	-	-	-	98,301,920
Insurance receivables	24,705,946	24,705,946	-	-	-	-	-	24,705,946
Cash and bank balances	12,302,801	12,302,801	-	-	-	-	-	12,302,801
Total assets	540,400,219	273,098,361	109,520,057	68,203,949	64,100,451	1,060,500	67,502,198	583,485,516
Insurance contract liabilities	212,823,509	122,657,404	73,670,878	13,843,977	2,651,250	-	-	212,823,509
Other financial liabilities	36,207,219	14,254,887	21,263,348	1,074,382	-	-	-	36,592,617
Insurance payables	31,376,851	31,376,851	-	-	-	-	-	31,376,851
Other payables	5,568,652	5,568,652	-	-	-	-	-	5,568,652
Total liabilities	285,976,231	173,857,794	94,934,226	14,918,359	2,651,250	-	-	286,361,629

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28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

(ii) Liquidity risk (Cont'd.)

Maturity profiles (cont'd.)

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

Group		←		Maturity Period		→		
	Carrying value RM	Up to a year RM	1-3 years RM	3-5 years RM	5-15 years RM	Over 15 years RM	No maturity RM	Total RM
31 December 2014								
Financial assets at FVTPL	174,679,748	17,505,740	44,378,780	50,593,530	21,872,375	-	61,842,903	196,193,328
AFS financial assets	64,468,661	7,522,343	18,945,985	17,182,520	40,458,540	526,200	-	84,635,588
Reinsurance assets	65,044,554	39,260,402	23,230,327	1,532,590	1,021,235	-	-	65,044,554
Loans and receivables, excluding fixed and call deposits	67,878,454	40,912,302	21,117,511	4,976,825	871,816	-	-	67,878,454
Fixed and call deposits	101,518,275	104,877,124	-	-	-	-	-	104,877,124
Insurance receivables	21,949,332	21,949,332	-	-	-	-	-	21,949,332
Cash and bank balances	8,512,319	8,512,319	-	-	-	-	-	8,512,319
Total assets	504,051,343	240,539,562	107,672,603	74,285,465	64,223,966	526,200	61,842,903	549,090,699
Insurance contract liabilities	190,192,601	102,096,371	71,807,545	12,503,390	3,785,295	-	-	190,192,601
Other financial liabilities	33,197,575	16,088,396	16,653,454	811,232	-	-	-	33,553,082
Insurance payables	27,442,009	27,442,009	-	-	-	-	-	27,442,009
Other payables	5,205,463	5,205,463	-	-	-	-	-	5,205,463
Total liabilities	256,037,648	150,832,239	88,460,999	13,314,622	3,785,295	-	-	256,393,155

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28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

(ii) Liquidity risk (Cont'd.)

Maturity profiles (cont'd.)

Company	Carrying value RM	Maturity Period: Up to a year RM	1-3 years RM	3-5 years RM	5-15 years RM	Over 15 years RM	No maturity RM	Total RM
31 December 2015								
Financial assets at FVTPL	67,502,198	-	-	-	-	-	67,502,198	67,502,198
AFS financial assets	188,161,781	130,707,810	11,066,040	23,558,475	45,497,425	1,060,500	-	211,890,250
Reinsurance assets	76,858,841	55,773,530	19,452,511	1,345,765	287,035	-	-	76,858,841
Loans and receivables, excluding fixed and call deposits	76,974,246	46,156,127	24,056,574	6,080,304	681,241		-	76,974,246
Fixed and call deposits	90,922,056	94,261,817	-	-	-	-	-	94,261,817
Insurance receivables	24,705,946	24,705,946	-	-	-	-	-	24,705,946
Cash and bank balances	11,881,832	11,881,832	-	-	-	-	-	11,881,832
Total assets	537,006,900	363,487,062	54,575,125	30,984,544	46,465,701	1,060,500	67,502,198	564,075,130
Insurance contract liabilities	212,823,509	122,657,404	73,670,878	13,843,977	2,651,250	-	-	212,823,509
Other financial liabilities	36,207,219	14,254,887	21,263,348	1,074,382	-	-	-	36,592,617
Insurance payables	31,376,851	31,376,851	-	-	-	-	-	31,376.851
Other payables	5,495,495	5,495,495	-	-	-	-	-	5,495,495
Total liabilities	285,903,074	173,784,637	94,934,226	14,918,359	2,651,250	-	-	286,288,472

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28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

(ii) Liquidity risk (Cont'd.)

Maturity profiles (cont'd.)

Company	Carrying value RM	Maturity Period: Up to a year RM	1-3 years RM	3-5 years RM	5-15 years RM	Over 15 years RM	No maturity RM	Total RM
31 December 2014								
Financial assets at FVTPL	61,842,903	-	-	-	-	-	61,842,903	61,842,903
AFS financial assets	179,627,056	122,680,738	18,945,985	17,182,520	40,458,540	526,200	-	199,793,983
Reinsurance assets	65,044,554	39,260,402	23,230,327	1,532,590	1,021,235	-	-	65,044,554
Loans and receivables, excluding fixed and call deposits	66,670,034	39,703,882	21,117,511	4,976,825	871,816	-	-	66,670,034
Fixed and call deposits	97,309,170	100,521,675	-	-	-	-	-	100,521,675
Insurance receivables	21,949,332	21,949,332	-	-	-	-	-	21,949,332
Cash and bank balances	8,350,929	8,350,929	-	-	-	-	-	8,350,929
Total assets	500,793,978	332,466,958	63,293,823	23,691,935	42,351,591	526,200	61,842,903	524,173,410
Insurance contract liabilities	190,192,601	102,096,371	71,807,545	12,503,390	3,785,295	-	-	190,192,601
Other financial liabilities	33,197,575	16,088,396	16,653,454	811,232	-	-	-	33,553,082
Insurance payables	27,442,009	27,442,009	-	-	-	-	-	27,442,009
Other payables	5,140,754	5,140,754	-	-	-	-	-	5,140,754
Total liabilities	255,972,939	150,767,530	88,460,999	13,314,622	3,785,295	-	-	256,328,446

28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

(iii) 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 comprise three types of exposures: foreign exchange rates (currency risk), market interest rates (interest rates/profit yield risk) and market prices (price risk).

The Group and the Company have policies and limits to manage market risk through portfolio diversification and asset allocation. The Group's policies on asset allocation, portfolio limit structure and diversification benchmark have been set in line with the Group's investment policy after taking into consideration the requirements of maintenance of liquidity, assets and solvency for RBC purposes. Compliance with the policy is monitored and reported periodically to the Investment Committee and Board.

(iv) 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 does not have exposure to foreign currency risk via direct investments. However, foreign currency risk exists in some reinsurance premiums that are paid in foreign currencies. The payment of reinsurance premium in foreign currencies are not hedged as these are paid in USD equivalent based on the prevailing exchange rates at the time of payment.

Due to insignificant exposure to foreign currencies, these currency risk have no significant impact on the financial position and/or the income statements.

(v) Interest rate/profit yield risk

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

The Group and the Company are exposed to interest rate risk primarily through investments in fixed income securities. As the wholesale unit trust funds invest mainly in Corporate Debt Securities and Malaysian Government Securities, the net asset value ("NAV") of the funds reported by the Fund Managers would also be sensitive to interest rate movements. The impact of changes in interest rates to the fair value of investments held by the Group and the Company are as shown in the table below.

28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

(v) Interest rate/profit yield risk (cont'd.)

	Group				
Increase in interest rates	**1.00% RM'000**	**1.25% RM'000**	**1.50% RM'000**	**1.75% RM'000**	**2.00% RM'000**
2015					
Decrease in AFS reserve	2,676	3,308	3,926	4,532	5,122
Decrease in profit and loss after taxation/equity	2,414	3,000	3,579	4,151	4,716
2014					
Decrease in AFS reserve	2,295	2,841	3,377	3,902	4,416
Decrease in profit and loss after taxation/equity	2,822	3,505	4,181	4,847	5,504

	Company				
Increase in interest rates	**1.00% RM'000**	**1.25% RM'000**	**1.50% RM'000**	**1.75% RM'000**	**2.00% RM'000**
2015					
Decrease in AFS reserve	2,676	3,308	3,926	4,532	5,122
2014					
Decrease in AFS reserve	2,295	2,841	3,377	3,902	4,416

An equivalent decrease in interest rates shown above would result in an equivalent, but opposite impact.

(vi) Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate/profit yield risk or currency risk), irregardless whether those changes are caused by factors specific to the individual financial instruments or its issuer or factors affecting similar financial instruments traded in the market.

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

28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

(vi) Price risk (cont'd.)

The Group and the Company are exposed to price risk arising from investments in quoted equities and unit trust funds held by the Group and the Company and which are classified in the statements of financial position as either FVTPL or AFS financial assets.

The analysis below is performed for reasonably possible movements in equity prices and the net asset value ("NAV") of unit trust fund prices with all other variables held constant, showing the impact on the profit and loss and to equity.

* Impact on equity is shown after tax impact.

^ Does not include impact on wholesale unit trust funds as the key risk affecting the value of such funds is interest rate/profit yield risk.

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

(vii) Operational risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can potentially impact partly or fully the achievement of the Group's objectives and cause damage to reputation, have legal or regulatory implications or lead to financial losses.

The Group and the Company cannot expect to eliminate all operational risks but mitigates them by maintaining a comprehensive internal control framework and by monitoring and promptly responding to potential risks. Controls include segregation of duties, access controls, multi-level and combination of authorisation, reconciliation procedures, staff training, effective communication and evaluation procedures, including the use of internal audit, compliance and risk management processes. Business risk, such as changes in environment, technology and the industry are monitored through the Group's strategic planning and budgeting process.

The Group and the Company's operational and business units are primarily responsible for the management of day-to-day operational risks inherent in their respective business and functional areas. These units are responsible and have in place policies and operational manuals to ensure that activities undertaken comply with the Group's operational risk management framework and oversight by the RMWG, RMC, Investment Committee, AEC and the Board.

The internal audit team reviews the effectiveness of the internal control system and their continued relevance and reports to the AEC and it's recommendations are tabled for Board's deliberation.

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29. FAIR VALUE ESTIMATION

As at 31 December 2015, the fair value of the Group's and Company's assets are as follows:

Group	**Carrying Value RM**	**Level 1 RM**	**Level 2 RM**	**Level 3 RM**	**Total RM**
Property and equipment:					
Freehold office lots	5,850,000	-	-	5,850,000	5,850,000
Long-term leasehold office lot	3,231,000	-	-	3,231,000	3,231,000
	9,081,000	-	-	9,081,000	9,081,000
AFS financial assets:					
Malaysian Government Securities	958,400	-	958,400	-	958,400
Corporate debt securities	67,096,731	-	67,096,731	-	67,096,731
	68,055,131	-	68,055,131	-	68,055,131
Financial assets at FVTPL:					
Corporate debt securities	117,943,950	-	117,943,950	-	117,943,950
Unit trust funds	5,527,467	5,527,467	-	-	5,527,467
Equity securities	61,974,731	61,974,731	-	-	61,974,731
	185,446,148	67,502,198	117,943,950	-	185,446,148

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29. FAIR VALUE ESTIMATION (CONT'D.)

As at 31 December 2015, the fair value of the Group's and Company's assets are as follows: (cont'd.)

	Carrying Value RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Company					
Property and equipment:					
Freehold office lots	5,850,000	-	-	5,850,000	5,850,000
Long-term leasehold office lot	3,231,000	-	-	3,231,000	3,231,000
	9,081,000	-	-	9,081,000	9,081,000
AFS financial assets:					
Malaysian Government Securities	958,400	-	958,400	-	958,400
Corporate debt securities	67,096,731	-	67,096,731	-	67,096,731
Wholesale unit trust funds	120,106,650	120,106,650	-	-	120,106,650
	188,161,781	120,106,650	68,055,131	-	188,161,781
Financial assets at FVTPL:					
Unit trust funds	5,527,467	5,527,467	-	-	5,527,467
Equity securities	61,974,731	61,974,731	-	-	61,974,731
	67,502,198	67,502,198	-	-	67,502,198

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29. FAIR VALUE ESTIMATION (CONT'D.)

As at 31 December 2014, the fair value of the Group's and Company's assets are as follows:

Group	Carrying Value RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Property and equipment:					
Freehold office lots	5,980,000	-	-	5,980,000	5,980,000
Long-term leasehold office lot	3,302,800	-	-	3,302,800	3,302,800
	9,282,800	-	-	9,282,800	9,282,800
AFS financial assets:					
Malaysian Government Securities	507,800	-	507,800	-	507,800
Corporate debt securities	63,960,861	-	63,960,861	-	63,960,861
	64,468,661	-	64,468,661	-	64,468,661
Financial assets at FVTPL:					
Corporate debt securities	112,836,845	-	112,836,845	-	112,836,845
Unit trust funds	5,422,923	5,422,923	-	-	5,422,923
Equity securities	56,419,980	56,419,980	-	-	56,419,980
	174,679,748	61,842,903	112,836,845	-	174,679,748

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29. FAIR VALUE ESTIMATION (CONT'D.)

As at 31 December 2014, the fair value of the Group's and Company's assets are as follows: (cont'd.)

	Carrying Value RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Company					
Property and equipment:					
Freehold office lots	5,980,000	-	-	5,980,000	5,980,000
Long-term leasehold office lot	3,302,800	-	-	3,302,800	3,302,800
	9,282,800	-	-	9,282,800	9,282,800
AFS financial assets:					
Malaysian Government Securities	507,800	-	507,800	-	507,800
Corporate debt securities	63,960,861	-	63,960,861	-	63,960,861
Wholesale unit trust funds	115,158,395	115,158,395	-	-	115,158,395
	179,627,056	115,158,395	64,468,661	-	179,627,056
Financial assets at FVTPL:					
Unit trust funds	5,422,923	5,422,923	-	-	5,422,923
Equity securities	56,419,980	56,419,980	-	-	56,419,980
	61,842,903	61,842,903	-	-	61,842,903

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29. FAIR VALUE ESTIMATION (CONT'D.)

For investments in unit trust funds, fair value is determined by reference to published net asset values, while the fair values of equity securities are obtain from Bursa Malaysia. All of which are regarded as Level 1, quoted in an active market

The fair values of Malaysian Government Securities and corporate debts securities is obtained from Bond Pricing Agency Malaysia ("BPAM"). These financial instruments are regarded as Level 2, as the significant inputs are observable.

For property and equipment, the fair value is obtained from valuations as performed by the external valuers using the comparison method and are regarded as Level 3, as the significant inputs are not observable.

Movements in level 3 property and equipment measured at fair value.

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

	2015 RM'000	2014 RM'000
Opening balance	6,500,000	6,500,000
Total depreciation charge	(650,000)	(520,000)
Closing balance	5,850,000	5,980,000

There was no movement from beginning to ending balances for assets carried under the Level 3 hierarchy of the Group and Company in the previous and current financial years. There were also no changes in classification of assets under Level 1 and Level 2 of the fair value hierarchy.

The following financial assets and liabilities are not carried at fair values, but their carrying values approximate fair values as they are short term in nature or the impact of discounting is not material:

- Loans and receivables (that are classified as financial instruments)
- Insurance receivables
- Cash and bank balances
- Other financial liabilities
- Insurance payables
- Other payables (that are classified as financial instruments)

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30. REGULATORY CAPITAL REQUIREMENTS

The Company is required to comply with the mandatory capital requirement prescribed in the RBC Framework which is prescibed in BNM/RH/GL 003-2: Prudential Framework of Corporate Governance for Insurers issued by BNM. Under the RBC Framework, insurance companies are required to satisfy a minimum capital adequacy ratio of 130% and the Group and the Company has a capital adequacy ratio in excess of the minimum requirement.

The capital structure of the Company, as prescribed under the RBC Framework is provided below:

	2015 RM	2014 RM
Eligible Tier 1 Capital		
Share capital (paid-up)	100,000,000	100,000,000
Retained earnings	113,777,109	106,895,567
Tier 2 Capital		
Eligible reserves	3,618,339	3,305,576
	217,395,448	210,201,143
Amount deducted from capital	(1,005,545)	(881,173)
Total capital available	216,389,903	209,319,970