

# MCIS

INSURANCE



Annual Report  
2014

# Directors' Report & Audited Financial Statements

30 June 2014

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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 30 June 2014.

## PRINCIPAL ACTIVITIES

The Company is engaged principally in the underwriting of life and Investment linked insurance, and all classes of general insurance business.

The principal activity of the subsidiary is described in Note 12 to the financial statements. The subsidiary has commenced the striking off process under Section 308 of the Companies Act, 1965 on 23 December 2013.

There have been no significant changes in the nature of the principal activities of the Company during the financial year, other than the classification of certain assets and liabilities relating to the Company's general insurance business as a disposal group held for sale as disclosed in Note 11 to the financial statements.

## CHANGE OF COMPANY NAME

With effect from 17 June 2014, the Company changed its name from MCIS Zurich Insurance Berhad to MCIS Insurance Berhad.

## RESULTS

Net profit for the year:

- Continuing operations
- Discontinued operations

	Group RM'000	Company RM'000
	24,782	24,786
	12,807	12,807
	37,589	37,593

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

In the opinion of the Directors, the results of 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, other than as disclosed in the financial statements.

## DIVIDENDS

The amounts of dividends declared and paid by the Company since 30 June 2013 were as follows:

Final dividend of 10% of nominal value of share capital less 25% tax,  
amounting to RM7,521,305 in respect of the financial year ended 30 June 2013  
approved on 28 November 2013 and paid on 16 December 2013

RM'000

7,521

On 23 July 2014, the Board of Directors recommended a single-tier interim dividend payment in respect of the current financial year ended 30 June 2014 of 5% of the nominal value of ordinary shares amounting to a total dividends payable of RM5,014,204 (5 sen per share).





# DIRECTORS' REPORT

## DIVIDENDS (CONT'D)

The above payment was approved by Bank Negara Malaysia ("BNM"), in accordance with BNM's guideline, BNM/RH/GL 015-3 Financial Reporting on 25 August 2014. The financial statements for the current financial year do not reflect this recommended dividend. Such dividend will be accounted for in the shareholders' equity as an appropriation of retained earnings in the next financial period.

At the forthcoming Annual General Meeting, a final single-tier dividend in respect of the current financial year ended 30 June 2014 of 10% of the nominal value of ordinary shares amounting to a total dividend of RM10,028,407 (10 sen per share) will be proposed for shareholders' approval, which is also subject to BNM's approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in the shareholders' equity as an appropriation of retained profits in the next financial period.

## DIRECTORS

The names of the Directors of the Company in office since the date of the last report and at the date of this report are:

**Tan Sri Mohamed Al Amin bin Abdul Majid** (Chairman)  
Independent, non-executive director

**Dato' Balaram a/l Petha Naidu**  
Non-independent, non-executive director

**Dato' Hj Mustapha @ Mustapa bin Md Nasir**  
Non-independent, non-executive director

**Mr. Kirupalani a/l Chelliah**  
Independent, non-executive director

**Mr. Murugiah M N Singham**  
Independent, non-executive director

**Dato' Dr. Md Khir bin Abdul Rahman**  
Independent, non-executive director

**Mr. Cornelius Karel Foord** (appointed on 5 May 2014)  
Non-independent, non-executive director

**Mr. Philippus Rudolph Van Rooijen** (appointed on 5 May 2014)  
Non-independent, non-executive director

**Ms. Eva Ip Yee Kwan** (resigned on 11 June 2014)  
Non-independent, non-executive director





# DIRECTORS' REPORT

## BOARD MEETING

The Board comprises four independent, non-executive directors and four non-independent, non-executive directors. The attendance of the members of the Board in office at the 11 meetings of the Board held during the financial year is as follows:

	<b>Attendance</b>
<u>Chairman:</u>	
Tan Sri Mohamed Al Amin bin Abdul Majid	11 / 11
<u>Members:</u>	
Dato' Balaram a/l Petha Naidu	11 / 11
Dato' Hj Mustapha @ Mustapa bin Md Nasir	9 / 11
Mr. Kirupalani a/l Chelliah	11 / 11
Mr. Murugiah M N Singham	11 / 11
Dato' Dr. Md Khir bin Abdul Rahman	10 / 11
Mr. Cornelius Karel Foord (appointed on 5 May 2014)	1 / 1
Mr. Philippus Rudolph Van Rooijen (appointed on 5 May 2014)	1 / 1
Ms. Eva Ip Yee Kwan (resigned on 11 June 2014)	10 / 11

## CORPORATE GOVERNANCE

The Board of Directors ("the Board") confirms that the Company has complied with all the prescriptive requirements of, and adopts management practices that are consistent with, the principles prescribed under Bank Negara Malaysia ("BNM")'s Guidelines, BNM/RH/GL/003-1 Minimum Standards for Prudential Management of Insurers (Consolidated) and BNM/RH/GL/003-2 Prudential Framework of Corporate Governance for Insurers.

### Corporate governance standards

The memberships, roles and terms of reference of the Audit, Risk Management, Nominating and Remuneration Committees of the Board during the financial year are as follows:

#### (i) Audit Committee

The Audit Committee ("AC") comprises two independent, non-executive directors and one non-independent, non-executive director. The attendance of the members of the Committee in office at the 7 meetings of the Committee held during the financial year is as follows:

	<b>Attendance</b>
<u>Chairman:</u>	
Mr. Murugiah M N Singham (appointed as Chairman on 14 July 2014)	7 / 7
<u>Members:</u>	
Mr. Kirupalani a/l Chelliah (resigned as Chairman on 14 July 2014)	7 / 7
Cornelius Karel Foord (appointed on 14 July 2014)	0 / 0
Dato' Hj Mustapha @ Mustapa bin Md Nasir (resigned on 14 July 2014)	6 / 7

The AC's terms of reference include the reinforcement of the independence and objectivity of the internal audit function and the specification of its scope, the review of the Company's financial statements which includes the findings of both the internal and external auditors and the propriety of disclosure of related party transactions. It also makes recommendations to the Board on the appointment and re-appointment of the external auditors and the maintenance of a sound system of internal controls to safeguard the Company's assets.





# DIRECTORS' REPORT

## CORPORATE GOVERNANCE (CONT'D)

### Corporate governance standards (cont'd)

The Committee's primary duties are as spelt out in the Guidelines, BNM/RH/GL/003-22 Guidelines on Audit Committees and Internal Audit Department (Part A) and BNM/RH/GL/013-4 Guidelines on Internal Audit Function of Licensed Institutions issued by BNM.

#### (ii) Risk Management Committee

The Risk Management Committee ("RMC") comprises one independent, non-executive director and two non-independent, non-executive directors. The attendance of the members of the Committee in office at the 5 meetings of the Committee held during the financial year is as follows:

	<b>Attendance</b>
<u>Chairman:</u>	
Dato' Dr. Md Khir bin Abdul Rahman (appointed as Chairman on 27 August 2013)	4 / 4
Tan Sri Mohamed Al Amin bin Abdul Majid (resigned on 27 August 2013)	1 / 1
<u>Members:</u>	
Dato' Hj Mustapha @ Mustapa bin Md Nasir (appointed on 14 July 2014)	0 / 0
Mr. Philippus Rudolph Van Rooijen (appointed on 14 July 2014)	0 / 0
Dato' Balaram a/l Petha Naidu (resigned on 14 July 2014)	5 / 5
Ms. Eva Ip Yee Kwan (resigned on 11 June 2014)	5 / 5

The RMC oversees senior management's activities in managing the key risks of the Company, in order to ensure that the risk management process is in place and functioning effectively. The responsibilities of the RMC include the review, assessment and recommendation of the risk management strategies and risk tolerance of the Company. It also assesses the adequacy and effectiveness of the internal policies and frameworks for identifying, measuring, monitoring and controlling risks.

#### (iii) Nominating Committee

The Nominating Committee ("NC") comprises two independent, non-executive directors and three non-independent, non-executive directors. The attendance of the members of the Committee in office at the 7 meetings and one adjourned meeting of the Committee held during the financial year is as follows:

	<b>Attendance</b>
<u>Chairman:</u>	
Mr. Kirupalani a/l Chelliah	8 / 8
<u>Members:</u>	
Dato' Hj Mustapha @ Mustapa bin Md Nasir	7 / 8
Dato' Balaram a/l Petha Naidu	8 / 8
Mr. Murugiah M N Singham	8 / 8
Mr. Cornelius Karel Foord (appointed on 14 July 2014)	0 / 0
Ms. Eva Ip Yee Kwan (resigned on 11 June 2014)	8 / 8

The NC is empowered to consider and evaluate the appointment of new directors and directors to fill the seats on Committees of the Board. It also recommends suitable, competent candidates to the Board and BNM for appointment and re-appointment or re-election. In addition to that, the NC is also entrusted with the responsibility for both the appointment and evaluation of the Chief Executive Officer and key senior officers of the Company.



# DIRECTORS' REPORT

## CORPORATE GOVERNANCE (CONT'D)

### Corporate governance standards (cont'd)

#### (iii) Nominating Committee (cont'd)

The NC will review annually, the structure, size, composition and mix of skills required for the Board to discharge its duties effectively. It also assesses on an annual basis, the effectiveness of the Board as a whole, including the various Committees of the Board.

#### (iv) Remuneration Committee

The Remuneration Committee ("RC") comprises two independent, non-executive directors and one non-independent, non-executive director. The attendance of the members of the Committee in office at the 6 meetings and one adjourned meeting of the Committee held during the financial year is as follows:

	<b>Attendance</b>
<u>Chairman:</u>	
Dato' Dr. Md Khir bin Abdul Rahman (appointed on 27 August 2013)	6 / 6
Tan Sri Mohamed Al Amin bin Abdul Majid (resigned on 27 August 2013)	1 / 1
<u>Members:</u>	
Dato' Balaram a/l Petha Naidu (appointed on 14 July 2014)	0 / 0
Mr. Philippus Rudolph Van Rooijen (appointed on 14 July 2014)	0 / 0
Dato' Hj Mustapha @ Mustapa bin Md Nasir (resigned on 14 July 2014)	6 / 7
Mr. Murugiah M N Singham (resigned on 14 July 2014)	7 / 7

The Board recognises that levels of remuneration must be sufficient to attract, retain and motivate directors of the quality required to manage the business of the Company and to align the interests of the directors with those of the shareholders. In this respect, the RC is responsible for reviewing and recommending the remuneration packages of directors, Chief Executive Officer and other key senior officers.

## DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company or its subsidiary was a party, whereby the Directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in Note 28 to the financial statements, or the proceeds from the sale of shares as outline in the directors' interest below) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.





# DIRECTORS' REPORT

## DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, the interests of Directors in office at the end of the financial year in shares in the Company during the financial year were as follows:

	Number of ordinary shares of RM1.00 each			30 June 2014
	1 July 2013	Acquired	Sold	
<b>Direct interest:</b>				
Dato' Balaram a/l Petha Naidu	32,201	-	(32,201)	-
Dato' Hj Mustapha @ Mustapa bin Md Nasir*	6,489	-	-	6,489
<b>Indirect interest:</b>				
Dato' Balaram a/l Petha Naidu**	-	318,074	(318,074)	-

\* On 6 August 2014, the Director had subsequently sold the entire interest in the Company.

\*\* Deemed interested by virtue of him being entitled to exercise not less than 15% of the votes attached to the voting shares in SPP Cemerlang Sdn Bhd, a company which holds 318,074 of the Company's shares, representing approximately 0.32% of the issued and paid-up share capital in the Company, pursuant to Section 6A(4) of the Companies Act, 1965.

The sales of shares by Dato' Balaram a/l Petha Naidu during the financial year end, and by Dato' Hj Mustapha @ Mustapa bin Md Nasir on 6 August 2014, took place as part of the mandatory general offer to the minority shareholders of the Company undertaken jointly by Sanlam Emerging Markets Proprietary Limited and Koperasi MCIS Berhad, which resulted from the sale and purchase transactions as outlined in more detail in Note 43 to the financial statements.

Other than as stated above, none of the Directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

## OTHER STATUTORY INFORMATION

- (a) 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:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no known bad debts and that adequate allowance had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances which would:
- (i) require any amount to be written off as bad debts or render the amount of the allowance for doubtful debts of the Group and of the Company inadequate to any substantial extent; and
  - (ii) render the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.







# DIRECTORS' REPORT

## OTHER STATUTORY INFORMATION (CONT'D)

- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
  - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the Directors:
  - (i) no contingent liability 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 or of the Company to meet their obligations when they fall due other than as disclosed; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

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

- (g) 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 insurance liabilities in accordance with the valuation methods prescribed under Part D of the Risk-Based Capital ("RBC") Framework for insurers issued by BNM.

## SIGNIFICANT AND SUBSEQUENT EVENTS

Details of significant and subsequent events are disclosed in Note 43 to the financial statements.

## 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 29 September 2014.

Mr. Kirupalani a/I Chelliah

Mr. Murugiah M N Singham

Petaling Jaya, Malaysia  
29 September 2014





# STATEMENT BY DIRECTORS

Pursuant to Section 169(15) of the Companies Act, 1965

We, Mr. Kirupalani a/l Chelliah and Mr. Murugiah M N Singham, being two of the directors of MCIS Insurance Berhad (formerly known as MCIS Zurich Insurance Berhad), do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 28 to 143 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 position of the Group and of the Company as at 30 June 2014 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 29 September 2014.

Mr. Kirupalani a/l Chelliah

Mr. Murugiah M N Singham

Petaling Jaya, Malaysia  
29 September 2014

# STATUTORY DECLARATION

Pursuant to Section 169(16) of the Companies Act, 1965

I, Mr. Kevin Jones, being the officer primarily responsible for the financial management of MCIS Insurance Berhad (formerly known as MCIS Zurich Insurance Berhad), do solemnly and sincerely declare that the accompanying financial statements set out on pages 28 to 143 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by  
the abovenamed Mr. Kevin Jones  
at Petaling Jaya in Selangor Darul Ehsan  
on 29 September 2014

)  
)  
)  
)

Mr. Kevin Jones

Before me,





# INDEPENDENT AUDITORS' REPORT

to the members of MCIS Insurance Berhad  
(Formerly known as MCIS Zurich Insurance Berhad)  
(Incorporated in Malaysia)

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of MCIS Insurance Berhad (formerly known as MCIS Zurich Insurance Berhad), which comprise the statements of financial position as at 30 June 2014 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 28 to 143.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

## AUDITORS' RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

## OPINION

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2014 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.





# INDEPENDENT AUDITORS' REPORT

to the members of MCIS Insurance Berhad  
(Formerly known as MCIS Zurich Insurance Berhad)  
(Incorporated in Malaysia)

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report on the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the financial statements of the subsidiary that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (c) The auditors' report on the financial statements of the subsidiary was not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) 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

Kuala Lumpur, Malaysia  
29 September 2014

Megat Iskandar Shah Bin Mohamad Nor  
No. 3083/07/15(J)  
Chartered Accountant





# STATEMENTS OF FINANCIAL POSITION

As at 30 June 2014

Group	Note	2014 RM'000	2013 RM'000 (Restated)
<b>ASSETS</b>			
Property and equipment	3	103,299	106,550
Investment properties	4	1,770	1,770
Intangible assets	5	13,954	15,873
Prepaid land lease payments	6	242	255
Investments	7	4,188,364	4,301,104
Reinsurance assets	8	3,291	139,961
Insurance receivables	9	49,033	73,462
Other receivables	10	39,123	88,689
Cash and bank balances		5,977	91,507
		<u>4,405,053</u>	<u>4,819,171</u>
Assets classified as held for sale	11	427,581	-
<b>Total assets</b>		<u>4,832,634</u>	<u>4,819,171</u>
<b>EQUITY</b>			
Share capital	13	100,284	100,284
Share premium		24,740	24,740
Retained profits	14	291,112	261,044
Merger reserves	15	40,672	40,672
Available-for-sale reserves		(972)	15,302
Revaluation reserves		4,572	4,572
		<u>460,408</u>	<u>446,614</u>
Reserves of a disposal group classified as held for sale	11	(2,742)	-
<b>Total equity</b>		<u>457,666</u>	<u>446,614</u>
<b>LIABILITIES</b>			
Insurance contract liabilities	16	3,741,786	4,132,585
Deferred tax liabilities	17	27,162	37,816
Insurance payables	18	62,696	128,836
Provision for taxation		4,742	397
Other payables	19	98,036	72,923
		<u>3,934,422</u>	<u>4,372,557</u>
Liabilities directly associated with the assets classified as held for sale	11	440,546	-
<b>Total liabilities</b>		<u>4,374,968</u>	<u>4,372,557</u>
<b>Total equity and liabilities</b>		<u>4,832,634</u>	<u>4,819,171</u>

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





# STATEMENTS OF FINANCIAL POSITION

As at 30 June 2014 (CONT'D)

	Note	2014 RM'000	2013 RM'000 (Restated)
<b>Company</b>			
<b>ASSETS</b>			
Property and equipment	3	103,299	106,550
Investment properties	4	1,770	1,770
Intangible assets	5	13,954	15,873
Prepaid land lease payments	6	242	255
Investments	7	4,188,364	4,301,104
Reinsurance assets	8	3,291	139,961
Insurance receivables	9	49,033	73,462
Other receivables	10	39,123	88,689
Cash and bank balances		5,977	91,507
		<u>4,405,053</u>	<u>4,819,171</u>
Assets classified as held for sale	11	427,581	-
<b>Total assets</b>		<u>4,832,634</u>	<u>4,819,171</u>
<b>EQUITY</b>			
Share capital	13	100,284	100,284
Share premium		24,740	24,740
Retained profits	14	291,136	261,064
Merger reserves	15	40,672	40,672
Available-for-sale reserves		(972)	15,302
Revaluation reserves		4,572	4,572
		<u>460,432</u>	<u>446,634</u>
Reserves of a disposal group classified as held for sale	11	(2,742)	-
<b>Total equity</b>		<u>457,690</u>	<u>446,634</u>
<b>LIABILITIES</b>			
Insurance contract liabilities	16	3,741,786	4,132,585
Deferred tax liabilities	17	27,162	37,816
Insurance payables	18	62,696	128,836
Provision for taxation		4,742	397
Other payables	19	98,012	72,903
		<u>3,934,398</u>	<u>4,372,537</u>
Liabilities directly associated with the assets classified as held for sale	11	440,546	-
<b>Total liabilities</b>		<u>4,374,944</u>	<u>4,372,537</u>
<b>Total equity and liabilities</b>		<u>4,832,634</u>	<u>4,819,171</u>

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





# INCOME STATEMENTS

For the financial year ended 30 June 2014

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Continuing operations:</b>					
Gross earned premiums	20(a)	564,185	583,439	564,185	583,439
Premiums ceded to reinsurers	20(b)	(6,005)	(2,436)	(6,005)	(2,436)
<b>Net earned premiums</b>		<b>558,180</b>	<b>581,003</b>	<b>558,180</b>	<b>581,003</b>
Investment income	21	189,241	174,907	189,241	174,907
Realised gains and losses	22	57,736	66,540	57,736	66,540
Fair value gains and losses	23	2,401	3,374	2,401	3,374
Fee and commission income	24	624	2,898	624	2,898
Other operating revenue	25	726	1,346	726	1,346
<b>Other revenue</b>		<b>250,728</b>	<b>249,065</b>	<b>250,728</b>	<b>249,065</b>
Gross benefits and claims paid	26(a)	(476,052)	(394,637)	(476,052)	(394,637)
Claims ceded to reinsurers	26(b)	4,128	5,476	4,128	5,476
Gross change in contract liabilities	26(c)	(103,848)	(250,173)	(103,848)	(250,173)
Change in contract liabilities ceded to reinsurers	26(d)	2,372	(730)	2,372	(730)
<b>Net benefits and claims</b>		<b>(573,400)</b>	<b>(640,064)</b>	<b>(573,400)</b>	<b>(640,064)</b>
Fee and commission expenses	27	(81,009)	(89,995)	(81,009)	(89,995)
Other operating expenses	25	(29,418)	(4,672)	(29,418)	(4,672)
Management expenses	28	(73,201)	(62,763)	(73,197)	(62,759)
Taxation of life insurance business	29	(19,506)	(1,109)	(19,506)	(1,109)
<b>Other expenses</b>		<b>(203,134)</b>	<b>(158,539)</b>	<b>(203,130)</b>	<b>(158,535)</b>
<b>Profit before taxation from continuing operations</b>		<b>32,374</b>	<b>31,465</b>	<b>32,378</b>	<b>31,469</b>
Taxation	29	(7,592)	(10,102)	(7,592)	(10,102)
<b>Net profit for the year from continuing operations</b>		<b>24,782</b>	<b>21,363</b>	<b>24,786</b>	<b>21,367</b>
<b>Discontinued operations:</b>					
Net profit for the year from discontinued operations	11	12,807	21,837	12,807	21,837
<b>Net profit for the year</b>		<b>37,589</b>	<b>43,200</b>	<b>37,593</b>	<b>43,204</b>
<b>Earnings per share (sen)</b>					
Basic and diluted	30	37.5	43.1		
<b>Earnings per share (sen) from continuing operations</b>					
Basic and diluted	30	24.7	21.3		
<b>Earnings per share (sen) from discontinued operations</b>					
Basic and diluted	30	12.8	21.8		

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

# STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 30 June 2014



	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Net profit for the year</b>	37,589	43,200	37,593	43,204
<b>Other comprehensive (loss)/income :</b>				
<b>Items to be reclassified to the income statements in the subsequent periods:</b>				
Available-for-sale reserves:				
(Loss)/Gain on fair value changes of AFS investments	(16,516)	9,288	(16,516)	9,288
Realised gain transferred to the income statements	(8,838)	(10,603)	(8,838)	(10,603)
Deferred tax effects on AFS reserves (Note 17)	6,338	328	6,338	328
Other comprehensive loss for the year, net of taxation	(19,016)	(987)	(19,016)	(987)
Comprising of:				
Continuing operations	(17,595)	(489)	(17,595)	(489)
Discontinued operations	(1,421)	(498)	(1,421)	(498)
	(19,016)	(987)	(19,016)	(987)
<b>Total comprehensive income for the year</b>	18,573	42,213	18,577	42,217
Comprising of:				
Continuing operations	7,187	20,874	7,191	20,878
Discontinued operations	11,386	21,339	11,386	21,339
	18,573	42,213	18,577	42,217

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



# STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 30 June 2014

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## Note

### Group

**At 1 July 2012**  
 Net profit for the year  
 Other comprehensive (loss)/income  
 Total comprehensive (loss) /  
 income for the year  
 Dividends paid during the year  
**At 30 June 2013**

**At 1 July 2013**  
 Net profit for the year  
 Other comprehensive loss  
 Total comprehensive (loss)/  
 income for the year  
 Transfer from non-participating  
 surplus as recommended by  
 Appointed Actuary (net of tax)  
 Discontinued operations  
 Dividends paid during the year  
**At 30 June 2014**

### Company

**At 1 July 2012**  
 Net profit for the year  
 Other comprehensive (loss)/income  
 Total comprehensive (loss)/  
 income for the year  
 Dividends paid during the year  
**At 30 June 2013**

**At 1 July 2013**  
 Net profit for the year  
 Other comprehensive loss  
 Total comprehensive (loss)/  
 income for the year  
 Transfer from non-participating surplus  
 as recommended by Appointed  
 Actuary (net of tax)  
 Discontinued operations  
 Dividends paid during the year  
**At 30 June 2014**

\* The unallocated surplus under retained profits of the non-participating ("Non-Par") funds is only available for distribution to the shareholders' fund upon approval by the Appointed Actuary. The net additional unallocated surplus of the Non-Par funds generated for the financial year ended 30 June 2014 and 30 June 2013 were RM24,077,000 (Company; RM24,077,000) and RM9,497,000 (Company; RM9,497,000), net of tax at 25% respectively.

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

<----- Non-distributable -----> <----- Distributable ----->

	Share capital RM'000	Share premiums RM'000	Merger reserve RM'000	Revaluation reserves of non-participating funds RM'000	Reserves of a disposal group held for sale RM'000	Available-for-sale reserves			Retained profits		Sub-total RM'000	Total equity RM'000
						Available-for-sale reserves of non-participating funds RM'000	Available-for-sale reserves of shareholders' fund RM'000	Sub-total RM'000	Unallocated surplus of non-participating funds* RM'000	Retained profits of shareholders' fund RM'000		
100,284	24,740	40,672	4,572	-	-	7,531	8,758	16,289	53,737	175,389	229,126	415,683
-	-	-	-	-	-	(1,727)	740	(987)	9,497	33,703	43,200	43,200
-	-	-	-	-	-	(1,727)	740	(987)	9,497	33,703	43,200	42,213
-	-	-	-	-	-	-	-	-	-	(11,282)	(11,282)	(11,282)
100,284	24,740	40,672	4,572	-	-	5,804	9,498	15,302	63,234	197,810	261,044	446,614
100,284	24,740	40,672	4,572	-	-	5,804	9,498	15,302	63,234	197,810	261,044	446,614
-	-	-	-	-	-	(11,093)	(7,923)	(19,016)	24,077	13,512	37,589	37,589
-	-	-	-	-	-	(11,093)	(7,923)	(19,016)	24,077	13,512	37,589	(19,016)
-	-	-	-	-	(2,742)	-	-	-	(18,172)	18,172	-	-
-	-	-	-	-	(2,742)	-	2,742	2,742	-	-	-	-
-	-	-	-	-	(2,742)	-	-	-	-	(7,521)	(7,521)	(7,521)
100,284	24,740	40,672	4,572	(2,742)	(2,742)	(5,289)	4,317	(972)	69,139	221,973	291,112	457,666
100,284	24,740	40,672	4,572	-	-	7,531	8,758	16,289	53,737	175,405	229,142	415,699
-	-	-	-	-	-	(1,727)	740	(987)	9,497	33,707	43,204	43,204
-	-	-	-	-	-	(1,727)	740	(987)	9,497	33,707	43,204	42,217
-	-	-	-	-	-	-	-	-	-	(11,282)	(11,282)	(11,282)
100,284	24,740	40,672	4,572	-	-	5,804	9,498	15,302	63,234	197,830	261,064	446,634
100,284	24,740	40,672	4,572	-	-	5,804	9,498	15,302	63,234	197,830	261,064	446,634
-	-	-	-	-	-	(11,093)	(7,923)	(19,016)	24,077	13,516	37,593	37,593
-	-	-	-	-	-	(11,093)	(7,923)	(19,016)	24,077	13,516	37,593	(19,016)
-	-	-	-	-	-	-	-	-	(18,172)	18,172	-	-
-	-	-	-	-	(2,742)	-	2,742	2,742	-	-	-	-
-	-	-	-	-	(2,742)	-	-	-	-	(7,521)	(7,521)	(7,521)
100,284	24,740	40,672	4,572	(2,742)	(2,742)	(5,289)	4,317	(972)	69,139	221,997	291,136	457,690



# STATEMENTS OF CASH FLOWS

For the financial year ended 30 June 2014

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Operating activities</b>					
Cash (used in)/generated from operating activities	32	(56,732)	93,152	(56,732)	93,152
Income tax paid		(18,982)	(28,079)	(18,982)	(28,079)
Net cash flows from operating activities		(75,714)	65,073	(75,714)	65,073
<b>Investing activities</b>					
Proceeds from disposal of property and equipment		-	94	-	94
Purchase of property and equipment	3	(2,220)	(1,859)	(2,220)	(1,859)
Purchase of intangibles assets	5	(75)	(4,682)	(75)	(4,682)
Net cash flows from investing activities		(2,295)	(6,447)	(2,295)	(6,447)
<b>Financing activity</b>					
Dividends paid	31	(7,521)	(11,282)	(7,521)	(11,282)
Net cash flows from financing activity		(7,521)	(11,282)	(7,521)	(11,282)
<b>Cash and bank balances</b>					
Net (decrease)/increase in cash and bank balances		(85,530)	47,344	(85,530)	47,344
Cash and bank balances at beginning of year		91,507	44,163	91,507	44,163
Cash and bank balances at end of year		5,977	91,507	5,977	91,507
Cash and bank balances comprised:					
Shareholders' fund and general insurance fund		4,647	7,354	4,647	7,354
Life funds		1,107	79,401	1,107	79,401
Investment linked funds		223	4,752	223	4,752
		5,977	91,507	5,977	91,507

Note: Cash and bank balances of the Life and Investment linked funds of RM1,330,000 (2013: RM84,153,000) are not available for the general use of the Company other than to meet the obligations under the insurance funds.

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





# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

## 1. CORPORATE INFORMATION

The Company is engaged principally in the underwriting of life and investment linked insurance, and all classes of general insurance business.

The details of the subsidiary are described in Note 12 to the financial statements. The subsidiary has commenced the striking off process under Section 308 of the Companies Act, 1965 on 23 December 2013.

There have been no significant changes in the nature of the principal activities of the Company during the financial year, other than the classification of certain assets and liabilities relating to the Company's general insurance business as a disposal group held for sale as disclosed in Note 11 to the financial statements.

With effect from 17 June 2014, the Company changed its name from MCIS ZURICH Insurance Berhad to MCIS Insurance Berhad.

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The principal place of business of the Company is located at Wisma MCIS, Jalan Barat, 46200 Petaling Jaya, Selangor Darul Ehsan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 29 September 2014.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") as issued by the Malaysian Accounting Standards Board ("MASB"), International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the requirement of Companies Act, 1965 in Malaysia.

At the beginning of the financial year, the Group and the Company had fully adopted new and revised MFRS, amendments to MFRS and Issue Committee ("IC") Interpretations as described in Note 2.4 to the financial statements.

The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise stated in the accounting policies below.

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

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 expense will not be offset in the income statements unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group and of the Company.

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



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014



## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 Basis of consolidation and business combinations

#### (a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiary as at 30 June 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses 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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statements of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Income statement and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group 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 subsidiary to bring its accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;







# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 Basis of consolidation and business combinations (cont'd)

#### (a) Basis of consolidation (cont'd)

- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in the income statement; and
- Reclassifies the parent's share of components previously recognised in OCI to the income statement or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

#### (b) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in management expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in the income statement. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 139 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the income statement.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014



## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 Basis of consolidation and business combinations (cont'd)

#### (b) Business combinations and goodwill (cont'd)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

#### (c) Merger reserve

As a result of using merger relief provisions, under Section 60(4) of the Companies Act, 1965, a merger reserve is created in place of a share premium account. The goodwill arising on consolidation and any provision for impairment in value of the investment in subsidiary is written-off immediately against the merger reserve at acquisition date. The resulting difference, being a net merger reserve is carried forward as part of shareholders' equity.

### 2.3 Summary of significant accounting policies

#### (a) Investment in subsidiary

In the Company's separate financial statements, investment in subsidiary is accounted for at cost less impairment losses.

On disposal of such investment, the difference between the net disposal proceeds and its carrying amounts is included in the income statement.

#### (b) Property and equipment and depreciation

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

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





# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.3 Summary of significant accounting policies (cont'd)

#### (b) Property and equipment and depreciation (cont'd)

Freehold land and the buildings are stated at revalued amounts, which is the fair value at the date of the revaluation less any accumulated depreciation and any accumulated impairment losses. Fair value is determined from market-based evidence by appraisals that are undertaken by professionally qualified valuers. Revaluations are performed with sufficient regularity of at least once in every three years 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 increase in the carrying amount arising from the revaluation of land and buildings is credited to an asset revaluation reserve as a revaluation surplus in the insurance contract liabilities of the participating funds or statement of comprehensive income of the non-participating funds, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in the income statement in which case the increase is recognised in the income statement to the extent of the decrease previously recognised. A revaluation deficit is first offset against unutilised previously recognised revaluation surplus in respect of the same asset in the statement of financial position, and any remaining deficit is thereafter recognised in the income statement.

Freehold land has an unlimited useful life and therefore is not depreciated. Work-in-progress are also not depreciated as these assets are not available for use. Leasehold land is depreciated over the period of the respective leases which ranges from 35 to 110 years. The remaining period of respective leases ranges from 21 to 88 years.

Depreciation of other property and equipment is computed on a straight-line basis over its estimated useful life at the following annual rates:

Freehold buildings	2%
Leasehold buildings	Over the remaining leasehold period or 50 years whichever is lower
Motor vehicles	20%
Furniture, fixtures and fittings	10%
Office equipment	10%
Computer equipment	20%
Office renovation	20%

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

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



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014



## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.3 Summary of significant accounting policies (cont'd)

#### (c) Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Fair value is reviewed at every reporting date and a formal valuation by an independent professional valuer is carried out once in every three years or earlier if the carrying value of the investment properties is materially different from the market value.

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

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

#### (d) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets are not capitalised and expenditure is reflected in the income statement in the period in which the expenditure is incurred.

Intangible assets are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of five to ten years.

Costs associated with maintaining computer software programmes are recognised as an expense when incurred. Costs that are directly associated with identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include employee costs incurred as a result of developing software and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised using the straight line method over their estimated useful lives, not exceeding a period of ten years.





# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.3 Summary of significant accounting policies (cont'd)

#### (d) Intangible assets (cont'd)

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

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

#### (e) Non-current assets held for sale or for distribution to equity holders of the parent and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale or for distribution to equity holders of the parent if their carrying amounts will be recovered principally through a sale or distribution rather than through continuing use. Such non-current assets and disposal groups classified as held for sale or as held for distribution are measured at the lower of their carrying amount and fair value less costs to sell or to distribute. Costs to distribute are the incremental costs directly attributable to the distribution, excluding the finance costs and income tax expense.

The criteria for held for distribution classification is regarded as met only when the distribution is highly probable and the asset or disposal group is available for immediate distribution in its present condition. Actions required to complete the distribution should indicate that it is unlikely that significant changes to the distribution will be made or that the distribution will be withdrawn. Management must be committed to the distribution expected within one year from the date of the classification. Similar considerations apply to assets or a disposal group held for sale.

Property and equipment and intangible assets are not depreciated or amortised once classified as held for sale or as held for distribution.

Assets and liabilities classified as held for sale or for distribution are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is:

- A component of the Group that is a CGU or a group of CGUs;
- Classified as held for sale or distribution or already disposed in such a way; or
- A major line of business or major geographical area.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as net profit for the year from discontinued operations in the income statement. Additional disclosures are provided in Note 11. All other notes to the financial statements mainly include amounts for continuing operations, unless otherwise mentioned.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014



## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.3 Summary of significant accounting policies (cont'd)

#### (f) Leases

##### (i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group, all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets. The land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases except that property held under operating leases that would otherwise meet the definition of an investment property, is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (Note 2.3(f)(ii)).

##### (ii) Finance Leases - The Group as Lessee

Useful lives of all leasehold buildings are shorter than the lease term of the leasehold land on which the buildings are located. As such, all risks and rewards incidental to the ownership of such assets would be deemed to have been substantially transferred to the Group and the Company at the end of their useful lives. All leasehold buildings are therefore classified as finance lease in the financial statements.

Buildings held under finance lease are recognised as assets in the statement of financial position of the Group and of the Company and measured in accordance with MFRS 116 - Property, Plant and Equipment and MFRS 140 - Investment Properties.

The depreciation policy for leased assets is in accordance with that for depreciable property and equipment as described in Note 2.3(b).

##### (iii) Operating Leases - The Group as Lessee

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

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







# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.3 Summary of significant accounting policies (cont'd)

#### (g) Impairment of non-financial assets

The carrying amounts of assets are reviewed at each reporting date to determine whether there is any indication of impairment. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of the net realisable value and the value in use, which is measured by reference to discounted cash flows. Recoverable amounts are estimated for individual assets, or if it is not possible, for the cash-generating unit.

An impairment loss is recognised in the income statement in the period in which it arises. Subsequent increases in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. A reversal of impairment loss is recognised in the income statement, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

#### (h) Investments and financial assets

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

The classification depends on the purpose for which the investments were acquired or originated. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

Financial assets are classified as at fair value through profit or loss where the Company and its subsidiary's documented investment strategy is to manage financial assets on a fair value basis, because the related liabilities are also managed on this basis. The available-for-sale and held-to-maturity categories are used when the relevant liability (including shareholders' fund) are passively managed and/or carried at amortised cost.

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

#### Financial assets at FVTPL

FVTPL include financial assets held for trading and those designated at fair value through profit or loss at inception. Investments bought with the intention to sell in the near future are classified as held-for-trading. For investments designated as at fair value through profit or loss, the following criteria must be met:

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



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014



## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.3 Summary of significant accounting policies (cont'd)

#### (h) Investments and financial assets (cont'd)

##### Financial assets at FVTPL (cont'd)

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

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

Investments under unit linked funds are designated as FVTPL at inception as they are managed and evaluated on a fair value basis in accordance with the respective investment strategies and mandates of the funds.

##### HTM

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM when the Group has the positive intention and ability to hold until maturity. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. After initial measurement, HTM are measured at amortised cost, using the effective yield method, less provision for impairment. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process. The Group does not have any financial assets classified as HTM as at 30 June 2014 (2013: Nil).

##### LAR

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

##### AFS

AFS are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. These investments are initially recorded at fair value. After initial measurement, AFS are remeasured at fair value.

Any gains or losses from changes in fair value of the financial assets are recognised in the available-for-sale reserve in the statement of comprehensive income or insurance contract liabilities, except for impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method which are recognised in the income statement. The cumulative gain or loss previously recognised in equity is recognised in the income statement when the financial asset is derecognised.

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





# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.3 Summary of significant accounting policies (cont'd)

#### (i) Fair value of measurement

The Group measures financial instruments and non-financial assets such as investment properties, at fair value at each reporting date.

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

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

External valuers are involved for valuation of properties.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014



## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.3 Summary of significant accounting policies (cont'd)

#### (i) Fair value of measurement (cont'd)

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

For investments in unit and property trust funds, fair value is determined by reference to published bid values.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

#### (j) Impairment of financial instruments, reinsurance assets and insurance receivables

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

#### Assets carried at amortised cost

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

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

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

#### Assets carried at cost

If there is objective evidence that an impairment loss on a financial asset carried at cost has been incurred, the carrying amount will be written down to the recoverable amount. Such impairment losses are not reversed in subsequent periods.





# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.3 Summary of significant accounting policies (cont'd)

#### (j) Impairment of financial instruments, reinsurance assets and insurance receivables (cont'd)

##### Assets classified as available-for-sale

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.

In respect of equity investments classified as AFS, a decline of 30% or more is regarded as significant, and a period of 12 months or longer is considered to be prolonged. If any such quantitative evidence exists for AFS financial assets, the asset is considered for impairment, taking qualitative evidence into account.

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

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

#### (k) Derecognition of financial assets / liabilities and insurance receivables / payables

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

Financial liabilities and insurance payables are derecognised when the obligation under the liabilities are discharged, cancelled or expired.

#### (l) Equity instruments

##### Ordinary share capital

The Company has issued ordinary shares that are classified as equity. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity, net of tax.

##### Dividends on ordinary share capital

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are approved by BNM in accordance with BNM/RH/GL 015-3 Financial Reporting guideline.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014



## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.3 Summary of significant accounting policies (cont'd)

#### (l) Equity instruments (cont'd)

##### Dividends on ordinary share capital (cont'd)

Dividends for the year that are approved after the statement of financial position date are dealt with as a non-adjusting event after the reporting date.

#### (m) Contract classification

The Company issues contracts that transfer insurance risk, or financial risk or both.

- (i) Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Based on this definition, all policy contracts issued by the Company are insurance contracts as at current reporting date.

Insurance contracts are recognised and measured in accordance with the terms and conditions of the respective contracts and are based on guidelines laid down by BNM. Premiums, claims and benefit payments, acquisition and management expenses and valuation of future policy benefit payments or premium reserves as the case may be, are recognised in the income statement.

- (ii) Participating life insurance contracts contain discretionary participating feature ("DPF"). This feature entitles the policyholders to receive non-guaranteed benefits which could vary according to the investment and operating results of the Company. The Company does not recognise the guaranteed component separately from the DPF; hence the whole contract is presented within the insurance contract liability in the financial statement.
- (iii) The Company is not required to un-bundle any insurance contract as the current accounting policy recognises all insurance premiums, claims and policy benefit payments, expenses and valuation of future benefit payments through the income statement.
- (iv) The Company does not separately measure at fair value the policyholder's option to surrender an insurance contract for a fixed amount or for an amount based on fixed amount and an interest rate.

Options and guarantees inherent in some insurance contracts which are closely related to the host contract issued by the Company are not required to be separated and measured at fair value.







# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.3 Summary of significant accounting policies (cont'd)

#### (m) Contract classification (cont'd)

- (v) The Company does not adopt a policy of deferring acquisition costs for its life insurance contracts.

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

Insurance contracts are further classified as being either with or without DPF. DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the issuer; and
- contractually based on the:
  - performance of a specified pool of contracts or a specified type of contract;
  - realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
  - the profit or loss of the Company, fund or other entity that issues the contract.

Under the terms of the contracts, surpluses in the DPF funds can be distributed on a 90/10 basis to the policyholders and the shareholders respectively. The Company has the discretion over the amount and timing of the distribution of these surpluses to policyholders. All DPF liabilities, including unallocated surpluses, both guaranteed and discretionary, at the end of the reporting period are held within the insurance liabilities.

For financial options and guarantees which are not closely related to the host insurance contract and/or investment contract with DPF, bifurcation is required to measure these embedded derivatives separately at fair value through profit or loss. However, bifurcation is not required if the embedded derivative is itself an insurance contract and/or investment contract with DPF, or if the host insurance contract and/or investment contract itself is measured at fair value through profit or loss.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014



## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.3 Summary of significant accounting policies (cont'd)

#### (n) Reinsurance

The Company enters into reinsurance contracts in the normal course of business to diversify the risks and limit its net loss potential. Assets, liabilities, income and expense arising from the reinsurance contracts are presented separately from the assets, liabilities, income and expense from the related insurance contracts.

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

Reinsurance assets represent balances due from reinsurers. Amounts recoverable under reinsurance contracts are assessed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding 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.

The Company assesses its reinsurance assets for impairment at each reporting period. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is calculated following the same method used for these financial assets. These processes are described in Note 2.3(j).

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

The Company also assumes reinsurance risk in the normal course of its general insurance business.

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

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

#### (o) Life insurance underwriting results

The surplus transferable from the Life funds to the income statement is based on the surplus determined by an annual actuarial valuation of the liabilities to policyholders, made in accordance with the provisions of the Financial Services Act, 2013, by the Company's appointed actuary.





# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.3 Summary of significant accounting policies (cont'd)

#### (o) Life insurance underwriting results (cont'd)

##### **Gross premiums**

Gross premiums are recognised as soon as the amount of the premiums can be reliably measured. First year premium is recognised on inception date and subsequent premiums are recognised on due date.

Premium income of the Investment linked funds is in respect of the net creation of units which represents premiums paid by policyholders as payment for a new contract or subsequent payments to increase the amount of the contract. Net creation of units is recognised on a receipt basis.

At the end of the financial period, all due premiums are accounted for to the extent that they can be reliably measured.

##### **Reinsurance premiums**

Gross reinsurance premiums are recognised as an expense when payable or on the date on which the policy is effective.

##### **Benefits, claims and expenses**

Benefits and claims that are incurred during the financial period are recognised when a claimable event occurs and/or the insurer is notified.

Benefits and claims, including settlement costs, are accounted for using the case-by-case basis method and for this purpose, the amounts payable under a policy are recognised as follows:

- maturity and other policy benefit payments due on specified dates are treated as claims payable on the due dates;
- death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered; and
- bonus on policies with DPF are recognised upon declaration.

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contracts.

##### **Commission and agency expenses**

Gross commission and agency expenses, which are costs directly incurred in securing premium on insurance policies, and income derived from reinsurers in the course of ceding of premiums to reinsurers, are charged to the income statement in the period in which they are incurred.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014



## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.3 Summary of significant accounting policies (cont'd)

#### (p) General insurance underwriting results

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

##### **Gross premiums**

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

##### **Reinsurance premiums**

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

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

##### **Premium liabilities**

Premium liabilities represent the Company's future obligations on insurance contracts as represented by premiums received for risks that have not yet expired. In determining premium liabilities at reporting date, the method that most accurately reflects the actual unearned premium used is described in Note 2.3(r)(ii).

##### **Claim liabilities**

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

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

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

##### **Acquisition costs**

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

#### (q) Insurance receivables and payables

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





# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.3 Summary of significant accounting policies (cont'd)

#### (q) Insurance receivables and payables (cont'd)

If there is objective evidence that an insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2.3(j).

Insurance receivables and payable are derecognised when the derecognition criteria for financial assets and liabilities, as described in Note 2.3(k), have been met.

#### (r) Insurance contract liabilities

##### Life insurance contract liabilities

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

The valuation of insurance contract liabilities is determined according to the Financial Services Act, 2013, the prevailing RBC Framework and MFRS 4 *Insurance Contracts* ("MFRS 4"). The liability estimation methods prescribed under the RBC Framework meets the requirements of the Liability Adequacy Test under MFRS 4.

The Company performs liability adequacy tests on its life insurance liabilities to ensure that the carrying amount of provisions is sufficient to cover estimated future cash flows arising from contracts of insurance underwritten. When performing the liability adequacy test, the Company discounts all contractual cash flows and compares this amount against the carrying value of the liability. Any deficiency is charged to the income statement.

Participating Life plans are valued using a prospective actuarial valuation method based on the sum of the present value of future guaranteed benefits, an appropriate level of non-guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross premiums arising from the policy discounted at the appropriate risk discount rate. The participating Life insurance liability is taken as the higher of the guaranteed benefit liabilities or the total benefit liabilities.

Provisions for annuity policies are valued using similar basis as participating Life contracts.

The liability of non-participating Life plans are valued using a prospective actuarial valuation method based on the sum of the present value of future benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate risk discount rate.

Provisions for Investment linked insurance contracts is based on the carrying amount of the net assets of the Investment linked funds at the reporting date and the non-unit liability. The non-unit liability of Investment linked policies are valued by projecting future cash flows to ensure that all future outflows can be met without recourse to additional financing or capital support at any future time during the duration of the policy.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014



## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.3 Summary of significant accounting policies (cont'd)

#### (r) Insurance contract liabilities (cont'd)

##### General insurance contract liabilities

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

These liabilities comprise claim liabilities and premium liabilities.

#### (i) Claim liabilities

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

#### (ii) Premium liabilities

Premium liabilities is the higher of the aggregate of the Unearned Premium Reserves ("UPR") for all lines of business and the best estimate value of the Unexpired Risk Reserves ("URR") at the required risk margin for adverse deviation as required by the RBC Framework.

##### UPR

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

In determining UPR at reporting date, the method that most accurately reflects the actual unearned premiums is used as follows:

- 25% method for marine cargo, aviation cargo and transit
- 1/24th method (or other more accurate) method for all other classes of Malaysian general policies
- 1/8th method for all other classes of overseas inward business
- Non-annual policies are time-apportioned over the period of the risks







# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.3 Summary of significant accounting policies (cont'd)

#### (r) Insurance contract liabilities (cont'd)

##### (ii) Premium liabilities (cont'd)

##### URR

The best estimate value of 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 allows for expected future premium refunds.

#### (s) Other revenue recognition

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

##### **Rental income**

Rental income from investment property is recognised on a straight-line basis over the term of the lease. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

##### **Interest and profit income**

Interest/profit income is recognised on an accrual basis using the effective yield method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective yield of the instrument. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest/profit income.

##### **Dividend income**

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

##### **Realised gains and losses on investments**

Realised gains and losses recorded in the income statement on investments include gains and losses on financial assets, investment properties and property and equipment. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014



## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.3 Summary of significant accounting policies (cont'd)

#### (s) Other revenue recognition (cont'd)

##### Fees and commission income

Insurance and investment contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services to be provided in future periods, then, they are deferred and recognised over those future periods.

#### (t) Income tax

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

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

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

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

#### (u) Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.





# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.3 Summary of significant accounting policies (cont'd)

#### (v) Employee benefits

##### 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.

##### Defined contribution plans

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

#### (w) Foreign currencies

The financial statements are presented in Ringgit Malaysia which is also the functional currency of the Company.

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in foreign currency are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to the income statement, except for differences relating to items where gains or losses are recognised directly in equity, in which case, the gain or loss is recognised net of the exchange component in equity.

#### (x) Financial liabilities

Financial liabilities are recognised when the Group and the Company becomes a party to contractual provisions of the instruments 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 yield method.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014



## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.4 Changes in accounting policies and restatement of comparatives to conform with current year presentation

#### (i) Changes in accounting policies

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

On 1 July 2013, the Group and the Company adopted the following new and amended MFRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2013.

Description	Effective for annual periods beginning on or after
• MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)	1 January 2013
• MFRS 127 Consolidated and Separate Financial Statements (IAS 27 revised by IASB in December 2003)	1 January 2013
• MFRS 10 Consolidated Financial Statements	1 January 2013
• MFRS 11 Joint Arrangements	1 January 2013
• MFRS 12 Disclosure of Interests in Other Entities	1 January 2013
• MFRS 13 Fair Value Measurement	1 January 2013
• MFRS 119 Employee Benefits (IAS 19 as amended by IASB in June)	1 January 2013
• MFRS 127 Separate Financial Statements (IAS 27 as amended by IASB in May 2011)	1 January 2013
• MFRS 128 Investment in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)	1 January 2013
• IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
• Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
• Annual Improvements 2009-2011 Cycle	1 January 2013
• Amendments to MFRS 1: Government Loans	1 January 2013
• Amendments to MFRS 10, MFRS 11 and MFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except for those discussed below:

#### MFRS 12 Disclosures of Interests in Other Entities

MFRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and has no impact on the Group's financial position or performance.





# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.4 Changes in accounting policies and restatement of comparatives to conform with current year presentation (cont'd)

#### (i) Changes in accounting policies (cont'd)

##### **MFRS 13 Fair Value Measurement**

MFRS 13 establishes a single source of guidance under MFRS for all fair value measurements. MFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under MFRS. MFRS 13 defines fair value as an exit price. As a result of the guidance in MFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. MFRS 13 also requires additional disclosures.

Application of MFRS 13 has not materially impacted the fair value measurement of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 41.

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

The amendments to MFRS 101 introduce a grouping of items presented in other comprehensive income. Items that will be reclassified ("recycled") to profit or loss at a future point in time (e.g. net loss or gain on available-for-sale financial assets) have to be presented separately from items that will not be reclassified (e.g. revaluation of land and buildings). The amendments affect presentation only and have no impact on the Group's financial position or performance.

##### **MFRS 127 Separate Financial Statements**

As a consequence of the new MFRS 10 and MFRS 12, MFRS 127 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements.

#### (ii) Reclassification of comparative to conform with current year presentation

##### (a) Changes in presentation of amount due from / amount due to Life funds

In prior years, the Group reported amount due from / amount due to Life funds on a gross basis within other receivables and other payables. During the current financial year, the Group decided to improve the presentation of amount due from / amount due to Life funds by retrospectively reporting these on a net basis. The effect of the change in presentation did not have a material effect on the statement of financial position at the beginning of the preceding financial year, and therefore a third statement of financial position as at the beginning of the preceding financial year has not been prepared.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014



## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.4 Changes in accounting policies and restatement of comparatives to conform with current year presentation (cont'd)

#### (ii) Reclassification of comparative to conform with current year presentation (cont'd)

The financial effects of the change in presentation are further disclosed as follows:

#### Reconciliation of statement of financial position

Group	As previously reported RM'000	Reclassification RM'000	As restated RM'000
Other receivables	100,474	(11,785)	88,689
Other payables	84,708	(11,785)	72,923
<b>Company</b>			
Other receivable	100,474	(11,785)	88,689
Other payables	84,688	(11,785)	72,903

#### (b) Reclassification of disposal group held for sale

During the financial year, pursuant to the Shareholders' Agreement between the Company, Sanlam Emerging Markets Proprietary Limited and Koperasi MCIS Berhad dated 5 May 2014 as disclosed in Note 11 to the financial statements, the Company has classified certain assets and liabilities relating to the general insurance business as a disposal group held for sale. Accordingly, the income statements for comparative period have been adjusted to conform with the transaction.

The following are reconciliations of income statements of the Group and the Company for the financial year ended 30 June 2013:

Group	As previously reported RM'000	As disposal group held for sale (Note 11) RM'000	Restated RM'000
<b>For the financial year</b>			
<b><u>30 June 2013</u></b>			
Gross earned premiums	815,678	(232,239)	583,439
Premiums ceded to reinsurers	(108,040)	105,604	(2,436)
<b>Net earned premiums</b>	<b>707,638</b>	<b>(126,635)</b>	<b>581,003</b>
Investment income	189,203	(14,296)	174,907
Realised gains and losses	69,965	(3,425)	66,540
Fair value gains and losses	3,374	-	3,374
Fee and commission income	24,207	(21,309)	2,898
Other operating revenue	10,128	(8,782)	1,346
<b>Other revenue</b>	<b>296,877</b>	<b>(47,812)</b>	<b>249,065</b>





# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.4 Changes in accounting policies and restatement of comparatives to conform with current year presentation (cont'd)

#### (ii) Reclassification of comparative to conform with current year presentation (cont'd)

##### (b) Reclassification of disposal group held for sale (cont'd)

The following are reconciliations of income statements of the Group and the Company for the financial year ended 30 June 2013 (cont'd.):

Group (cont'd)	As previously reported RM'000	As disposal group held for sale (Note 11) RM'000	Restated RM'000
<b>For the financial year</b>			
<b><u>30 June 2013 (cont'd)</u></b>			
Gross benefits and claims paid	(524,205)	129,568	(394,637)
Claims ceded to reinsurers	51,422	(45,946)	5,476
Gross change in contract liabilities	(256,007)	5,834	(250,173)
Change in contract liabilities ceded to reinsurers	(5,264)	4,534	(730)
<b>Net benefits and claims</b>	<b>(734,054)</b>	<b>93,990</b>	<b>(640,064)</b>
Fee and commission expenses	(115,145)	25,150	(89,995)
Other operating expenses	(4,672)	-	(4,672)
Management expenses	(89,806)	27,043	(62,763)
Taxation of life insurance business	(1,109)	-	(1,109)
<b>Other expenses</b>	<b>(210,732)</b>	<b>52,193</b>	<b>(158,539)</b>
<b>Profit before taxation</b>	<b>59,729</b>	<b>(28,264)</b>	<b>31,465</b>
Taxation	(16,529)	6,427	(10,102)
<b>Net profit for the year</b>	<b>43,200</b>	<b>(21,837)</b>	<b>21,363</b>
<b>Company</b>			
<b>For the financial year</b>			
<b><u>30 June 2013</u></b>			
Gross earned premiums	815,678	(232,239)	583,439
Premiums ceded to reinsurers	(108,040)	105,604	(2,436)
<b>Net earned premiums</b>	<b>707,638</b>	<b>(126,635)</b>	<b>581,003</b>
Investment income	189,203	(14,296)	174,907
Realised gains and losses	69,965	(3,425)	66,540
Fair value gains and losses	3,374	-	3,374
Fee and commission income	24,207	(21,309)	2,898
Other operating revenue	10,128	(8,782)	1,346
<b>Other revenue</b>	<b>296,877</b>	<b>(47,812)</b>	<b>249,065</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014



## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.4 Changes in accounting policies and restatement of comparatives to conform with current year presentation (cont'd)

#### (ii) Reclassification of comparative to conform with current year presentation (cont'd)

##### (b) Reclassification of disposal group held for sale (cont'd)

The following are reconciliations of income statements of the Group and the Company for the financial year ended 30 June 2013 (cont'd.):

Company (cont'd)	As previously reported RM'000	As disposal group held for sale (Note 11) RM'000	Restated RM'000
<b><u>For the financial year</u></b>			
<b><u>30 June 2013 (cont'd)</u></b>			
Gross benefits and claims paid	(524,205)	129,568	(394,637)
Claims ceded to reinsurers	51,422	(45,946)	5,476
Gross change in contract liabilities	(256,007)	5,834	(250,173)
Change in contract liabilities ceded to reinsurers	(5,264)	4,534	(730)
<b>Net benefits and claims</b>	<b>(734,054)</b>	<b>93,990</b>	<b>(640,064)</b>
Fee and commission expenses	(115,145)	25,150	(89,995)
Other operating expenses	(4,672)	-	(4,672)
Management expenses	(89,802)	27,043	(62,759)
Taxation of life insurance business	(1,109)	-	(1,109)
<b>Other expenses</b>	<b>(210,728)</b>	<b>52,193</b>	<b>(158,535)</b>
<b>Profit before taxation</b>	<b>59,733</b>	<b>(28,264)</b>	<b>31,469</b>
Taxation	(16,529)	6,427	(10,102)
<b>Net profit for the year</b>	<b>43,204</b>	<b>(21,837)</b>	<b>21,367</b>

### 2.5 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the 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.

Description	Effective for annual periods beginning on or after
• Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
• Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
• Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	1 January 2014
• Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014





# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.5 Standards issued but not yet effective (cont'd)

Description	Effective for annual periods beginning on or after
• IC Interpretation 21 Levies	1 January 2014
• Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions	1 July 2014
• Annual Improvements to MFRSs 2010–2012 Cycle	1 July 2014
• Annual Improvements to MFRSs 2011–2013 Cycle	1 July 2014
• Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
• MFRS 14: Regulatory Deferral Accounts	1 January 2016
• Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
• Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants	1 January 2016
• MFRS 15: Revenue from Contracts with Customers	1 January 2017
• MFRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009)	To be announced
• MFRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010)	To be announced
• MFRS 9 Financial Instruments: Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139	To be announced

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

#### MFRS 9 Financial Instruments

MFRS 9 reflects the first phase of work on the replacement of MFRS 139 and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to MFRS 9: Mandatory Effective Date of MFRS 9 and Transition Disclosures, issued in March 2012, moved the mandatory effective date to 1 January 2015. Subsequently, on 14 February 2014, it was announced that the new effective date will be decided when the project is closer to completion. The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of the Group's financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued. The full standard of IFRS 9 has been issued by the IASB on 24 July 2014.

### 2.6 Significant accounting judgments, estimates and assumptions

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

#### (a) Critical judgments made in applying accounting policies

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



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014



## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.6 Significant accounting judgments, estimates and assumptions (cont'd)

#### (a) Critical judgments made in applying accounting policies (cont'd)

##### (i) Deferred tax assets (Note 17)

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

##### (ii) Income taxes (Note 29)

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

##### (iii) Property and equipment (Note 3)

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

Management estimates that the residual values and remaining useful lives are applicable for the current financial period.

##### (iv) Classification between investment properties and property and equipment (Notes 3 and 4)

The Company has developed certain criteria based on MFRS 140 *Investment Property* in making judgments whether a property qualifies to be classified as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for administrative purpose. If these portions could be sold separately (or leased out separately under finance lease), the Company would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for administrative purpose.

##### (v) Impairment of receivables (Notes 8, 9 and 10)

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Company complies with BNM's Guidelines on Financial Reporting (BNM/RH/GL/015-3). According to the Guidelines, objective evidence of impairment is deemed to exist where the financial assets which are individually assessed for impairment are past due for more than 90 days or 3 months. Other factors considered by the Company are probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the Company will recognise the impairment loss in the income statement.





# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.6 Significant accounting judgments, estimates and assumptions (cont'd)

#### (a) Critical judgments made in applying accounting policies (cont'd)

##### (vi) Impairment of AFS financial assets (Note 7)

Significant judgment is required to assess impairment for AFS financial assets. The Company evaluates the duration and extent to which the fair value of an investment is less than cost. In addition, the Company evaluates 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.

##### (vii) Insurance contract classification (Note 16)

Contracts are classified as insurance contracts where they transfer significant insurance risk from the policyholder to the Company. The Company exercises judgment about the level of insurance risk transferred. The level of insurance risk is assessed by considering whether the Company is required to pay significant additional benefits in excess of amounts payable when the insured event occurs. These additional benefits include claims liability and assessment costs, but exclude the loss of the ability to charge the policyholder for future services.

The assessment covers the whole of the expected term of the contract where such additional benefits could be payable. Some contracts contain options for the policyholder to purchase insurance risk protection at a later date; these insurance risks are deemed not significant.

##### (viii) Discontinued operations and disposal group classified as held for sale (Note 11)

In the Shareholders' Agreement between Koperasi MCIS Berhad ("Koperasi"), Sanlam Emerging Market Proprietary Limited ("SEM") and the Company dated 5 May 2014, Koperasi and SEM, subject to BNM approval, agreed that the Company may sell and transfer, on a going concern basis, the Company's General Insurance ("GI") business to a joint venture entity owned by Koperasi or a third party of Koperasi's choice. The Directors anticipate that this sale and/or transfer will take place and complete within the next 12 months. Therefore, the operations of GI business are classified as a disposal group held for sale.

The Board considered the GI business as a disposal group held for sale for as at 30 June 2014 for the following reasons:

- The GI business is available for immediate sale and/or transfer in its present condition;
- The action to complete the sale and/or transfer were initiated and expected to be completed within one year from the reporting date;
- The sale and/or transfer was agreed in the Shareholders' Agreement dated 5 May 2014;

The discontinued operation includes balances and transactions relating to MMIP. The balances and transactions are closely related to the GI business and was therefore reclassified as part of discontinued operations.

For more details on discontinued operations, refer to Note 11.







# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.6 Significant accounting judgments, estimates and assumptions (cont'd)

#### (b) Key sources of estimation uncertainty and assumptions

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

##### (i) Valuation of life insurance contract liabilities (Note 16)

There are several sources of uncertainty that need to be considered in the estimation of the life insurance contract liabilities that the Company will ultimately be required to pay as claims.

For life insurance contracts, estimates are made for future deaths, disabilities, voluntary terminations, discount rates and expenses.

The Company relies on standard industry and reinsurance mortality tables which represent historical mortality experience, and makes appropriate adjustments for its respective risk exposures in deriving the mortality and morbidity estimates. These estimates provide the basis in the valuation of the future benefits to be paid to policyholders and ensure adequate provision of reserve which are monitored against current and future premiums. At each reporting date, these estimates are assessed for adequacy and changes will be reflected as adjustments to insurance contract liabilities. Changes to the insurance contract liabilities during the year are reported in the income statement.

Table below provides the key underlying assumptions used for valuation of life insurance contract liabilities:

Valuation method	Gross premium
Discount rates	<p>Participating and annuity funds: The actual zero-coupon spot yields of Malaysian Government Securities (MGS) is used to discount the guaranteed benefit cash flows while the average of the last five years Company's gross investment returns (net of 8% Investment Tax) is used to discount the total benefit cash flows. The gross investment return is capped at 6.50% for the participating business and 6.25% for the annuity business.</p> <p>Non-participating and Investment linked funds: The zero-coupon spot yields of MGS at valuation date is used to discount the guaranteed benefit cash flows.</p> <p>Data source: MGS spot yields are obtained from the Bond Pricing Agency Malaysia (BPAM) under <a href="http://www.bpam.com.my">http://www.bpam.com.my</a></p>
Mortality and Morbidity	<p>Best estimates plus provision for adverse deviation Data source: internal experience studies</p>
Lapse and Surrender	<p>Best estimates plus provision for adverse deviation Data source: internal experience studies</p>
Expenses	<p>Best estimates plus provision for adverse deviation Data source: internal experience studies</p>





# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.6 Significant accounting judgments, estimates and assumptions (cont'd)

#### (b) Key sources of estimation uncertainty and assumptions (cont'd)

##### (ii) Valuation of general insurance contract liabilities (Note 16)

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

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

The main assumption underlying these techniques is that a company's past claims development experience can be used to project future claims development and hence, ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical areas, as well as by significant business lines and claims type. Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected in order to reflect their future development. Explicit assumptions have been made regarding future rates of claims inflation and discounting. We applied explicit discounting assumptions in our valuation for future investment earnings using the zero coupon spot yields of Malaysian Government Securities (MGS) as at the valuation date. We have also explicitly inflation adjusted claim amounts payable in the future, taking into account of both economic and non-economic factors that drive the escalation of claims. Economics inflation refers to the general increase in the price level of goods and services, usually measured based on the historical wage or price inflation such as Consumer Price Index (CPI). Non-economic factors refer to other inflation drivers such as increasing court awards or medical cost escalation due to technological advances.

Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (for example, to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

##### (iii) Fair value of financial assets determined using valuation techniques

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



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014



## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.6 Significant accounting judgments, estimates and assumptions (cont'd)

#### (b) Key sources of estimation uncertainty and assumptions (cont'd)

##### (iii) Fair value of financial assets determined using valuation techniques (cont'd)

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

The valuation techniques described above are calibrated annually.

##### (iv) Valuation of unithised insurance contract liabilities

Unithised insurance contract fair values are determined by reference to the values of the assets backing the liabilities, which are based on the value of the unit linked funds.

For unithised contracts, fair value is calculated as the number of units allocated to the policyholder in each unit linked fund multiplied by the unit-price of those funds at the reporting date. The fund assets and fund liabilities used to determine the unit-prices at the reporting date are valued on a basis consistent with their measurement basis in the Company's statement of financial position adjusted to take account of the effect on the liabilities of the deferred tax on unrealised gains or losses on assets in the fund.

##### (v) Amortisation of intangible assets (Note 5 and 28)

###### Computer applications software

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

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

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





# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.6 Significant accounting judgments, estimates and assumptions (cont'd)

#### (b) Key sources of estimation uncertainty and assumptions (cont'd)

##### (vi) Income taxes (Note 29)

The Company is subject to income tax and other taxes and significant judgment is required in estimating the provision for income taxes. There are many transactions and interpretations of tax law for which the final outcome will not be established until some-time later. Liabilities for taxation are recognised based on estimates of whether additional taxes will be payable. The estimation process includes seeking advice on the tax treatments where appropriate.

Where the final liability for taxation is different from the amounts that were initially recorded, the differences will affect the income tax and deferred tax provisions in the period in which the estimate is revised or the final liability is established.

In the previous financial year, the Company has recognised RM14.9 million of tax recoverable in respect of tax paid previously for the annuity fund, where pursuant to Income Tax (Exemption) (No.39) Order 2005 ("Gazette Order"), insurance companies which carry on life business and operators which operate family solidarity business as specified in the Schedule of the said Gazette Order are exempted from tax in relation to statutory income derived from Employees Provident Fund Annuity Scheme Fund ("Annuity Fund") managed by insurance companies.

Prior to last financial year, the Company has not recognised the above-mentioned tax recoverable due to uncertainties as to whether these amounts were recoverable. In the previous financial year, the Inland Revenue Board of Malaysia agreed to these tax recoveries for certain years of assessment with minimal adjustments. Consequently, the Company determined that there was sufficient and appropriate evidence to support the tax recoverable and as a result, full recognition has been recorded in the previous financial year.





# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

## 3. PROPERTY AND EQUIPMENT

Group and Company	2014										
	At valuation					At cost					
	Freehold land	Leasehold land 50 years or more	Buildings on freehold land	Buildings on leasehold land 50 years or more	Buildings on leasehold land less than 50 years	Motor vehicles	Furniture, fixtures and fittings	Office and computer equipment	Office renovation	Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Cost / Valuation</b>											
At 1 July 2013	13,990	34,179	12,480	42,131	560	1,315	12,966	25,952	5,657	149,230	
Additions	-	-	-	-	-	-	185	2,035	-	2,220	
Write-offs	-	-	-	-	-	-	(72)	(13)	(131)	(216)	
At 30 June 2014	13,990	34,179	12,480	42,131	560	1,315	13,079	27,974	5,526	151,234	
<b>Accumulated depreciation</b>											
At 1 July 2013	-	591	688	2,369	25	1,251	10,200	21,907	5,649	42,680	
Charge for the year	-	545	635	2,186	24	39	495	1,536	7	5,467	
Write-offs	-	-	-	-	-	-	(69)	(13)	(130)	(212)	
At 30 June 2014	-	1,136	1,323	4,555	49	1,290	10,626	23,430	5,526	47,935	
<b>Net carrying amount</b>											
At 30 June 2014	13,990	33,043	11,157	37,576	511	25	2,453	4,544	-	103,299	



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

## 3. PROPERTY AND EQUIPMENT (CONT'D)

Group and Company	At valuation >										At cost >				
	Properties >														
	Freehold land	Leasehold land 50 years or more	Buildings on freehold land	Buildings on leasehold land 50 years or more	Buildings on leasehold land less than 50 years	Motor vehicles	Furniture, fixtures and fittings	Office and computer equipment	Office renovation	Total	RM'000	RM'000	RM'000	RM'000	RM'000
2013	13,990	34,179	12,480	42,131	560	1,757	11,977	25,578	5,675	148,327					
Cost / Valuation	-	-	-	-	-	-	1,034	825	-	1,859					
At 1 July 2012	-	-	-	-	-	(442)	-	(411)	-	(853)					
Additions	-	-	-	-	-	-	(45)	(40)	(18)	(103)					
Disposals	-	-	-	-	-	-	-	-	-	-					
Write-offs	-	-	-	-	-	-	-	-	-	-					
At 30 June 2013	13,990	34,179	12,480	42,131	560	1,315	12,966	25,952	5,657	149,230					
Accumulated depreciation	-	45	53	182	2	1,608	9,701	20,970	5,658	38,219					
At 1 July 2012	-	546	635	2,187	23	85	541	1,384	8	5,409					
Charge for the year	-	-	-	-	-	(442)	-	(408)	-	(850)					
Disposals	-	-	-	-	-	-	(42)	(39)	(17)	(98)					
Write-offs	-	-	-	-	-	-	-	-	-	-					
At 30 June 2013	-	591	688	2,369	25	1,251	10,200	21,907	5,649	42,680					
Net carrying amount	13,990	33,588	11,792	39,762	535	64	2,766	4,045	8	106,550					
At 30 June 2013															

Included in the cost of property and equipment of the Group and of the Company are cost of fully depreciated assets which are still in use amounting to RM34,306,000 (2013: RM31,895,000).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014



## 3. PROPERTY AND EQUIPMENT (CONT'D)

### Properties

The revalued land and buildings consist of office properties in Malaysia. Management determined that these properties constitute one class of asset under MFRS 13, based on the nature, characteristics and risks of the property.

Fair value of the properties was determined by using market and sales comparable method. This means that valuations performed by the valuer are based on active market prices, adjusted for difference in the nature, location or condition of the specific property. As at the date of revaluation in May 2012, the properties' fair values are based on valuations performed by IPC Island Property Consultants Sdn. Bhd., an accredited independent valuer.

In accordance with the Group's accounting policy, the next revaluation will be carried out during the next financial period.

Details of the freehold and leasehold land and buildings stated at revalued amounts are as follows:

Year of valuation	Location of property	Valuation by professional valuer RM'000
<b>(i) Freehold land and buildings:</b>		
2012	Sungai Petani, Kedah	800
2012	Kulim, Kedah	280
2012	Seremban, Negeri Sembilan	450
2012	Bentong, Pahang	770
2012	Kuantan, Pahang	1,200
2012	Butterworth, Penang	700
2012	George Town, Penang	6,000
2012	Taiping, Perak	600
2012	Ipoh, Perak	3,700
2012	Sitiawan, Perak	90
2012	Kuching, Sarawak	2,700
2012	Kuala Lumpur	3,600
2012	Kuala Lumpur	4,700
2012	Port Dickson, Negeri Sembilan	480
2012	Teluk Intan, Perak	400
		<u>26,470</u>
<b>(ii) Leasehold land and buildings:</b>		
2012	Kluang, Johor	1,100
2012	Alor Setar, Kedah	650
2012	Melaka	710
2012	Port Dickson, Negeri Sembilan	300
2012	Kangar, Perlis	700
2012	Kota Bahru, Kelantan	560
2012	Kota Kinabalu, Sabah	5,850
2012	Petaling Jaya, Selangor	67,000
		<u>76,870</u>
		<u>103,340</u>





# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

## 3. PROPERTY AND EQUIPMENT (CONT'D)

Significant unobservable valuation input:	Range
Price per square feet	RM51 - RM469

Significant increases (decreases) in estimated price per square feet in isolation would result in a significantly higher (lower) fair value.

The Company has determined that the highest and best use of the properties is their current use.

## 4. INVESTMENT PROPERTIES

### Group and Company

At 1 July 2013/2012  
Fair value losses (Note 23)  
At 30 June 2014/2013

	2014 RM'000	2013 RM'000
	1,770	1,860
	-	(90)
	1,770	1,770

The Company's investment properties consist of one plot of commercial land and one commercial land and building in Malaysia, being a piece of agriculture land and a two storey terrace shophouse.

As at 30 June 2014, the fair values of the properties are based on valuations performed by IPC Island Property Consultants Sdn. Bhd. The valuation model applied is in accordance with that recommended by the International Valuation Standards Committee and meets the requirements of MFRS 13.

Description of valuation techniques used and key inputs to valuation on investment properties:

	Valuation technique	Key input	Range
Agriculture land	Comparison method	Sales evidence (per hectares)	RM106,254 - RM257,001
Shophouse	Comparison method	Estimated rental value per month	RM6,000
		Sales evidence (per square feet)	RM202 - RM391

Significant increases (decreases) in estimated rental value in isolation would result in a significantly higher (lower) fair value of the properties.

Fair value hierarchy disclosures for investment properties have been provided in Note 41.

The Company has determined that the highest and best use of the properties is their current use.

The amount of expenses recorded in the income statement are as follows:

Direct operating expenses (including repairs and maintenance) generating rental income  
Loss arising from investment properties

	2014 RM'000	2013 RM'000
	(5)	(2)
	(5)	(2)

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014



## 5. INTANGIBLE ASSETS

### Group and Company

#### 2014

##### Cost

At 1 July 2013  
 Additions  
 Assets classified as held for sale  
 At 30 June 2014

##### Accumulated amortisation

At 1 July 2013  
 Charge for the year:  
 - Continuing operations  
 - Discontinued operations  
 Assets classified as held for sale  
 At 30 June 2014

##### Net carrying amount

At 30 June 2014

	Computer software RM'000	Software work-in progress RM'000	Total RM'000
At 1 July 2013	30,867	-	30,867
Additions	75	-	75
Assets classified as held for sale	(7,923)	-	(7,923)
At 30 June 2014	23,019	-	23,019
At 1 July 2013	14,994	-	14,994
Charge for the year:			
- Continuing operations	1,970	-	1,970
- Discontinued operations	6	-	6
	1,976	-	1,976
Assets classified as held for sale	(7,905)	-	(7,905)
At 30 June 2014	9,065	-	9,065
At 30 June 2014	13,954	-	13,954

#### 2013

##### Cost

At 1 July 2012  
 Additions  
 Transfer  
 Disposal  
 At 30 June 2013

##### Accumulated amortisation

At 1 July 2012  
 Charge for the year:  
 - Continuing operations  
 - Discontinued operations

Disposal  
 At 30 June 2013

##### Net carrying amount

At 30 June 2013

At 1 July 2012	15,930	10,508	26,438
Additions	201	4,481	4,682
Transfer	14,989	(14,989)	-
Disposal	(253)	-	(253)
At 30 June 2013	30,867	-	30,867
At 1 July 2012	14,550	-	14,550
Charge for the year:			
- Continuing operations	651	-	651
- Discontinued operations	46	-	46
	697	-	697
Disposal	(253)	-	(253)
At 30 June 2013	14,994	-	14,994
At 30 June 2013	15,873	-	15,873



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

## 6. PREPAID LAND LEASE PAYMENTS

### Group and Company

#### 2014

#### Cost/Valuation

At 1 July 2013/30 June 2014

350

#### Accumulated amortisation

At 1 July 2013

95

Charge for the year

13

At 30 June 2014

108

#### Net carrying amount

At 30 June 2014

242

#### 2013

#### Cost/Valuation

At 1 July 2012/30 June 2013

350

#### Accumulated amortisation

At 1 July 2012

84

Charge for the year

11

At 30 June 2013

95

#### Net carrying amount

At 30 June 2013

255

Leasehold land  
less than  
50 years  
RM'000

## 7. INVESTMENTS

### Group and Company

Malaysian Government securities	1,397,431	1,245,608
Government investment issues	137,627	98,245
Malaysian Government guaranteed bonds	649,903	840,052
Unquoted debt securities	837,145	932,994
Quoted equity securities	302,279	303,813
Quoted exchange traded funds	21,399	23,879
Unquoted equity securities	7,336	7,336
Quoted unit and property trust funds	126,013	156,199
Deposits with financial institutions	365,563	308,994
Loans receivable	343,668	383,984

#### Total

	2014 RM'000	2013 RM'000
	4,188,364	4,301,104



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014



## 7. INVESTMENTS (CONT'D)

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

<b>Group and Company</b>	<b>2014 RM'000</b>	<b>2013 RM'000</b>
LAR	709,231	692,978
AFS	3,364,956	3,505,387
FVTPL	114,177	102,739
	<b>4,188,364</b>	<b>4,301,104</b>
<b>(a) LAR</b>		
<b>At amortised cost:</b>		
Deposits with financial institutions	365,563	308,994
Loans receivable:		
Policy loans	330,766	367,800
Mortgage loans	10,218	9,446
Term loan to related party	7,000	9,000
Other loans	976	712
Accumulated impairment loss	(5,292)	(2,974)
	<b>343,668</b>	<b>383,984</b>
	<b>709,231</b>	<b>692,978</b>

The carrying value of the deposits with financial institutions approximates fair value due to the relatively short term maturities. The carrying value of the policy loans, term loan and other loans are reasonable approximations of fair value due to the insignificant impact of discounting.

The fair values of the mortgage loans have been established by comparing current market interest rates for similar financial instruments to the rates offered when the mortgage loans were first recognised together with appropriate market credit adjustments. As there are no significant differences between these rates, the carrying value of mortgage loans approximates fair value as at 30 June 2014 and 30 June 2013.

<b>Group and Company</b>	<b>2014 RM'000</b>	<b>2013 RM'000</b>
<b>(b) AFS</b>		
<b>At fair value:</b>		
Malaysian Government securities	1,385,478	1,234,901
Government investment issues	135,675	98,245
Malaysian Government guaranteed bonds	647,439	836,508
Unquoted debt securities	832,393	924,080
Quoted equity securities	242,343	251,481
Quoted unit and property trust funds	114,292	152,836
	<b>3,357,620</b>	<b>3,498,051</b>
<b>At cost less impairment:</b>		
Unquoted equity securities (net of impairment loss of RM62,000 (2013: RM62,000))	7,336	7,336
	<b>3,364,956</b>	<b>3,505,387</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

## 7. INVESTMENTS (CONT'D)

### Group and Company (cont'd)

#### (c) FVTPL

##### Financial assets designated upon initial recognition at FVTPL:

	2014 RM'000	2013 RM'000
Malaysian Government securities	11,953	10,707
Government investment issues	1,952	-
Malaysian Government guaranteed bonds	2,464	3,544
Unquoted debt securities	4,752	8,914
Quoted equity securities	59,936	52,332
Quoted exchange traded funds	21,399	23,879
Quoted unit and property trust funds	11,721	3,363
	114,177	102,739

#### (d) Carrying values of financial instruments

### Group and Company

	LAR RM'000	AFS RM'000	FVTPL RM'000	Total RM'000
<b>At 1 July 2012</b>	751,412	3,308,869	80,455	4,140,736
Purchases	-	8,159,174	50,875	8,210,049
Disposals	-	(7,997,111)	(35,051)	(8,032,162)
Fair value (losses)/gains recorded in:				
Other comprehensive income	-	(1,315)	-	(1,315)
Insurance contract liabilities:				
Life funds	-	(22,842)	-	(22,842)
Investment linked funds	-	-	3,465	3,465
Realised gains recorded in the income statement:				
- continuing operations	-	63,454	2,995	66,449
- discontinued operations	-	3,425	-	3,425
	-	66,879	2,995	69,874
Decrease in loans	(12,296)	-	-	(12,296)
Decrease in impairment loss on loans receivable	41	-	-	41
Decrease in deposits with financial institutions	(46,179)	-	-	(46,179)
Net amortisation of premiums:				
- continuing operations	-	(7,102)	-	(7,102)
- discontinued operations	-	(1,165)	-	(1,165)
	-	(8,267)	-	(8,267)
<b>At 30 June 2013</b>	692,978	3,505,387	102,739	4,301,104
Purchases	-	5,140,119	51,039	5,191,158
Disposals	-	(5,042,391)	(43,193)	(5,085,584)
Fair value (losses)/gains recorded in:				
Other comprehensive income	-	(25,354)	-	(25,354)
Insurance contract liabilities:				
Life funds	-	(129,037)	-	(129,037)
Investment linked funds	-	-	2,402	2,402
Realised gains recorded in the income statement:				
- continuing operations	-	56,546	1,190	57,736
- discontinued operations	-	3,571	-	3,571
	-	60,117	1,190	61,307

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014



## 7. INVESTMENTS (CONT'D)

### (d) Carrying values of financial instruments (cont'd)

Group and Company (cont'd)	LAR RM'000	AFS RM'000	FVTPL RM'000	Total RM'000
Decrease in loans	(37,998)	-	-	(37,998)
Increase in deposits with financial institutions	121,886	-	-	121,886
Increase in impairment loss on loans receivable (Note 39(d))	(2,318)	-	-	(2,318)
Net amortisation of premiums:				
- continuing operations	-	(5,523)	-	(5,523)
- discontinued operations	-	359	-	359
	-	(5,164)	-	(5,164)
Assets classified as held for sale	(65,317)	(138,721)	-	(204,038)
<b>At 30 June 2014</b>	<b>709,231</b>	<b>3,364,956</b>	<b>114,177</b>	<b>4,188,364</b>

### (e) Fair values of financial instruments

The following tables show financial investments recorded at fair value analysed by the different bases as follows:

Group and Company	AFS RM'000	FVTPL RM'000	Total RM'000
<b>2014</b>			
Quoted market bid price	356,635	93,056	449,691
Valuation techniques - market observable inputs	3,000,985	21,121	3,022,106
	<b>3,357,620</b>	<b>114,177</b>	<b>3,471,797</b>
<b>2013</b>			
Quoted market bid price	404,317	79,574	483,891
Valuation techniques - market observable inputs	3,093,734	23,165	3,116,899
	<b>3,498,051</b>	<b>102,739</b>	<b>3,600,790</b>

Included in the quoted category are financial instruments that are measured in whole or in part by reference to quoted market bid prices. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, secondary market via dealer and broker, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Financial instruments measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are instruments for which pricing is obtained via pricing services but where prices have not been determined in an active market, instruments with fair values based on broker quotes, investment in unit and property trusts with fair values obtained via fund managers and instruments that are valued using the Company's own models whereby the majority of assumptions are market observable.

For the Group's unquoted equity securities, fair value cannot be measured reliably. These financial instruments are measured at cost less impairment, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.





# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

## 7. INVESTMENTS (CONT'D)

### (f) Range of effective interest rates

The range of effective interest rates for each class of interest-bearing investment and placements with licensed financial institutions, at net carrying amounts of the Group and Company are as below:

Group and Company	2014 %	2013 %
Malaysian Government securities	3.39 - 4.76	3.28 - 3.98
Government investment issues	3.81 - 4.72	3.58 - 3.88
Malaysian Government guaranteed bonds	3.78 - 5.62	3.22 - 5.09
Unquoted debt securities	2.49 - 12.37	2.14 - 12.20
Deposits with financial institutions	0.15 - 3.50	0.15 - 3.50
Loans receivable	4.00 - 9.50	4.00 - 11.00

### (g) Interest-bearing contractual re-pricing or maturity dates

The earlier of the contractual re-pricing or maturity dates for each class of interest-bearing investment and placements with licensed financial institutions, at net carrying amounts of the Group and Company are as below:

Group and Company	Interest-bearing contractual re-pricing or maturity dates (whichever is earlier)			
	1 year or less RM'000	1 year to 5 years RM'000	More than 5 years RM'000	Total RM'000
<b>2014</b>				
Malaysian Government securities	-	264,900	1,132,531	1,397,431
Government investment issues	-	19,698	117,929	137,627
Malaysian Government guaranteed bonds	-	32,631	617,272	649,903
Unquoted debt securities	53,247	441,821	342,077	837,145
Deposits with financial institutions	365,563	-	-	365,563
Loans receivable*	1,259	1,157	12,350	14,766
	<b>420,069</b>	<b>760,207</b>	<b>2,222,159</b>	<b>3,402,435</b>
<b>2013</b>				
Malaysian Government securities	-	362,469	883,139	1,245,608
Government investment issues	-	9,911	88,334	98,245
Malaysian Government guaranteed bonds	251	134,081	705,720	840,052
Unquoted debt securities	20,415	503,926	408,653	932,994
Deposits with financial institutions	308,994	-	-	308,994
Loans receivable*	315	814	16,507	17,636
	<b>329,975</b>	<b>1,011,201</b>	<b>2,102,353</b>	<b>3,443,529</b>

\* The Company's policy loan portfolio of RM328,902,000 (2013: RM366,348,000) (net of impairment loss of RM1,864,000 (2013: RM1,452,000)) is not included in the above loans receivable as there are no specific maturity dates.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014



## 8. REINSURANCE ASSETS

### Group and Company

Claim liabilities (Note 16)  
Premium liabilities (Note 16)

2014 RM'000	2013 RM'000
3,291	109,011
-	30,950
3,291	139,961

## 9. INSURANCE RECEIVABLES

### Group and Company

Due premiums including agents/brokers and co-insurers balances  
Due from reinsurers and cedants  
  
Accumulated impairment loss

2014 RM'000	2013 RM'000
47,187	69,126
1,846	10,657
49,033	79,783
-	(6,321)
49,033	73,462

Details of the allowance account has been disclosed in Note 39(d).

Included in amount due from insurers and cedants in financial year 2013 was RM1,338,000 due from former related companies. The amount receivable was subject to settlement terms stipulated in the insurance contracts.

The carrying amounts of financial assets above approximate fair values due to the relatively short-term maturity of these balances.

## 10. OTHER RECEIVABLES

### Group and Company

#### Financial assets:

Income due and accrued  
Amount due from related companies\*  
Assets held by MMIP  
Other receivables

2014 RM'000	2013 RM'000
35,816	39,130
-	64
-	40,235
1,703	6,392
37,519	85,821
1,584	1,831
20	1,037
1,604	2,868
39,123	88,689

#### Non-financial assets:

Prepayments  
Tax recoverable

\* These balance are unsecured, interest-free and are repayable on demand.

The carrying amounts of financial assets above approximate fair values due to the relatively short-term maturity of these balances.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

## 11. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

In the Shareholders' Agreement between Koperasi MCIS Berhad ("Koperasi"), Sanlam Emerging Market Proprietary Limited ("SEM") and the Company dated 5 May 2014, Koperasi and SEM, subject to BNM approval, agreed that the Company may sell and transfer, on a going concern basis, the Company's General Insurance ("GI") business to a joint venture entity owned by Koperasi or a third party of Koperasi's choice. The Directors anticipate that this sale and/or transfer will take place and complete within the next 12 months.

At 30 June 2014, assets and liabilities of the GI business that will form part of this sale and/or transfer were classified as held for sale under the definition stated in MFRS 5 Non-current assets held for sale and discontinued operations.

The discontinued operations includes balances and transactions relating to MMIP. These balances and transactions are closely related to the GI business and was therefore reclassified as part of discontinued operations.

The major class of assets and liabilities of GI Business classified as held for sale as at 30 June 2014 are as follows:

### Group and Company

#### Assets

Intangible assets  
Investments  
Reinsurance assets\*  
Insurance receivables  
Deferred tax assets  
Other receivables

#### Assets classified as held for sale

#### Liabilities

Insurance contract liabilities  
Insurance payables  
Other payables

#### Liabilities directly associated with assets classified as held for sale

#### Net (liabilities)/assets directly associated with disposal group

#### Reserves of disposal group classified as held for sale

Available-for-sale ("AFS") reserves  
Deferred tax effects on AFS reserves

\* Net of impairment loss of RM925,000 (2013: Nil).

#### Fair value measurement:

##### Assets

Assets measured at fair value (Note 41)  
Assets measured at cost / amortised cost

##### Liabilities

Assets measured at cost / amortised cost

	MMIP RM'000	Other GI business RM'000	Total RM'000
Intangible assets	-	18	18
Investments	-	204,038	204,038
Reinsurance assets*	-	146,602	146,602
Insurance receivables	-	18,298	18,298
Deferred tax assets	-	1,029	1,029
Other receivables	53,358	4,238	57,596
<b>Assets classified as held for sale</b>	<b>53,358</b>	<b>374,223</b>	<b>427,581</b>
Insurance contract liabilities	67,352	332,416	399,768
Insurance payables	-	37,818	37,818
Other payables	-	2,960	2,960
<b>Liabilities directly associated with assets classified as held for sale</b>	<b>67,352</b>	<b>373,194</b>	<b>440,546</b>
<b>Net (liabilities)/assets directly associated with disposal group</b>	<b>(13,994)</b>	<b>1,029</b>	<b>(12,965)</b>
Available-for-sale ("AFS") reserves	-	(3,656)	(3,656)
Deferred tax effects on AFS reserves	-	914	914
	-	(2,742)	(2,742)
Assets measured at fair value (Note 41)	-	138,721	138,721
Assets measured at cost / amortised cost	53,358	235,502	288,860
	<b>53,358</b>	<b>374,223</b>	<b>427,581</b>
Assets measured at cost / amortised cost	67,352	373,194	440,546

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014



## 11. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONT'D)

The results of GI Business for the year are presented below:

### Group and Company

#### For the financial year 2014

	MMIP RM'000	Other GI business RM'000	Total RM'000
Gross earned premiums	12,152	181,241	193,393
Premiums ceded to reinsurers	(641)	(76,607)	(77,248)
<b>Net earned premiums</b>	<b>11,511</b>	<b>104,634</b>	<b>116,145</b>
Investment income	1,245	9,384	10,629
Realised gains and losses	-	3,571	3,571
Fee and commission income	40	18,477	18,517
Other operating income	2,389	2,231	4,620
<b>Other revenue</b>	<b>3,674</b>	<b>33,663</b>	<b>37,337</b>
Gross benefits and claims paid	(8,490)	(94,846)	(103,336)
Claims ceded to reinsurers	-	31,173	31,173
Gross change in contract liabilities	(13,722)	(20,333)	(34,055)
Change in contract liabilities ceded to reinsurers	-	19,351	19,351
<b>Net benefits and claims</b>	<b>(22,212)</b>	<b>(64,655)</b>	<b>(86,867)</b>
Fee and commission expenses	(2,124)	(21,842)	(23,966)
Other operating expenses	-	(926)	(926)
Management expenses	(104)	(28,750)	(28,854)
<b>Other expenses</b>	<b>(2,228)</b>	<b>(51,518)</b>	<b>(53,746)</b>
<b>(Loss)/Profit before taxation</b>	<b>(9,255)</b>	<b>22,124</b>	<b>12,869</b>
Taxation	6,812	(6,874)	(62)
<b>Net (loss)/profit for the year</b>	<b>(2,443)</b>	<b>15,250</b>	<b>12,807</b>
<b>Other comprehensive income:</b>			
Available-for-sale reserves:			
Gain on fair value changes of AFS investments	-	6,708	6,708
Realised gain transferred to the income statements	-	(8,602)	(8,602)
Deferred tax effects on AFS reserves	-	473	473
Other comprehensive loss for the year, net of tax	-	(1,421)	(1,421)

#### For the financial year 2013

Gross earned premiums	11,457	220,782	232,239
Premiums ceded to reinsurers	(460)	(105,144)	(105,604)
<b>Net earned premiums</b>	<b>10,997</b>	<b>115,638</b>	<b>126,635</b>
Investment income	986	13,310	14,296
Realised gains and losses	-	3,425	3,425
Fee and commission income	33	21,276	21,309
Other operating income	3,287	5,495	8,782
<b>Other revenue</b>	<b>4,306</b>	<b>43,506</b>	<b>47,812</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

## 11. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONT'D)

The results of GI Business for the year are presented below (cont'd):

Group and Company (cont'd)	MMIP	Other	Total
	RM'000	GI business RM'000	RM'000
<b>For the financial year 2013 (cont'd)</b>			
Gross benefits and claims paid	(5,050)	(124,518)	(129,568)
Claims ceded to reinsurers	-	45,946	45,946
Gross change in contract liabilities	(15,861)	10,027	(5,834)
Change in contract liabilities ceded to reinsurers	-	(4,534)	(4,534)
<b>Net benefits and claims</b>	<b>(20,911)</b>	<b>(73,079)</b>	<b>(93,990)</b>
Fee and commission expenses	(2,088)	(23,062)	(25,150)
Management expenses	(96)	(26,947)	(27,043)
<b>Other expenses</b>	<b>(2,184)</b>	<b>(50,009)</b>	<b>(52,193)</b>
<b>(Loss)/Profit before taxation</b>	<b>(7,792)</b>	<b>36,056</b>	<b>28,264</b>
Taxation	1,948	(8,375)	(6,427)
<b>Net (loss)/profit for the year</b>	<b>(5,844)</b>	<b>27,681</b>	<b>21,837</b>
<b>Other comprehensive income:</b>			
Available-for-sale reserves:			
Gain on fair value changes of AFS investments	-	9,940	9,940
Realised gain transferred to the income statements	-	(10,603)	(10,603)
Deferred tax effects on AFS reserves	-	165	165
Other comprehensive loss for the year, net of tax	-	(498)	(498)

The net cash flows incurred by GI Business, as follows:

Group and Company	2014	2013
	RM'000	RM'000
<b>Cash flows from:</b>		
Operating activities	(7,041)	283
Investing activities	-	(158)
<b>Net increase in cash and bank balances</b>	<b>(7,041)</b>	<b>125</b>

## 12. SUBSIDIARY

Company	2014	2013
	RM'000	RM'000
Unquoted shares, at cost	100	100
Less: Allowance for impairment loss	(100)	(100)
	-	-



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

## 12. SUBSIDIARY (CONT'D)

### Details of subsidiary:

Name	Country of incorporation	Proportion of equity interest		Principal activity
		2014 %	2013 %	
Cramson (Malaysia) Bhd.#	Malaysia	100	100	Dormant

# The striking off process under Section 308 of the Companies Act, 1965 commenced on 23 December 2013.

## 13. SHARE CAPITAL

Company	2014		2013	
	No. of Shares ('000)	RM'000	No. of Shares ('000)	RM'000
<b>Authorised:</b> Ordinary share of RM1.00 each At 1 July 2013/2012 and 30 June 2014/2013	200,000	200,000	200,000	200,000
<b>Issued and paid-up:</b> Ordinary share of RM1.00 each At 1 July 2013/2012 and 30 June 2014/2013	100,284	100,284	100,284	100,284

## 14. RETAINED PROFITS

The non-distributable retained earnings represent the unallocated surplus from the Non-Par funds. In accordance with Section 83 of the Financial Services Act, 2013, the unallocated surplus is only available for distribution to the shareholders upon approval/recommendation by the Appointed Actuary.

Under the single tier tax system which came into effect from the year of assessment 2008, companies are not required to have tax credits under Section 108 of the Income Tax Act, 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of the shareholders. Companies with Section 108 credits as at 31 December 2007 may continue to pay franked dividends until the Section 108 credits are exhausted or on 31 December 2013, whichever is earlier, unless they opt to disregard the Section 108 credits to pay single-tier dividends under the special transitional provisions of the Finance Act, 2007.

Upon expiry of the transitional period as at 31 December 2013, the accumulated tax credit under Section 108 of the Income Tax Act, 1967 will be disregarded. Any future dividend payment made by the Company will be governed under the single-tier system.

Pursuant to the single tier system, any dividends distributed by the Company will be exempted from tax in the hand of shareholders. The Company shall not be entitled to deduct tax on dividend paid, credited or distributed to shareholders.







# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

## 14. RETAINED PROFITS (CONT'D)

The Company may distribute single tier exempt dividend to its shareholders out of its retained earnings. Pursuant to Section 51(1) of the FSA, the Company is required to obtain BNM's written approval prior to declaring or paying any dividend with effect from financial year beginning 1 January 2014. Pursuant to the RBC Framework for Insurers, the Company shall not pay dividends if its Capital Adequacy Ratio position is less than its internal target capital level or if the payment of dividend would impair its Capital Adequacy Ratio position to below its internal target.

## 15. MERGER RESERVES

In June 2002, the Company acquired the entire equity interest in the subsidiary for a purchase consideration amounting to RM123,349,408 via the issuance of 30,085,221 new ordinary shares of RM1.00 each to the vendors of the subsidiary at an issue price of RM4.10 per ordinary share.

As a result of using merger relief provisions, under Section 60(4) of the Companies Act, 1965, the merger reserve was created in place of a share premium account and this reserve has been utilised to write-off the goodwill arising from the business combination in the Group financial statements and impairment in value of the investment in subsidiary at the effective date of acquisition, in the Company's financial statements.

The merger reserve was arrived at after considering the fair value of the subsidiary acquired, the nominal value of ordinary shares issued as consideration for the acquisition and the write-off of goodwill on consolidation in June 2002 as follows:

	<b>RM'000</b>
Fair value of subsidiary acquired	123,349
Nominal value of shares issued as consideration	<u>(30,085)</u>
Merger reserve on acquisition	93,264
Write-off of goodwill on consolidation	<u>(52,592)</u>
	<u>40,672</u>



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014



## 16. INSURANCE CONTRACT LIABILITIES

Group and Company	2014			2013		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Life insurance funds	3,741,786	(3,291)	3,738,495	3,758,813	(919)	3,757,894
General insurance fund - continuing operations	-	-	-	373,772	(139,042)	234,730
	3,741,786	(3,291)	3,738,495	4,132,585	(139,961)	3,992,624
General insurance fund - discontinued operations	399,768	(147,527)	252,241	-	-	-
Less: Impairment loss - discontinued operations	-	925	925	-	-	-
	399,768	(146,602)	253,166	-	-	-
	4,141,554	(149,893)	3,991,661	4,132,585	(139,961)	3,992,624

### (a) Life insurance funds

	2014			2013		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Provision for outstanding claims	59,685	(3,291)	56,394	41,147	(919)	40,228
Actuarial liabilities	3,099,697	-	3,099,697	3,026,377	-	3,026,377
Unallocated surplus	442,646	-	442,646	441,295	-	441,295
AFS reserves	(29,141)	-	(29,141)	91,735	-	91,735
Asset revaluation reserves	36,929	-	36,929	36,929	-	36,929
Net asset value attributable to unitholders	131,970	-	131,970	121,330	-	121,330
	3,741,786	(3,291)	3,738,495	3,758,813	(919)	3,757,894



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

## 16. INSURANCE CONTRACT LIABILITIES (CONT'D)

### (a) Life insurance fund (cont'd)

Group and Company	Gross			Reinsurance			Total	Net
	With DPF	Without DPF	Total	With DPF	Without DPF	Total		
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
<b>2014</b>								
<b>As at 1 July 2013</b>	3,307,190	451,623	3,758,813	(156)	(763)	(919)	3,757,894	
Premiums received	427,283	100,178	527,461	(2,825)	(3,181)	(6,006)	521,455	
Liabilities paid for death, maturities, surrenders, benefits and claims	(386,873)	(57,838)	(444,711)	4,342	(213)	4,129	(440,582)	
Policy movement	48,721	5,083	53,804	-	-	-	53,804	
Interest rate	(33,978)	(10,803)	(44,781)	-	-	-	(44,781)	
Adjustments due to changes in assumptions:								
Mortality/morbidity	(9,971)	(2,580)	(12,551)	-	-	-	(12,551)	
Expenses	5,500	1,437	6,937	-	-	-	6,937	
Lapse	44,063	3,474	47,537	-	-	-	47,537	
Others	23,867	4,156	28,023	-	-	-	28,023	
Others	-	(5,649)	(5,649)	-	-	-	(5,649)	
Claims benefit experience variation	(20,976)	(43,236)	(64,212)	(2,019)	1,524	(495)	(64,707)	
Net asset value attributable to unitholders	-	5,257	5,257	-	-	-	5,257	
Net creation of units	-	36,724	36,724	-	-	-	36,724	
Net cancellation of units	-	(31,341)	(31,341)	-	-	-	(31,341)	
AFS reserves	(129,037)	-	(129,037)	-	-	-	(129,037)	
Deferred tax on AFS reserves	8,161	-	8,161	-	-	-	8,161	
Unallocated surplus available	1,351	-	1,351	-	-	-	1,351	
<b>As at 30 June 2014</b>	<b>3,285,301</b>	<b>456,485</b>	<b>3,741,786</b>	<b>(658)</b>	<b>(2,633)</b>	<b>(3,291)</b>	<b>3,738,495</b>	

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014



## 16. INSURANCE CONTRACT LIABILITIES (CONT'D)

### (a) Life insurance fund (cont'd)

Group and Company	Gross		Reinsurance		Total	Net
	With DPF	Without DPF	With DPF	Without DPF		
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
<b>2013</b>						
<b>As at 1 July 2012</b>						
Premiums received	3,119,982	410,463	3,530,445	(1,226)	(1,649)	3,528,796
Liabilities paid for death, maturities, surrenders, benefits and claims	439,810	94,313	534,123	(2,671)	(2,436)	531,687
Policy movement	(307,122)	(51,528)	(358,650)	4,498	5,476	(353,174)
Interest rate	135,483	18,316	153,799	-	-	153,799
Adjustments due to changes in assumptions:	2,574	333	2,907	-	-	2,907
Mortality/morbidity	190	(4,559)	(4,369)	-	-	(4,369)
Expenses	-	(116)	(116)	-	-	(116)
Lapse	(15,798)	(105)	(15,903)	-	-	(15,903)
Others	(9,744)	4,504	(5,240)	-	-	(5,240)
Claims benefit experience variation	(127,796)	(41,380)	(169,176)	(757)	(2,310)	(171,486)
Net asset value attributable to unitholders	-	8,053	8,053	-	-	8,053
Net creation of units	-	49,316	49,316	-	-	49,316
Net cancellation of units	-	(35,987)	(35,987)	-	-	(35,987)
AFS reserves	(22,841)	-	(22,841)	-	-	(22,841)
Deferred tax on AFS reserves	1,036	-	1,036	-	-	1,036
Unallocated surplus available	91,416	-	91,416	-	-	91,416
<b>As at 30 June 2013</b>	<b>3,307,190</b>	<b>451,623</b>	<b>3,758,813</b>	<b>(156)</b>	<b>(763)</b>	<b>3,757,894</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

## 16. INSURANCE CONTRACT LIABILITIES (CONT'D)

### (b) General insurance fund

#### Group and Company

Provision for claims reported by policyholders  
Provision for incurred but not reported ("IBNR") claims and provision for risk margin for adverse deviations ("PRAD")

Less: Impairment loss on reinsurance assets  
Claim liabilities (i)  
Premium liabilities (ii)

#### (i) Claim liabilities

At 1 July 2013  
Claims incurred in the current accident year  
IBNR and PRAD incurred  
Claims incurred in prior accident years  
Claims paid during the year

Less: Impairment loss on reinsurance assets  
At 30 June 2014

#### (ii) Premium liabilities

At 1 July 2013  
Premiums written in the year  
Premiums earned during the year (Note 11)  
At 30 June 2014

	Discontinued operations----->		Continuing operations----->			
	2014		2013			
	Gross Reinsurance RM'000	Net RM'000	Gross Reinsurance RM'000	Net RM'000		
	195,670	(93,945)	101,725	176,930	(78,952)	97,978
	121,071	(33,498)	87,573	105,756	(29,140)	76,616
	316,741	(127,443)	189,298	282,686	(108,092)	174,594
	-	925	925	-	-	-
	316,741	(126,518)	190,223	282,686	(108,092)	174,594
	83,027	(20,084)	62,943	91,086	(30,950)	60,136
	399,768	(146,602)	253,166	373,772	(139,042)	234,730
	282,686	(108,092)	174,594	276,852	(112,626)	164,226
	74,270	(18,828)	55,442	114,504	(51,836)	62,668
	15,315	(4,358)	10,957	11,070	(1,811)	9,259
	50,716	(27,338)	23,378	9,828	12,235	22,063
	(106,246)	31,173	(75,073)	(129,568)	45,946	(83,622)
	316,741	(127,443)	189,298	282,686	(108,092)	174,594
	-	925	925	-	-	-
	316,741	(126,518)	190,223	282,686	(108,092)	174,594
	91,086	(30,950)	60,136	115,027	(52,898)	62,129
	185,334	(66,382)	118,952	208,298	(83,656)	124,642
	(193,393)	77,248	(116,145)	(232,239)	105,604	(126,635)
	83,027	(20,084)	62,943	91,086	(30,950)	60,136

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014



## 17. DEFERRED TAXATION

<b>Group and Company</b>	<b>Note</b>	<b>2014 RM'000</b>	<b>2013 RM'000</b>
At 1 July 2013/2012		37,816	33,450
Recognised in:			
Income statement			
Taxation life insurance business	29(a)	660	1,194
Taxation of the Company			
- Continuing operations		1,734	4,179
- Discontinued operations		422	357
	29(b)	2,156	4,536
Other comprehensive income			
- Continuing operations		(5,865)	(163)
- Discontinued operations		(473)	(165)
		(6,338)	(328)
Insurance contract liabilities	16(a)	(8,161)	(1,036)
At 30 June 2014/2013		<u>26,133</u>	<u>37,816</u>

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

<b>Group and Company</b>	<b>Note</b>	<b>2014 RM'000</b>	<b>2013 RM'000</b>
Presented after appropriate offsetting as follows:			
Continuing operations:			
Deferred tax liabilities		28,843	38,723
Deferred tax assets		(1,681)	(907)
		27,162	37,816
Discontinued operations:			
Deferred tax assets	11	(1,029)	-
		<u>26,133</u>	<u>37,816</u>





## 17. DEFERRED TAXATION (CONT'D)

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

	Accretion and amortisation on investment assets RM'000	Accelerated capital allowance on property and equipment RM'000	Assets revaluation reserves RM'000	Fair value of investments assets RM'000	Unallocated surplus RM'000	Total RM'000
<b>1 July 2012</b>	1,471	346	4,734	13,424	17,913	37,888
Recognised in:						
Income statement	(1,471)	776	-	(271)	3,165	2,199
Other comprehensive income	-	-	-	(328)	-	(328)
Insurance contract liabilities	-	-	-	(1,036)	-	(1,036)
<b>At 30 June 2013/ 1 July 2013</b>	-	1,122	4,734	11,789	21,078	38,723
Recognised in:						
Income statement	594	(654)	-	-	1,969	1,909
Other comprehensive income	-	-	-	(3,628)	-	(3,628)
Insurance contract liabilities	-	-	-	(8,161)	-	(8,161)
<b>At 30 June 2014</b>	594	468	4,734	-	23,047	28,843

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014



## 17. DEFERRED TAXATION (CONT'D)

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows (cont'd.):

Group and Company	Accretion and amortisation on investment assets RM'000	Accelerated capital allowance on property and equipment RM'000	Fair value of investments assets RM'000	Total RM'000
<b>Deferred tax assets</b>				
<b>At 1 July 2012</b>	(460)	(3,841)	(137)	(4,438)
Recognised in:				
Income statement	(447)	3,841	137	3,531
<b>At 30 June 2013/ 1 July 2013</b>	(907)	-	-	(907)
Recognised in:				
Income statement	907	-	-	907
Other comprehensive income	-	-	(2,710)	(2,710)
<b>At 30 June 2014</b>	-	-	(2,710)	(2,710)
<b>Comprising of:</b>				
- Continuing operations	-	-	(1,681)	(1,681)
- Discontinued operations	-	-	(1,029)	(1,029)
	-	-	(2,710)	(2,710)

## 18. INSURANCE PAYABLES

Group and Company	2014 RM'000	2013 RM'000
Due to agents and intermediaries	13,100	38,296
Due to reinsurers and cedants	2,030	39,482
Due to policyholders	35,369	37,318
Accrual for agency related expenses	12,197	13,740
	62,696	128,836

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

Included in amount due to reinsurers and cedants in financial year 2013 was an amount of RM14,420,000 due to former related companies. The amount payable was subject to settlement terms stipulated in the insurance contracts.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

## 19. OTHER PAYABLES

Group	2014 RM'000	2013 RM'000
<b>Financial liabilities:</b>		
Dividend payable to shareholders	-	3,761
Dividend payable to policyholders	19,127	15,570
Others	50,207	47,962
	<u>69,334</u>	<u>67,293</u>
<b>Non-financial liabilities:</b>		
Provision for compensation to participating funds*	25,400	-
Accrued expenses	2,247	4,254
Other payables	1,055	1,376
	<u>28,702</u>	<u>5,630</u>
	<u>98,036</u>	<u>72,923</u>
<b>Company</b>		
<b>Financial liabilities:</b>		
Dividend payable to shareholders	-	3,761
Dividend payable to policyholders	19,127	15,570
Others	50,207	47,962
	<u>69,334</u>	<u>67,293</u>
<b>Non-financial liabilities:</b>		
Provision for compensation to participating funds*	25,400	-
Accrued expenses	2,247	4,254
Other payables	1,031	1,356
	<u>28,678</u>	<u>5,610</u>
	<u>98,012</u>	<u>72,903</u>

\* Bank Negara Malaysia via its letter dated 28 March 2014 has requested for the Company to compensate the participating funds for the loss of rental income and unrelated rental expenses the participating funds has historically incurred. The loss of rental income is in relation to discounted rental rates charged to tenants of properties held by the participating funds, whereas the unrelated rental expenses incurred is in relation to the cost of leasing space charged to the participating funds which is not directly attributable to the business of the participating funds.

In this regard, the Company has appointed an independent actuary to calculate the appropriate amount of compensation and recommend any adjustments that are necessary to the asset shares and bonus rates, and assess whether additional compensation should to be paid to past policyholders who have already left the participating funds. The compensation of RM25.4 million represents management's best estimate as at the date of approval of the financial statements, but will be finalised in the next financial period.

The carrying amounts of financial liabilities disclosed above approximate fair value at the reporting date. All amounts are payable within one year.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014



## 20. NET EARNED PREMIUMS

### Group and Company

#### (a) Gross premiums

Life insurance contracts

#### (b) Premiums ceded

Life insurance contracts

#### Net earned premiums

	2014 RM'000	2013 RM'000
	564,185	583,439
	(6,005)	(2,436)
	558,180	581,003

## 21. INVESTMENT INCOME

### Group and Company

Rental income related to properties

Expenses related to properties

AFS financial assets:

Interest/profit income

Dividend income:

- Quoted equity securities in Malaysia

- Unquoted equity securities in Malaysia

- Quoted unit and property trust funds

LAR interest/profit income

Other investment income

Net amortisation of premiums on investment

Sundry investment expenses

	2014 RM'000	2013 RM'000
	2,179	3,283
	(2,867)	(2,156)
	136,031	119,710
	10,383	10,029
	292	-
	9,194	7,792
	40,330	45,000
	2,184	1,175
	(5,523)	(7,102)
	(2,962)	(2,824)
	189,241	174,907

## 22. REALISED GAINS AND LOSSES

### Group and Company

Gain on disposal of property and equipment

#### AFS financial assets:

Realised gains:

Quoted equity securities in Malaysia

Unquoted debt securities in Malaysia

Realised losses:

Quoted equity securities in Malaysia

Unquoted debt securities in Malaysia

Total realised gains for AFS financial assets

#### FVTPL:

Realised gains:

Quoted equity securities in Malaysia

Unquoted debt securities in Malaysia

Realised losses:

Quoted equity securities in Malaysia

Unquoted debt securities in Malaysia

	2014 RM'000	2013 RM'000
	-	91
	-	91
	28,905	32,837
	35,463	32,677
	(4)	(74)
	(8,054)	(1,986)
	56,310	63,454
	1,375	3,542
	229	39
	(147)	(586)
	(31)	-
	1,426	2,995
	57,736	66,540

Total realised gains of AFS financial assets transferred from other comprehensive income amounts to RM8,839,000 (2013: RM10,603,000).



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

## 23. FAIR VALUE GAINS AND LOSSES

### Group and Company

Investment properties  
Quoted equity securities  
Quoted unit and property trust funds  
Quoted exchange traded funds  
Unquoted debts securities

2014 RM'000	2013 RM'000
-	(90)
2,348	3,012
239	437
643	212
(829)	(197)
2,401	3,374

## 24. FEE AND COMMISSION INCOME

### Group and Company

Policyholder administration and investment management services  
Reinsurance commission income

2014 RM'000	2013 RM'000
489	1,346
135	1,552
624	2,898

## 25. NET OTHER OPERATING REVENUE/(EXPENSES)

### Group and Company

#### Other operating revenue:

Recovery of investment written-off  
Other miscellaneous income  
Write back of impairment loss on loans receivable

#### Other operating expenses:

Provision for compensation to participating funds (Note 19)  
Impairment loss on loans receivable  
Property and equipment written-off  
Other miscellaneous expenses

2014 RM'000	2013 RM'000
-	882
726	423
-	41
726	1,346
(25,400)	-
(2,318)	(2,530)
(4)	(5)
(1,696)	(2,137)
(29,418)	(4,672)

## 26. NET BENEFITS AND CLAIMS

### Group and Company

#### (a) Gross benefits and claims paid

Life insurance contracts

(476,052) (394,637)

#### (b) Claims ceded to reinsurers

Life insurance contracts

4,128 5,476

#### (c) Gross change in contract liabilities

Life insurance contracts

(103,848) (250,173)

#### (d) Change in contract liabilities ceded to reinsurers

Life insurance contracts

2,372 (730)

#### Net benefits and claims

(573,400) (640,064)



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014



## 27. FEE AND COMMISSION EXPENSES

### Group and Company

Agency commission expenses

2014 RM'000	2013 RM'000
81,009	89,995
81,009	89,995

## 28. MANAGEMENT EXPENSES

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Employee benefits expenses	(a)	35,344	29,177	35,344	29,177
Directors' remuneration	(b)	911	935	911	935
Auditors' remuneration:					
- statutory audits		418	372	416	370
- regulatory related services		74	22	74	22
- other services		167	24	167	24
Office rental		1,681	1,437	1,681	1,437
Equipment rental		120	82	120	82
Depreciation of property and equipment	3	5,467	5,409	5,467	5,409
Amortisation of prepaid land lease payments	6	13	11	13	11
Amortisation of intangible assets	5	1,970	651	1,970	651
Entertainment		111	97	111	97
Electronic data processing expenses		3,696	3,455	3,696	3,455
Advertising and promotion		1,306	2,034	1,306	2,034
Repair and maintenance		1,520	1,751	1,520	1,751
Agency training		1,115	1,414	1,115	1,414
Printing and stationery		1,492	1,045	1,492	1,045
Electricity and water		1,284	940	1,284	940
Telephone and postages		1,152	963	1,152	963
Legal and consultancy fees		4,986	3,603	4,986	3,603
Finance charges		4,269	4,255	4,269	4,255
Fund management fees		644	65	644	65
Other expenses		5,461	5,021	5,459	5,019
		73,201	62,763	73,197	62,759

### (a) Employee benefits expenses

#### Group and Company

Wages and salaries  
Social security contributions  
Contributions to defined contribution plan, EPF  
Other benefits

2014 RM'000	2013 RM'000
21,506	19,057
195	187
3,300	2,566
10,343	7,367
35,344	29,177





# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

## 28. MANAGEMENT EXPENSES (CONT'D)

### (b) Directors' remuneration

The details of directors' remuneration for the year are as follows:

Group and Company	2014	2013
	RM'000	RM'000
Fees	244	301
Allowances and other emoluments	667	634
	911	935
<b>Director fees</b>		
Tan Sri Mohamed Al Amin bin Abdul Majid	44	42
Dato' Balaram a/l Petha Naidu	42	42
Dato' Hj Mustapha @ Mustapa bin Md Nasir	42	42
Kirupalani a/l Chelliah	42	42
Eva Ip Yee Kwan	42	-
Murugiah M N Singham	32	-
Datuk Tan Kim Leong @ Tan Chong Min	-	45
Arokiasamy a/l Savarimuthu	-	18
Graham Malcolm Howard Morrall	-	31
Chan Tat Yoong	-	25
Edward Joseph Bush Jr	-	14
	244	301
<b>Director allowances and other emoluments</b>		
Tan Sri Mohamed Al Amin bin Abdul Majid	186	135
Dato' Balaram a/l Petha Naidu	79	91
Dato' Hj Mustapha @ Mustapa bin Md Nasir	82	94
Kirupalani a/l Chelliah	84	100
Eva Ip Yee Kwan	70	84
Murugiah M N Singham	83	64
Dato' Dr Mohd. Khir Abdul Rahman	69	-
Datuk Tan Kim Leong @ Tan Chong Min	-	66
Cornelius Karel Foord	7	-
Philippus Rudolph Van Rooijen	7	-
	667	634

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

Group and Company	Number of directors	
	2014	2013
Below RM50,000	2	4
RM50,001 - RM100,000	1	2
RM100,001 - RM150,000	5	4
RM150,001 - RM200,000	-	1
RM200,001 - RM250,000	1	-

### (c) Chief Executive Officer ("CEO")'s remuneration

The remuneration including benefit-in-kind, attributable to the CEO of the Company during the financial year amounted to RM1,126,000 (2013: RM863,000). The details of the remuneration have been provided in Note 35(b).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014



## 29. TAXATION

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Taxation of life insurance business	(a)	19,506	1,109	19,506	1,109
Taxation of the Company:					
- continuing operations		7,592	10,102	7,592	10,102
- discontinued operations		62	6,427	62	6,427
	(b)	7,654	16,529	7,654	16,529
		27,160	17,638	27,160	17,638
<b>(a) Taxation of life insurance business</b>					
Tax expenses/(income):					
Current tax		18,846	(85)	18,846	(85)
Deferred tax		660	1,194	660	1,194
		19,506	1,109	19,506	1,109
Current income tax:					
Malaysian income tax		15,792	14,765	15,792	14,765
Under/(Over) provision of income tax expense in prior years		3,054	(14,850)	3,054	(14,850)
		18,846	(85)	18,846	(85)
Deferred tax:					
Relating to origination and reversal of temporary differences (Note 17)		660	1,194	660	1,194
		19,506	1,109	19,506	1,109
<b>(b) Taxation of the Company</b>					
Tax expenses:					
Current tax		5,498	11,993	5,498	11,993
Deferred tax		2,156	4,536	2,156	4,536
		7,654	16,529	7,654	16,529
Current income tax:					
Malaysian income tax		12,474	11,993	12,474	11,993
Overprovision of income tax expense in prior years		(6,976)	-	(6,976)	-
		5,498	11,993	5,498	11,993
Deferred tax:					
Relating to origination and reversal of temporary differences (Note 17)		2,156	4,536	2,156	4,536
		7,654	16,529	7,654	16,529

The income tax for the Shareholders' is calculated based on the tax rate of 25% (2013: 25%) of the estimated assessable profit for the financial year.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

## 29. TAXATION (CONT'D)

### (c) Reconciliation of income tax expense

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Profit before taxation:</b>				
Continued operations	32,374	31,465	32,378	31,469
Discontinued operations	12,869	28,264	12,869	28,264
	<u>45,243</u>	<u>59,729</u>	<u>45,247</u>	<u>59,733</u>
Taxation at Malaysian statutory tax rate of 25% (2013: 25%)	11,311	14,932	11,312	14,933
Utilisation of Section 110B credit	(3,225)	-	(3,225)	-
Additional tax deduction in respect of contribution to MMIP*	(1,791)	-	(1,791)	-
Expenses not deductible for tax purposes	8,335	1,597	8,334	1,596
Overprovision of income tax expense in prior years	(6,976)	-	(6,976)	-
Tax expense for the year	<u>7,654</u>	<u>16,529</u>	<u>7,654</u>	<u>16,529</u>

\* In accordance with the P.U.(A) 419 Income Tax (Deduction for Contribution by Licensed Insurers to the Malaysian Motor Insurance Pool) Rule 2012, cash contributions made to MMIP via cash calls is allowed for as a deduction in the year when such cash is paid to the MMIP. The Company has recognised this benefit as an additional tax deduction in the current financial year.

The income tax for the life business is calculated based on the tax rate of 8% (2013: 8%) of the assessable investment income for the financial year. The taxes of the respective funds are disclosed in Note 42 - Insurance Funds.

## 30. EARNINGS PER SHARE

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

	Group	
	2014	2013
Profit attributable to ordinary equity holders:		
Continuing operations (RM'000)	24,782	21,363
Discontinued operations (RM'000)	12,807	21,837
	<u>37,589</u>	<u>43,200</u>
Weighted average number of shares in issue ('000)	100,284	100,284
Basic and diluted earnings per share:		
Continuing operations (sen)	24.7	21.3
Discontinued operations (sen)	12.8	21.8
	<u>37.5</u>	<u>43.1</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014



## 30. EARNINGS PER SHARE (CONT'D)

There were no dilutive potential ordinary shares as at the reporting date.

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

## 31. DIVIDENDS

	Amount		Net dividend per share	
	2014 RM'000	2013 RM'000	2014 Sen	2013 Sen
<b>Group and Company</b>				
<b>Approved and paid:</b>				
<b>Dividend paid in respect of the financial year ended 30 June 2012:</b>				
Final dividend of 10% less 25% tax paid on 17 December 2012		7,521	-	7.50
<b>Dividend paid in respect of the financial year ended 30 June 2013:</b>				
Interim dividend of 5% less 25% tax paid on 15 August 2013	-	3,761	-	3.75
Final dividend of 10% less 25% tax paid on 25% tax paid on 16 December 2013	7,521	-	7.50	-
	<u>7,521</u>	<u>11,282</u>	<u>7.50</u>	<u>11.25</u>

On 23 July 2014, the Board of Directors recommended a single-tier interim dividend payment in respect of the current financial year ended 30 June 2014 of 5% of the nominal value of ordinary shares amounting to a total dividend payable of RM5,014,204 (5 sen per share).

The above payment was approved by BNM, in accordance with BNM's guideline, BNM/RH/GL 015-3 Financial Reporting on 25 August 2014. The financial statements for the current financial year do not reflect this recommended dividend. Such dividend will be accounted for in the shareholders' equity as an appropriation of retained earnings in the next financial period.

At the forthcoming Annual General Meeting, a final single-tier dividend in respect of the current financial year ended 30 June 2014 of 10% of the nominal value of ordinary shares amounting to a total dividend of RM10,028,407 (10 sen per share) will be proposed for shareholders' approval, which is also subject to BNM's approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in the shareholders' equity as an appropriation of retained profits in the next financial period.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

## 32. CASH FLOWS

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Profit before taxation:</b>					
Continuing operations		32,374	31,465	32,378	31,469
Discontinued operations	11	12,869	28,264	12,869	28,264
		45,243	59,729	45,247	59,733
Taxation of life insurance business	29(a)	19,506	1,109	19,506	1,109
Investment income		(194,764)	(197,470)	(194,764)	(197,470)
Realised gains recorded in income statements	7(d)	(61,307)	(69,874)	(61,307)	(69,874)
Purchases of FVTPL financial assets	7(d)	(51,039)	(50,875)	(51,039)	(50,875)
Purchases of AFS investments	7(d)	(5,140,119)	(8,159,174)	(5,140,119)	(8,159,174)
Proceeds from sale of AFS investments	7(d)	5,042,391	7,997,111	5,042,391	7,997,111
Proceeds from sale of FVTPL financial assets	7(d)	43,193	35,051	43,193	35,051
(Increase)/Decrease in LAR	7(d)	(83,888)	58,475	(83,888)	58,475
Investment income received		198,078	192,975	198,078	192,975
		(182,706)	(132,943)	(182,702)	(132,939)
<b>Non-cash items:</b>					
Depreciation of property and equipment	3	5,467	5,409	5,467	5,409
Gain on disposal of property and equipment	22	-	(91)	-	(91)
Amortisation of intangible assets	5	1,976	697	1,976	697
Amortisation of prepaid land lease payments	6	13	11	13	11
Property and equipment written-off	25	4	5	4	5
Revaluation loss on investment properties	4	-	90	-	90
Net amortisation of investments	7(d)	5,164	8,267	5,164	8,267
Impairment loss/(Write-back) on :					
- Insurance receivables	39(d)	44	(3,548)	44	(3,548)
- Loans receivable	39(d)	2,318	(41)	2,318	(41)
- Reinsurance assets	39(d)	925	-	925	-
<b>Changes in working capital:</b>					
<b>Decrease/(increase) in assets:</b>					
Reinsurance assets		(10,857)	27,212	(10,857)	27,212
Insurance receivables		6,087	(7,494)	6,087	(7,494)
Other receivables		(12,361)	(22,690)	(12,361)	(22,690)
<b>Increase/(decrease) in liabilities:</b>					
Insurance contract liabilities		127,443	228,602	127,443	228,602
Insurance payables		(28,322)	(26,746)	(28,322)	(26,746)
Other payables		28,073	16,412	28,069	16,408
Cash (used in)/generated from operating activities		(56,732)	93,152	(56,732)	93,152

The Company classifies the cash flows from the acquisition and disposal of financial assets as operating cash flows, as the purchases are funded from the cash flows associated with the origination of insurance contracts, net of the cash flows for payments of benefits and claims incurred for insurance contracts, which are respectively treated under operating activities.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014



## 33. OPERATING LEASE ARRANGEMENTS

### (a) The Company as lessee

The Company has entered into a lease agreement for rental of equipment, software and services and office premises.

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

#### Future minimum rental payments:

	2014 RM'000	2013 RM'000
<b>Rental of equipment, software and services:</b>		
Payable within one year	93	105
Payable after one year	231	340
	324	445
<b>Rental of office premises:</b>		
Payable within one year	1,214	1,325
Payable after one year	1,024	1,238
	2,238	2,563

### (b) The Company as lessor

The Company has entered into non-cancellable operating lease arrangements on its portfolio of investment properties. The leases have remaining non-cancellable lease terms of between 1 and 3 years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

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

	2014 RM'000	2013 RM'000
Receivable within one year	1,102	822
Receivable after one year	1,069	1,221
	2,171	2,043

## 34. CAPITAL COMMITMENTS

The commitments of the Group and of the Company as at the financial year-end are as follows:

	2014 RM'000	2013 RM'000
Approved but not contracted for:		
Property and equipment	4,291	1,544
Intangible assets	1,321	735
	5,612	2,279





# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

## 35. SIGNIFICANT RELATED PARTY DISCLOSURES

### (a) Related parties

The related parties and their relationship with the Company as at 30 June 2014 are as follows:

Name	Relationship
Koperasi MCIS Berhad	Corporate shareholder
Sanlam Emerging Market Proprietary Limited	Corporate shareholder
Zurich Asia Holdings Ltd ("Z AHL")	Former corporate shareholder
Zurich American Insurance Company	Related company of Z AHL
Zurich Australian Insurance	Related company of Z AHL
Zurich Insurance (Belgium)	Related company of Z AHL
Zurich International (Bermuda)	Related company of Z AHL
Zurich Insurance Company, Canada	Related company of Z AHL
Zurich International (Deutschland)	Related company of Z AHL
Zurich Insurance (Finland)	Related company of Z AHL
Zurich International France	Related company of Z AHL
Zurich Services (Hong Kong) Limited	Related company of Z AHL
Zurich Insurance Company Hong Kong	Related company of Z AHL
Zurich Insurance Italy	Related company of Z AHL
Zurich Insurance Japan	Related company of Z AHL
Zurich Insurance Malaysia Berhad	Related company of Z AHL
Zurich International (Netherlands)	Related company of Z AHL
Zurich Insurance Company Singapore	Related company of Z AHL
Zurich Forsakring (Denmark)	Related company of Z AHL
Zurich Forsakring (Sweden)	Related company of Z AHL
Zurich Forsikring (Norway)	Related company of Z AHL
Zurich Insurance Company (Switzerland)	Related company of Z AHL
Zurich Insurance Taiwan	Related company of Z AHL
Zurich Specialities London, UK	Related company of Z AHL
Zurich Insurance Plc, UK	Related company of Z AHL
National Land Finance Co-operative Society Limited	A Co-operative in which Dato' Balaram a/I Petha Naidu is also a director
Syed Hussain Publications Sdn Bhd (The Malaysian Reserve)	Tan Sri Mohamed Al Amin bin Abdul Majid is the Chairman of Redberry Sdn Bhd, co-owner of The Malaysian Reserve.
Malay Mail Sdn Bhd	Tan Sri Mohamed Al Amin bin Abdul Majid is the Chairman of Redberry Sdn Bhd, co-owner of Malay Mail Sdn Bhd.

The Company undertakes various transactions with related companies of Z AHL. The Directors are of the opinion that the reinsurance premiums ceded to related companies and related parties are contracted on terms and conditions no more favourable than those available with other reinsurance counterparties.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014



## 35. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

### (a) Related parties (cont'd)

#### Group and Company

#### Transactions with related parties:

	2014 RM'000	2013 RM'000
<b>(i) Interest income received from:</b>		
National Land Finance Co-operative Society Limited	416	527
<b>(ii) Rental income received from:</b>		
Koperasi MCIS Berhad	107	110
<b>(iii) Reinsurance premium income from:</b>		
Zurich Insurance Malaysia Berhad	(16)	79
<b>(iv) Claims paid to:</b>		
Zurich Insurance Malaysia Berhad	8	207
<b>(v) Reinsurance premium ceded to:</b>		
Zurich American Insurance Company	61	1,604
Zurich International (Deutschland)	177	2,962
Zurich International (Netherlands)	6	265
Zurich International (Bermuda)	54	-
Zurich Insurance Plc, UK	1,388	5,923
Zurich Forsakring (Sweden)	219	22
Zurich Insurance Company (Switzerland)	2,423	7,212
Zurich Australian Insurance	166	190
Zurich Insurance Company Hong Kong	-	212
Zurich International France	498	2,767
Zurich Insurance (Belgium)	432	-
Zurich Insurance Company, Canada	50	-
	5,474	21,157
<b>(vi) Claims recovered from:</b>		
Zurich American Insurance Company	953	941
Zurich International (Deutschland)	273	331
Zurich International (Netherlands)	1,658	6
Zurich Insurance Plc, UK	546	2,598
Zurich Forsakring (Sweden)	17	865
Zurich Insurance Company (Switzerland)	2,005	209
Zurich Australian Insurance	101	19
Zurich Insurance Company Hong Kong	1	2
Zurich International France	89	90
Zurich Insurance Company, Canada	-	9
Zurich Insurance (Finland)	3	-
	5,646	5,070
<b>(vii) Coinsurance premium ceded to:</b>		
Zurich Insurance Malaysia Berhad	449	495
<b>(viii) Coinsurance claims recovered from:</b>		
Zurich Insurance Malaysia Berhad	197	5



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

## 35. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

(a) **Related parties** (cont'd)

**Group and Company** (cont'd)

**Transactions with related parties** (cont'd):

(ix) **Reimbursable costs to:**

Zurich Insurance Company (Switzerland)	-	71
Syed Hussain Publications Sdn Bhd	-	72
Malay Mail Sdn Bhd	-	106
Zurich Insurance Plc, UK	90	-
Koperasi MCIS Berhad	20	-
	110	249

(x) **Reimbursable costs from:**

Zurich Services (Hong Kong) Limited	136	459
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**Balances with related parties:**

(i) **Term loan granted to (Note 7(a)):**

National Land Finance Co-operative Society Limited	7,000	9,000
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(ii) **Included in reinsurance assets (Note 11)  
(Discontinued operations):**

Zurich Australian Insurance	581	181
Zurich Insurance Company, Canada	674	657
Zurich Insurance (Finland)	72	102
Zurich International France	947	179
Zurich International (Deutschland)	455	863
Zurich Insurance Company HongKong	52	60
Zurich International (Netherlands)	1,092	2,564
Zurich Forsakring (Sweden)	1,824	1,052
Zurich Insurance Company (Switzerland)	19,175	16,961
Zurich International (UK) Limited	3,549	2,499
Zurich American Insurance Company	15	499
	28,436	25,617

(iii) **Included in insurance receivables (Note 11)  
(Discontinued operations) :**

Zurich Forsakring (Sweden)	-	464
Zurich Specialities London, UK	-	590
Zurich Global Corporate UK	110	-
Zurich Insurance Company Singapore	15	163
Zurich Australian Insurance	70	-
Zurich Insurance Japan	11	11
Zurich Insurance Malaysia Berhad	274	110
	480	1,338



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014



## 35. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

### (a) Related parties (cont'd)

#### Group and Company (cont'd)

#### Transactions with related parties (cont'd):

#### (iv) Included in insurance payables (Note 11) (Discontinued operations):

	2014 RM'000	2013 RM'000
Zurich American Insurance Company	271	804
Zurich International (Deutschland)	172	1,185
Zurich International (Netherlands)	3	107
Zurich International (UK) Limited	815	4,181
Zurich Forsakring (Sweden)	85	-
Zurich Insurance Company (Switzerland)	2,120	6,252
Zurich Australia Insurance	53	55
Zurich International (Bermuda)	62	76
Zurich Insurance (Belgium)	154	87
Zurich Insurance Company, Canada	97	79
Zurich International (France)	289	1,265
Zurich Insurance Company Hong Kong	1	127
Zurich Forsakring Denmark	23	73
Zurich Forsikring Norway	6	7
Zurich Insurance (Finland)	-	20
Zurich Insurance Italy	-	2
Zurich Insurance Taiwan	-	124
Zurich Insurance Malaysia Berhad	236	447
	<b>4,387</b>	<b>14,891</b>

### (b) Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company, directly or indirectly. In line with this classification, the key management personnel of the Group and Company includes Directors and the Chief Executive Officer ("CEO").

#### Compensation of key management personnel

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

	2014 RM'000	2013 RM'000
<b>Directors' remuneration:</b>		
Directors' fees	244	301
Directors' allowances and other other emoluments	667	634
	<b>911</b>	<b>935</b>
<b>CEO's remuneration:</b>		
Salaries and bonuses	1,033	797
Contributions to EPF	-	47
Benefits-in-kind	93	19
	<b>1,126</b>	<b>863</b>





# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

## 36. REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company as at 30 June 2014 as prescribed under RBC Framework is provided as below:

	2014 RM'000	2013 RM'000
<u>Eligible Tier 1 capital</u>		
Share capital (paid-up)	100,284	100,284
Reserve, including retained earnings	1,234,310	1,147,536
	1,334,594	1,247,820
<u>Tier 2 capital</u>		
Eligible reserves	8,484	150,891
<b>Total capital available</b>	<b>1,343,078</b>	<b>1,398,711</b>

## 37. RISK MANAGEMENT FRAMEWORK

### (a) Overview of risk management framework

The Company has an integrated risk management framework and processes for identifying, measuring, monitoring and controlling risks which may impact both earnings and capital.

The responsibility for risk management and control is embedded into the respective business lines management to ensure that risk management processes are functioning effectively. The Risk Management and Compliance Department ("RMCD") functions independently for assessing and reporting the potential risk impact and probability across the organization and the adequacy of risk management actions. This includes assessing and reporting risks related to financial, insurance and operational aspects of the business.

The RMCD also provides support in complying with rules and regulations.

The Internal Audit function which is independent of the business functions also provides support in identifying and highlighting key risk areas for improvement.

The risk profiles, risk exposure, emerging risks and compliance with risk appetite and regulatory requirements as well as the adequacy of the mitigating actions are reviewed by the Governance, Risk and Compliance Committee ("GRCC") and reported to the Board Risk Management Committee ("BRMC") on a regular basis.

The Board Investment Committee ("BIC") previously provided oversight on all aspects of investment management to safeguard the interests of policyholders and shareholders, or reduces return of capital.

The BIC was dissolved on 4 April 2013. All significant investment activities subsequent to 4 April 2013 were reported to the Board directly by the Management Investment Committee.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014



## 37. RISK MANAGEMENT FRAMEWORK (CONT'D)

### (b) Capital management objectives, policies and approach

Capital management risk is the risk of having insufficient capital or inefficient levels of surplus, which may impact the implementation of strategic objectives, reduces the Company's ability to manage losses that are not anticipated, and reduces confidence of the market, policyholders and creditors, or reduces return on capital for shareholders.

The Company's capital management objectives are to maintain effective capital management processes and a level of capital resources consistent with the risk profiles approved by the Board to support business development, at the same time meeting the shareholders' requirements, as well as the capital adequacy requirement set by BNM.

The Company's capital management objectives are governed under the Internal Capital Adequacy Assessment Process ("ICAAP") Framework, and sets out the framework for planning, managing, monitoring and optimizing the Company's capital position.

### (c) Governance and regulatory framework

The Risk Management Policies identify the inherent risks and set out how the risks are to be managed. The policies include risk appetite in relation to each of the inherent risks and minimum standards of control that the Company is expected to maintain.

The risk management governance process operates through delegation of authority from the Board to the CEO and oversight committees, Executive Management Committee ("EMC"), GRCC, RMCD, CMC, Management Investment Committee ("MIC") and Product Development Committee.





# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

## 37. RISK MANAGEMENT FRAMEWORK (CONT'D)

### (d) Financial instrument by category

Group	Assets not in scope of					Total RM'000
	FVTPL RM'000	AFS RM'000	LAR RM'000	Sub-total RM'000	MFRS 139 RM'000	
<b>2014</b>						
<b>Assets</b>						
Property and equipment	-	-	-	-	103,299	103,299
Investment properties	-	-	-	-	1,770	1,770
Intangible assets	-	-	-	-	13,954	13,954
Prepaid land lease payments	-	-	-	-	242	242
Investments	114,177	3,364,956	709,231	4,188,364	-	4,188,364
Reinsurance assets	-	-	-	-	3,291	3,291
Insurance receivables	-	-	49,033	49,033	-	49,033
Other receivables	-	-	37,519	37,519	1,604	39,123
Cash and bank balances	-	-	5,977	5,977	-	5,977
Assets classified as held for sale	-	-	-	-	427,581	427,581
<b>Total assets</b>	<b>114,177</b>	<b>3,364,956</b>	<b>801,760</b>	<b>4,280,893</b>	<b>551,741</b>	<b>4,832,634</b>

	Other financial liabilities			Assets not in scope of	
	FVTPL RM'000	liabilities RM'000	Sub-total RM'000	MFRS 139 RM'000	Total RM'000
<b>Liabilities</b>					
Insurance contract liabilities	-	-	-	3,741,786	3,741,786
Deferred tax liabilities	-	-	-	27,162	27,162
Insurance payables	-	-	-	62,696	62,696
Provision for taxation	-	-	-	4,742	4,742
Other payables	-	69,334	69,334	28,702	98,036
Liabilities directly associated with the assets classified as held for sale	-	-	-	440,546	440,546
<b>Total liabilities</b>	<b>-</b>	<b>69,334</b>	<b>69,334</b>	<b>4,305,634</b>	<b>4,374,968</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014



## 37. RISK MANAGEMENT FRAMEWORK (CONT'D)

### (d) Financial instrument by category (cont'd)

Group (cont'd)						Assets not	Total
	FVTPL	AFS	LAR	Sub-total	in scope of	RM'000	
	RM'000	RM'000	RM'000	RM'000	MFRS 139	RM'000	RM'000
<b>2013</b>							
<b>Assets</b>							
Property and equipment	-	-	-	-	106,550	-	106,550
Investment properties	-	-	-	-	1,770	-	1,770
Intangible assets	-	-	-	-	15,873	-	15,873
Prepaid land lease payments	-	-	-	-	255	-	255
Investments	102,739	3,505,387	692,978	4,301,104	-	-	4,301,104
Reinsurance assets	-	-	-	-	139,961	-	139,961
Insurance receivables	-	-	-	-	73,462	-	73,462
Other receivables	-	-	85,821	85,821	2,868	-	88,689
Cash and bank balances	-	-	91,507	91,507	-	-	91,507
<b>Total assets</b>	<b>102,739</b>	<b>3,505,387</b>	<b>870,306</b>	<b>4,478,432</b>	<b>340,739</b>	<b>-</b>	<b>4,819,171</b>

				Assets not	Total
	FVTPL	Other financial liabilities	Sub-total	in scope of	
	RM'000	RM'000	RM'000	MFRS 139	RM'000
<b>Liabilities</b>					
Insurance contract liabilities	-	-	-	4,132,585	4,132,585
Deferred tax liabilities	-	-	-	37,816	37,816
Insurance payables	-	-	-	128,836	128,836
Provision for taxation	-	-	-	397	397
Other payables	-	67,293	67,293	5,630	72,923
<b>Total liabilities</b>	<b>-</b>	<b>67,293</b>	<b>67,293</b>	<b>4,305,264</b>	<b>4,372,557</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

## 37. RISK MANAGEMENT FRAMEWORK (CONT'D)

### (d) Financial instrument by category (cont'd)

Company	Assets not in scope of					Total RM'000
	FVTPL RM'000	AFS RM'000	LAR RM'000	Sub-total RM'000	MFRS 139 RM'000	
<b>2014</b>						
<b>Assets</b>						
Property and equipment	-	-	-	-	103,299	103,299
Investment properties	-	-	-	-	1,770	1,770
Intangible assets	-	-	-	-	13,954	13,954
Prepaid land lease payments	-	-	-	-	242	242
Investments	114,177	3,364,956	709,231	4,188,364	-	4,188,364
Reinsurance assets	-	-	-	-	3,291	3,291
Insurance receivables	-	-	-	-	49,033	49,033
Other receivables	-	-	37,519	37,519	1,604	39,123
Cash and bank balances	-	-	5,977	5,977	-	5,977
Assets classified as held for sale	-	-	-	-	427,581	427,581
<b>Total assets</b>	<b>114,177</b>	<b>3,364,956</b>	<b>752,727</b>	<b>4,231,860</b>	<b>600,774</b>	<b>4,832,634</b>

	Other financial liabilities			Assets not in scope of	
	FVTPL RM'000	liabilities RM'000	Sub-total RM'000	MFRS 139 RM'000	Total RM'000
<b>Liabilities</b>					
Insurance contract liabilities	-	-	-	3,741,786	3,741,786
Deferred tax liabilities	-	-	-	27,162	27,162
Insurance payables	-	-	-	62,696	62,696
Provision for taxation	-	-	-	4,742	4,742
Other payables	-	69,334	69,334	28,678	98,012
Liabilities directly associated with the assets classified as held for sale	-	-	-	440,546	440,546
<b>Total liabilities</b>	<b>-</b>	<b>69,334</b>	<b>69,334</b>	<b>4,305,610</b>	<b>4,374,944</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014



## 37. RISK MANAGEMENT FRAMEWORK (CONT'D)

### (d) Financial instrument by category (cont'd)

Company (cont'd)	FVTPL RM'000	AFS RM'000	LAR RM'000	Sub-total RM'000	Assets not in scope of MFRS 139 RM'000	Total RM'000
<b>2013</b>						
<b>Assets</b>						
Property and equipment	-	-	-	-	106,550	106,550
Investment properties	-	-	-	-	1,770	1,770
Intangible assets	-	-	-	-	15,873	15,873
Prepaid land lease payments	-	-	-	-	255	255
Investments	102,739	3,505,387	692,978	4,301,104	-	4,301,104
Reinsurance assets	-	-	-	-	139,961	139,961
Insurance receivables	-	-	-	-	73,462	73,462
Other receivables	-	-	85,821	85,821	2,868	88,689
Cash and bank balances	-	-	91,507	91,507	-	91,507
<b>Total assets</b>	<b>102,739</b>	<b>3,505,387</b>	<b>870,306</b>	<b>4,478,432</b>	<b>340,739</b>	<b>4,819,171</b>

	FVTPL RM'000	Other financial liabilities RM'000	Sub-total RM'000	Assets not in scope of MFRS 139 RM'000	Total RM'000
<b>Liabilities</b>					
Insurance contract liabilities	-	-	-	4,132,585	4,132,585
Deferred tax liabilities	-	-	-	37,816	37,816
Insurance payables	-	-	-	128,836	128,836
Provision for taxation	-	-	-	397	397
Other payables	-	67,293	67,293	5,610	72,903
<b>Total liabilities</b>	<b>-</b>	<b>67,293</b>	<b>67,293</b>	<b>4,305,244</b>	<b>4,372,537</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

## 38. INSURANCE RISK

Insurance risk is the risk that inadequate or inappropriate underwriting, claims management, product design and pricing will expose the Company to financial loss and may result in the inability to meet its liabilities.

### Life insurance risk

The Company's life insurance businesses are exposed to a range of life insurance risks from various products. In providing insurance protection, the Company has to manage risks such as mortality (the death of policyholder), morbidity (ill health), longevity (annuity), product design and pricing.

The mortality and morbidity risks are managed through the use of reinsurance to transfer risks in excess of the Company's risk appetite, appropriate actuarial methodologies/techniques for reserving as well as other risk mitigating measures.

Persistency (or lapsation) risk is managed through monitoring of experience. Where possible, the potential financial impact of lapses is reduced by persistency management, product design requirements, experience monitoring and management actions.

Poorly designed or inadequately priced products may lead to both financial loss and reputation risk to the Company. Policies have been developed to support the Company through complete product development processes, financial analysis and pricing.

The table below shows the concentration of life insurance contract liabilities by type of contract as at the reporting date:

### Life insurance contract liabilities

#### 2014

	Gross RM'000	Reinsurance RM'000	Net RM'000
Whole life	492,316	-	492,316
Endowment	2,326,561	(917)	2,325,644
Term assurance	150,190	(1,785)	148,405
Medical and Health	9,932	-	9,932
Annuity	524,189	-	524,189
Others	238,598	(589)	238,009
	<u>3,741,786</u>	<u>(3,291)</u>	<u>3,738,495</u>

#### 2013

Whole life	437,434	-	437,434
Endowment	2,352,057	(304)	2,351,753
Term assurance	148,479	(615)	147,864
Medical and Health	7,626	-	7,626
Annuity	538,478	-	538,478
Others	274,739	-	274,739
	<u>3,758,813</u>	<u>(919)</u>	<u>3,757,894</u>

As all of the business is derived from Malaysia, the entire life insurance contract liabilities are in Malaysia.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

## 38. INSURANCE RISK (CONT'D)

**Life insurance risk** (cont'd)

### Key assumptions

Material judgment is required in the choice of assumptions to determine the value of life insurance liabilities. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

The sensitivity analysis below shows the impact of changes in key assumptions on the value of life insurance liabilities. The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on liabilities. The correlation of assumptions will have a significant effect in determining the liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis.

There are no material change to the methods used to derive assumptions from the previous year.

The analysis which follows is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit after taxation and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options and guarantees. When options and guarantees exist, they are the main reason for the asymmetry of sensitivities.

### Life insurance contracts

	Change in assumptions %	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit after taxation RM'000	Impact on equity* RM'000
<b>30 June 2014</b>					
Fund yield	+1%	(209,200)	(209,200)	(209,200)	-
Risk free yield	+1%	(27,225)	(27,225)	(27,225)	(13,532)
Mortality and morbidity	+25%	20,387	20,387	20,387	11,692
Lapse and surrenders	+25%	(38,957)	(38,957)	(38,957)	(209)
Expenses	+25%	42,544	42,544	42,544	4,337
<b>30 June 2013</b>					
Fund yield	+1%	(207,565)	(207,565)	(207,565)	-
Risk free yield	+1%	(46,826)	(46,826)	(46,826)	20,036
Mortality and morbidity	+25%	16,018	16,018	16,018	13,466
Lapse and surrenders	+25%	(39,327)	(39,327)	(39,327)	(965)
Expenses	+25%	43,480	43,480	43,480	5,376

\* Impact on equity reflects adjustments for tax, when applicable.

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





# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

## 38. INSURANCE RISK (CONT'D)

### General Insurance Risk

The Company's general insurance businesses are exposed to the possibility of occurrence of an insured event and uncertainty of the amount and timing of the resultant claim. The principal risk that the Company faces is that the actual claims exceed the carrying amount of insurance liabilities.

The probability and severity of risk events are managed through a diversification of insurance portfolio and careful selection of risks, together with the implementation of underwriting strategy and guidelines, limiting the Company's exposure to large claims and catastrophes by placing risk with reinsurers as well as regular claims management and claims review to minimize the uncertainty of claims development as well as to mitigate dubious or fraudulent claims whilst ensuring fair claims settlement on a timely basis.

The table below sets out the concentration of general insurance risk by contract type as at the reporting date:

	<----- 2014 ----->			<----- 2013 ----->		
	Gross claim liabilities RM'000	Reinsurance claim liabilities RM'000	Net claim liabilities RM'000	Gross claim liabilities RM'000	Reinsurance claim liabilities RM'000	Net claim liabilities RM'000
<b>Claim liabilities</b>						
<b>Discontinued operations</b>						
Marine, aviation and transit	39,736	(33,195)	6,541	44,774	(38,319)	6,455
Contractors all risks and engineering	44,576	(40,331)	4,245	18,904	(15,358)	3,546
Fire	34,164	(23,513)	10,651	35,585	(24,862)	10,723
Liabilities	26,422	(21,672)	4,750	24,095	(18,919)	5,176
Medical and health	586	(303)	283	642	(332)	310
Motor	156,771	(5,995)	150,776	142,976	(6,703)	136,273
Personal accident	6,240	(910)	5,330	3,940	(257)	3,683
Workmen compensation	206	(15)	191	342	(16)	326
Others	8,040	(1,509)	6,531	11,428	(3,326)	8,102
	316,741	(127,443)	189,298	282,686	(108,092)	174,594
Impairment loss on reinsurance assets	-	925	925	-	-	-
	316,741	(126,518)	190,223	282,686	(108,092)	174,594





# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

## 38. INSURANCE RISK (CONT'D)

### General insurance risk (cont'd)

The table below sets out the concentration of general insurance risk by contract type as at the reporting date (cont'd):

	<-----2014----->			<-----2013----->		
	Gross premium liabilities RM'000	Reinsurance premium liabilities RM'000	Net premium liabilities RM'000	Gross premium liabilities RM'000	Reinsurance premium liabilities RM'000	Net premium liabilities RM'000
<b>Premium liabilities</b>						
<b>Discontinued operations</b>						
Marine, aviation and transit	6,649	(5,114)	1,535	11,126	(9,681)	1,445
Contractors all risks and engineering	2,434	(1,473)	961	2,654	(2,340)	314
Fire	10,530	(6,868)	3,662	13,561	(10,263)	3,298
Liabilities	1,463	788	2,251	1,196	(210)	986
Medical and health	787	(461)	325	727	(485)	242
Motor	54,295	(6,574)	47,721	54,407	(6,809)	47,598
Personal accident	2,418	27	2,446	2,186	123	2,309
Workmen compensation	85	8	93	110	3	113
Others	4,366	(417)	3,949	5,119	(1,288)	3,831
	83,027	(20,084)	62,943	91,086	(30,950)	60,136

General insurance contract liabilities are determined based on previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Of particular relevance is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions, economic conditions and claims handling procedures. The estimates of the general insurance contract liabilities are therefore sensitive to various factors and uncertainties. The actual future premium and claims liabilities may not develop exactly as projected and may vary from initial estimates.

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

## 38. INSURANCE RISK (CONT'D)

**General insurance risk** (cont'd)

**Key assumptions** (cont'd)

**Sensitivities**

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

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

Discontinued operations	<----- Increase/(Decrease) ----->				
	Change in assumptions %	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before taxation RM'000	Impact on equity* RM'000
<b>2014</b>					
Average claim cost	+10%	26,800	16,500	(16,500)	(12,375)
Average number of claims	+10%	18,800	13,000	(13,000)	(9,750)
Average claim settlement period	+6 months	3,100	2,200	(2,200)	(1,650)
<b>2013</b>					
Average claim cost	+10%	23,000	16,300	(16,300)	(12,225)
Average number of claims	+10%	19,000	12,400	(12,400)	(9,300)
Average claim settlement period	+6 months	2,700	2,400	(2,400)	(1,800)

\* impact on equity reflects adjustments for tax, when applicable.

\*\* The above assumptions do not have impact to continuing operations.

An equivalent decrease in the assumptions shown above would have resulted in an equivalent, but opposite, impact.

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



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014



## 38. INSURANCE RISK (CONT'D)

### General insurance risk (cont'd)

#### Claims development table

The following tables show the estimate of cumulative incurred claims, including both claims notified and Incurred But Not Report ("IBNR") for each successive accident year at each reporting date, together with cumulative payments to-date.

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

Data pertaining to the gross general insurance liabilities prior to underwriting year 2009 was not available and hence only post underwriting year 2010 developments in gross general reinsurance liabilities are disclosed.



## General insurance risk (cont'd)

## Claims development table (cont'd)

## Gross general insurance contract liabilities for 2014:

## Discontinued operations

	PRAD	Inward treaty	Prior to 2007	2007	2008	2009	2010	2011	2012	2013	2014	Total
			RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Accident year</b>												
At end of												
accident year												
One year later												
Two year later				83,631								
Three year later			82,146	84,405								
Four year later			82,292	82,187	109,060							
Five year later			79,439	79,585	102,590	114,735						
Six year later			75,384	81,983	100,579							
Seven year later			77,494									
<b>Claims incurred</b>			77,494	81,983	100,579	114,735	109,960	127,229	156,394	105,396		873,770
At end of												
accident year												
One year later												
Two year later				(66,396)								
Three year later			(64,764)	(72,201)	(94,973)	(93,789)	(89,471)					
Four year later			(69,831)	(74,946)	(96,242)	(97,837)						
Five year later			(71,500)	(75,937)	(97,298)							
Six year later			(71,033)	(75,949)								
Seven year later			(70,670)									
<b>Payments to date</b>			(70,670)	(75,949)	(97,298)	(97,837)	(89,471)	(99,559)	(94,233)	(26,581)		(651,598)
<b>Gross general insurance contract liabilities per statement of financial position (Note 16(b))</b>	34,999	59,570	6,824	6,034	3,281	16,898	20,489	27,670	62,161	78,815		316,741

### 38. INSURANCE RISK (CONT'D)

General insurance risk (cont'd)

Claims development table (cont'd)

Net general insurance contract liabilities for 2014:

Discontinued operations (cont'd)

Accident year	PRAD	Inward treaty	Prior to							Total	
			2007	2008	2009	2010	2011	2012	2013		2014
			RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At end of											
accident year			59,025	58,368	66,491	80,223	89,390	89,931	83,506	76,525	
One year later			55,160	56,254	65,385	79,415	81,447	88,989	80,843		
Two year later			52,402	54,077	65,439	80,399	78,013	85,328			
Three year later			50,733	54,949	63,640	76,891	75,968				
Four year later			50,966	53,874	62,353	75,066					
Five year later			50,132	52,288	60,384						
Six year later			48,832	51,883							
Seven year later			49,279								
<b>Claims incurred</b>			<b>49,279</b>	<b>51,883</b>	<b>60,384</b>	<b>75,066</b>	<b>75,968</b>	<b>85,328</b>	<b>80,843</b>	<b>76,525</b>	<b>555,276</b>
At end of											
accident year			(24,166)	(25,247)	(25,589)	(28,934)	(26,001)	(29,454)	(29,844)	(22,034)	
One year later			(41,105)	(41,418)	(49,414)	(55,416)	(53,896)	(60,732)	(55,720)		
Two year later			(42,906)	(44,933)	(55,312)	(64,751)	(64,040)	(69,609)			
Three year later			(44,080)	(48,026)	(57,120)	(68,803)	(67,437)				
Four year later			(47,214)	(49,924)	(57,655)	(70,931)					
Five year later			(47,820)	(50,839)	(58,175)						
Six year later			(47,866)	(50,883)							
Seven year later			(47,994)								
<b>Payments to date</b>			<b>(47,994)</b>	<b>(50,883)</b>	<b>(58,175)</b>	<b>(70,931)</b>	<b>(67,437)</b>	<b>(69,609)</b>	<b>(55,720)</b>	<b>(22,034)</b>	<b>(442,783)</b>
<b>Net general insurance contract liabilities per statement of financial position (Note 16(b))</b>			<b>17,235</b>	<b>59,570</b>	<b>2,209</b>	<b>4,135</b>	<b>8,531</b>	<b>15,719</b>	<b>25,123</b>	<b>54,491</b>	<b>189,298</b>





## General insurance risk (cont'd)

## Claims development table (cont'd)

## Gross general insurance contract liabilities for 2013:

## Discontinued operations (cont'd)

Accident year	PRAD	Prior to										Total RM'000	
		Inward treaty	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000			
At end of													
accident year					138,812	122,509	135,798	135,990	145,104				
One year later					118,533	127,268	116,750	130,732					
Two year later				83,631									
Three year later			82,146		114,085	123,668	109,532						
Four year later		78,405			109,060	117,223							
Five year later		78,038	79,439		102,590								
Six year later		72,881	75,384										
Seven year later		74,855											
<b>Claims incurred</b>		74,855	75,384	79,585	102,590	117,223	109,532	130,732	145,104				835,005
At end of													
accident year					(35,867)	(34,987)	(31,393)	(35,455)	(58,384)				
One year later					(77,002)	(76,116)	(69,436)	(78,893)					
Two year later				(66,396)	(92,098)	(89,000)	(83,145)						
Three year later			(64,764)	(72,201)	(94,973)	(93,789)							
Four year later		(69,540)	(69,831)	(74,946)	(96,242)								
Five year later		(71,125)	(71,500)	(75,937)									
Six year later		(71,205)	(71,033)										
Seven year later		(72,516)											
<b>Payments to date</b>		(72,516)	(71,033)	(75,937)	(96,242)	(93,789)	(83,145)	(78,893)	(58,384)				(629,939)
<b>Gross general insurance contract liabilities per statement of financial position (Note 16(b))</b>	31,070	46,550	4,351	3,648	6,348	23,434	26,387	51,839	86,720				282,686

## 38. INSURANCE RISK (CONT'D)

General insurance risk (cont'd)

Claims development table (cont'd)

Net general insurance contract liabilities for 2013:

Discontinued operations (cont'd)

Accident year	PRAD	Inward treaty	Prior to 2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	Total RM'000
At end of accident year			51,186	59,025	58,368	66,491	80,223	89,390	89,931	83,506	
One year later			44,123	55,160	56,254	65,385	79,415	81,447	88,989		
Two year later			43,257	52,402	54,077	65,439	80,399	78,013			
Three year later			41,838	50,733	54,949	63,640	76,891				
Four year later			41,416	50,966	53,874	62,353					
Five year later			40,388	50,132	52,288						
Six year later			38,798	48,832							
Seven year later			39,438								
<b>Claims incurred</b>			39,438	48,832	52,288	62,353	76,891	78,013	88,989	83,506	530,310
At end of accident year			(18,867)	(24,166)	(25,247)	(25,589)	(28,934)	(26,001)	(29,454)	(29,844)	
One year later			(32,700)	(41,105)	(41,418)	(49,414)	(55,416)	(53,896)	(60,732)		
Two year later			(34,616)	(42,906)	(44,933)	(55,312)	(64,751)	(64,040)			
Three year later			(36,387)	(44,080)	(48,026)	(57,120)	(68,803)				
Four year later			(37,881)	(47,214)	(49,924)	(57,655)					
Five year later			(38,006)	(47,820)	(50,839)						
Six year later			(38,036)	(47,866)							
Seven year later			(38,700)								
<b>Payments to date</b>			(38,700)	(47,866)	(50,839)	(57,655)	(68,803)	(64,040)	(60,732)	(29,844)	(418,479)

Net general insurance contract liabilities per statement of financial position

(Note 16(b))	16,213	46,550	738	966	1,449	4,698	8,088	13,973	28,257	53,662	174,594
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# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

## 39. FINANCIAL RISK

### Market and credit risk

Market risk is the risk of asset or liability values being adversely affected by movement in the market prices or rates. This includes currency risk, interest rate risk and market price risk.

The Company manages market risk by setting policies on asset allocation, investment limits and diversification benchmarks. The Company adopts the asset liability matching criteria to minimize the impact of mismatches between the values of assets and liabilities from market movements.

Exposure to fixed income securities provides the Company's largest market risk exposure. The Company monitors its exposure levels through regular stress/sensitivity testing and constant market supervision of the asset prices. The Company has not transacted in any derivatives.

#### (a) Interest rate 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 rates.

Floating rate instruments expose the Company to cash flow interest rate risk, whereas fixed rate instrument expose the Company to fair value interest rate risk. The Company's exposure to interest rate risk arises primarily from investment in fixed income securities and deposits with licensed institutions.

The carrying amount, by maturity, of the Company's financial instruments that are exposed to interest rate risk is as disclosed in Note 7(g).

#### Sensitivity analysis:

The analysis that follows is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before taxation (due to changes in fair value of floating rate financial assets and liabilities) and equity (that reflects adjustments to profit after taxation and revaluing fixed rate available-for-sale financial assets). The correlation of variables will have a significant effect in determining the ultimate impact on interest rate risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

#### Group and Company

##### 2014

Interest rates  
Interest rates

##### 2013

Interest rates  
Interest rates

<----- Increase/(Decrease) ----->		
Changes in basis points	Impact on profit before taxation RM'000	Impact on equity* RM'000
+ 100 bps	-	(39,004)
- 100 bps	-	43,431
+ 100 bps	-	(39,658)
- 100 bps	-	43,947

\* Impact on equity reflects adjustments for tax, when applicable.

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

The impact from change in interest rate to the insurance contract liabilities have been disclosed in Note 38.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014



## 39. FINANCIAL RISK (CONT'D)

### Market and credit risk (cont'd)

#### (b) Currency risk

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

The Company's primary transactions are carried out in Ringgit Malaysia (RM) with minimal exposure to foreign currency risks.

#### (c) Equity price risk

Equity price risk is the risk that the fair value of equity assets will be adversely affected by movement in market prices (other than those arising from interest risk or currency risk), 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 Company's exposure to equity price risk arises from its investment in quoted equities traded in the Bursa Malaysia. The Company manages its exposure to equity price risk by setting policies and investment parameters governing asset allocation and investments limits, having regard to such limits stipulated by BNM as well as specific assessment for equity investments falling below 30% of its average historical cost or a prolonged decline in value for 12 consecutive months.

#### Sensitivity analysis:

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before taxation (due to changes in fair value of financial assets and liabilities whose fair values are recorded in the income statements) and equity (that reflects adjustments to profit after taxation and changes in fair value of available-for-sale financial assets). The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

	<----- Increase/(Decrease) ----->		
	Changes in FBMKLCI %	Impact on profit before taxation RM'000	Impact on equity* RM'000
<b>2014</b>			
Market indices:			
Market value	+10%	-	3,376
Market value	-10%	-	(3,376)
<b>2013</b>			
Market indices:			
Market value	+10%	-	2,745
Market value	-10%	-	(2,745)

\* Impact on equity reflects adjustments for tax, when applicable.

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





# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

## 39. FINANCIAL RISK (CONT'D)

### Market and credit risk (cont'd)

#### (d) Credit risk

Credit risk is the risk of a financial loss resulting from the failure of an intermediary or counterparty to settle its financial and contractual obligations to the Company as and when they fall due.

The Company's primary exposure to credit risk arises through its investment in fixed income securities and deposits, obligations of reinsurers through reinsurance contracts and receivables from sales of insurance policies. The Company has in place a credit control policy and investment policy to manage its credit risk.

The Company manages the exposure to individual counterparties pertaining to its investment in fixed income securities, by measuring the exposure against internal limits, taking into consideration the credit ratings issued by the authorized rating agencies.

The Company actively monitors and considers the risk of a fall in value of the fixed income securities from changes in the credit worthiness of the issuer by managing individual exposures as well as the concentration of credit risks in its fixed income portfolio through asset allocation, observing minimum credit rating requirements, maximum limits for corporate debt, maximum duration as well as setting maximum permitted exposures to individual counterparties or group of counterparties.

Cash and deposits are placed with financial institutions licensed under the Financial Services Act, 2013 which are regulated by BNM, guided by the Company's approved exposure limits and minimum credit rating requirements.

Reinsurance arrangements are only placed with providers who meet the Company's counterparty credit standards and satisfy the minimum credit rating requirements of the Company. The Company reviews the credit condition of its reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically. The Company cedes business to reinsurers that satisfy the minimum credit rating requirements of the Company.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014



## 39. FINANCIAL RISK (CONT'D)

### Market and credit risk (cont'd)

#### (d) Credit risk (cont'd)

##### Credit exposure

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

Group and Company	2014	2013
	RM'000	RM'000
LAR		
Deposits with financial institutions	365,563	308,994
Loans receivables	343,668	383,984
AFS		
Malaysian Government securities	1,385,478	1,234,901
Government investment issues	135,675	98,245
Malaysian Government guaranteed bonds	647,439	836,508
Unquoted debt securities	832,393	924,080
FVTPL		
Malaysian Government securities	11,953	10,707
Government investment issues	1,952	-
Malaysian Government guaranteed bonds	2,464	3,544
Unquoted debt securities	4,752	8,914
Reinsurance assets	3,291	139,961
Insurance receivables	49,033	73,462
Other receivables	39,123	88,689
Cash and bank balances	5,977	91,507
<b>Total credit risk exposure</b>	<b>3,828,761</b>	<b>4,203,496</b>

##### Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to Rating Agency of Malaysia, Malaysian Rating Corporation Berhad, AM-Best Company and Standards and Poor's credit ratings of counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade.





### 39. FINANCIAL RISK (CONT'D)

(d) Credit risk (cont'd)

Credit exposure (cont'd)

Credit exposure by credit rating (cont'd)

#### Group and Company

#### 2014

LAR									
Deposits with financial institutions	346,148	-	-	19,415	-	-	-	-	365,563
Loans	-	-	343,668	-	-	-	-	-	343,668
AFS									
Malaysian Government securities	-	-	1,385,478	-	-	-	-	-	1,385,478
Government investment issues	-	-	135,675	-	-	-	-	-	135,675
Malaysian Government guaranteed bonds	-	-	647,439	-	-	-	-	-	647,439
Unquoted debt securities	832,393	-	-	-	-	-	-	-	832,393
FVTPL									
Malaysian Government securities	-	-	-	11,953	-	-	-	-	11,953
Government investment issues	-	-	-	1,952	-	-	-	-	1,952
Malaysian Government guaranteed bonds	-	-	-	2,464	-	-	-	-	2,464
Unquoted debt securities	-	-	-	4,752	-	-	-	-	4,752
Reinsurance assets	3,291	-	-	-	-	-	-	-	3,291
Insurance receivables	1,846	-	34,868	-	-	-	12,319	-	49,033
Other receivables	30,720	-	7,936	467	-	-	-	-	39,123
Cash and bank balances	5,754	-	-	223	-	-	-	-	5,977
<b>Total credit risk exposure</b>	<b>1,220,152</b>	<b>-</b>	<b>2,555,064</b>	<b>41,226</b>	<b>12,319</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,828,761</b>

<---Neither past-due nor impaired --->									
Investment grade (BBB to AAA) RM'000	Non-investment grade (C to BB) RM'000	Not-rated RM'000	Unit linked RM'000	Past-due but not impaired RM'000	Total RM'000				
346,148	-	-	19,415	-	365,563				
-	-	343,668	-	-	343,668				
-	-	1,385,478	-	-	1,385,478				
-	-	135,675	-	-	135,675				
-	-	647,439	-	-	647,439				
832,393	-	-	-	-	832,393				
-	-	-	11,953	-	11,953				
-	-	-	1,952	-	1,952				
-	-	-	2,464	-	2,464				
-	-	-	4,752	-	4,752				
3,291	-	-	-	-	3,291				
1,846	-	34,868	-	12,319	49,033				
30,720	-	7,936	467	-	39,123				
5,754	-	-	223	-	5,977				
1,220,152	-	2,555,064	41,226	12,319	3,828,761				

## 39. FINANCIAL RISK (CONT'D)

### (d) Credit risk (cont'd)

#### Credit exposure (cont'd)

#### Credit exposure by credit rating (cont'd)

Group and Company	<---Neither past-due nor impaired--->					Total RM'000
	Investment grade (BBB to AAA) RM'000	Non- investment grade (C to BB) RM'000	Not-rated RM'000	Unit linked RM'000	Past-due but not impaired RM'000	
<b>2013</b>						
LAR	295,752	-	-	13,242	-	308,994
Deposits with financial institutions	-	-	383,984	-	-	383,984
Loans	-	-	-	-	-	-
AFS	-	-	1,234,901	-	-	1,234,901
Malaysian Government securities	-	-	98,245	-	-	98,245
Government investment issues	-	-	836,508	-	-	836,508
Malaysian Government guaranteed bonds	-	-	-	-	-	-
Unquoted debt securities	924,080	-	-	-	-	924,080
FVTPL	-	-	-	-	-	-
Malaysian Government securities	-	-	-	10,707	-	10,707
Malaysian Government guaranteed bonds	-	-	-	3,544	-	3,544
Unquoted debt securities	-	-	-	8,914	-	8,914
Reinsurance assets	74,925	-	65,036	-	-	139,961
Insurance receivables	8,524	-	52,939	-	11,999	73,462
Other receivables	11,383	-	73,570	3,736	-	88,689
Cash and bank balances	86,755	-	-	4,752	-	91,507
<b>Total credit risk exposure</b>	<b>1,401,419</b>	<b>-</b>	<b>2,745,183</b>	<b>44,895</b>	<b>11,999</b>	<b>4,203,496</b>





# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

## 39. FINANCIAL RISK (CONT'D)

### (d) Credit risk (cont'd)

#### Credit exposure (cont'd)

It is the Company's policy to maintain accurate and consistent risk ratings across its credit portfolio. This enables management to focus on the applicable risks and the comparison of credit exposures across all lines of business and products. The rating system is supported by a variety of financial analytics combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Company's rating policy. The attributable risk ratings are assessed and updated regularly.

The Company has not provided the credit risk analysis for the financial assets of the unit linked business where the liability to policyholders is linked to the performance and value of the assets that back those liabilities. The shareholders do not have direct exposure to any credit risk in those assets.

#### Age analysis of financial assets past-due but not impaired:

Group and Company	< 30 days	31 to 60 days	61 to 90 days	91 to 180 days	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2014</b>					
Insurance receivables	-	-	3,169	9,150	12,319
<b>2013</b>					
Insurance receivables	-	-	4,549	7,450	11,999



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014



## 39. FINANCIAL RISK (CONT'D)

### (d) Credit risk (cont'd)

#### Reconciliation of allowance account

Movement in allowances for impairment for financial assets are as follows:

	Individual impairment		Collective impairment		Total
	Loans receivable RM'000	Insurance receivables RM'000	Loans receivable RM'000	Insurance receivables RM'000	
<b>Group and Company</b>					
<b>At 1 July 2012</b>	3,015	4,377	-	5,492	12,884
Allowance made during the year	-	-	-	-	-
Amount written back in respect of recoveries	(41)	(2,605)	-	(943)	(3,589)
<b>At 30 June 2013</b>	2,974	1,772	-	4,549	9,295
<b>At 1 July 2013</b>	2,974	1,772	-	4,549	9,295
Allowance made during the year	2,318	44	925	-	3,287
Amount written back in respect of recoveries	-	-	-	(1,012)	(1,012)
<b>At 30 June 2014</b>	5,292	1,816	925	3,537	11,570





# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

## 39. FINANCIAL RISK (CONT'D)

### (e) Cash flow and liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations due to insufficient liquid resources, or would have to incur excessive cost in meeting the obligations. In respect of catastrophic events, there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries.

The Company manages the liquidity risk by monitoring daily cash inflows and outflows and by ensuring a reasonable amount of financial assets are kept in liquid instruments at all times. The Company also practices asset-liability management and ensures that the average investment duration and maturity profiles match the Company's liabilities.

#### **Maturity profiles**

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

For insurance contract liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities.

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

Unit linked liabilities are repayable or transferable on demand and are included in the "up to a year" column. Repayments which are subject to notice are treated as if notice were to be given immediately.



### 39. FINANCIAL RISK (CONT'D)

#### (e) Cash flow and liquidity risk (cont'd)

##### Maturity profiles (cont'd)

	Carrying value RM '000	Up to a year RM '000	1 - 5 years RM '000	5-15 years RM '000	Over 15 years RM '000	No maturity date RM '000	Total RM '000
<b>Group 2014</b>							
Financial investments:							
LAR	709,231	370,688	9,281	9,120	664	328,902	718,655
AFS	3,364,956	55,127	861,677	2,188,389	1,480,413	363,971	4,949,577
FVTPL	114,177	-	5,388	23,538	85	93,056	122,067
Reinsurance assets*	3,291	3,291	-	-	-	-	3,291
Insurance receivables	49,033	49,033	-	-	-	-	49,033
Other receivables**	37,519	37,519	-	-	-	-	37,519
Cash and bank balances	5,977	5,977	-	-	-	-	5,977
<b>Total financial and insurance assets</b>	<b>4,284,184</b>	<b>521,635</b>	<b>876,346</b>	<b>2,221,047</b>	<b>1,481,162</b>	<b>785,929</b>	<b>5,886,119</b>
Insurance contract liabilities*	3,608,093	599,846	970,414	1,458,701	1,464,620	-	4,493,581
Insurance payables	62,696	62,696	-	-	-	-	62,696
Other payables	98,036	98,036	-	-	-	-	98,036
<b>Total financial and insurance liabilities</b>	<b>3,768,825</b>	<b>760,578</b>	<b>970,414</b>	<b>1,458,701</b>	<b>1,464,620</b>	<b>-</b>	<b>4,654,313</b>
<b>Total liquidity surplus/(gap)</b>	<b>515,359</b>	<b>(238,943)</b>	<b>(94,068)</b>	<b>762,346</b>	<b>16,542</b>	<b>785,929</b>	<b>1,231,806</b>

\* Excluding premium liabilities, AFS reserves, asset revaluation reserves and unallocated surplus.

\*\* Excluding prepayments and tax recoverable.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014





## 39. FINANCIAL RISK (CONT'D)

### (e) Cash flow and liquidity risk (cont'd)

#### Maturity profiles (cont'd)

#### Group (cont'd)

#### 2013

#### Financial investments:

	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	5-15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
LAR	692,978	311,747	8,630	4,421	3,112	366,348	694,258
AFS	3,505,387	21,996	1,191,269	2,353,750	942,476	411,653	4,921,144
FVTPL	102,739	-	12,804	16,426	-	79,574	108,804
Reinsurance assets*	109,011	60,271	50,594	2,968	-	-	113,833
Insurance receivables	73,462	73,462	-	-	-	-	73,462
Other receivables**	85,821	85,821	-	-	-	-	85,821
Cash and bank balances	91,507	91,507	-	-	-	-	91,507
<b>Total financial and insurance assets</b>	<b>4,660,905</b>	<b>644,804</b>	<b>1,263,297</b>	<b>2,377,565</b>	<b>945,588</b>	<b>857,575</b>	<b>6,088,829</b>
Insurance contract liabilities*	3,471,540	511,972	943,044	1,583,783	1,108,600	-	4,147,399
Insurance payables	128,836	128,836	-	-	-	-	128,836
Other payables	72,923	72,923	-	-	-	-	72,923
<b>Total financial and insurance liabilities</b>	<b>3,673,299</b>	<b>713,731</b>	<b>943,044</b>	<b>1,583,783</b>	<b>1,108,600</b>	<b>-</b>	<b>4,349,158</b>
<b>Total liquidity surplus/(gap)</b>	<b>987,606</b>	<b>(68,927)</b>	<b>320,253</b>	<b>793,782</b>	<b>(163,012)</b>	<b>857,575</b>	<b>1,739,671</b>

\* Excluding premium liabilities, AFS reserves, asset revaluation reserves and unallocated surplus.

\*\* Excluding prepayments and tax recoverable.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

### 39. FINANCIAL RISK (CONT'D)

#### (e) Cash flow and liquidity risk (cont'd)

##### Maturity profiles (cont'd)

Company	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	5-15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
<b>2014</b>							
Financial investments:							
LAR	709,231	370,688	9,281	9,120	664	328,902	718,655
AFS	3,364,956	55,127	861,677	2,188,389	1,480,413	363,971	4,949,577
FVTPL	114,177	-	5,388	23,538	85	93,056	122,067
Reinsurance assets*	3,291	3,291	-	-	-	-	3,291
Insurance receivables	49,033	49,033	-	-	-	-	49,033
Other receivables**	37,519	37,519	-	-	-	-	37,519
Cash and bank balances	5,977	5,977	-	-	-	-	5,977
<b>Total financial and insurance assets</b>	<b>4,284,184</b>	<b>521,635</b>	<b>876,346</b>	<b>2,221,047</b>	<b>1,481,162</b>	<b>785,929</b>	<b>5,886,119</b>
Insurance contract liabilities*	3,608,093	599,846	970,414	1,458,701	1,464,620	-	4,493,581
Insurance payables	62,696	62,696	-	-	-	-	62,696
Other payables	98,012	98,012	-	-	-	-	98,012
<b>Total financial and insurance liabilities</b>	<b>3,768,801</b>	<b>760,554</b>	<b>970,414</b>	<b>1,458,701</b>	<b>1,464,620</b>	<b>-</b>	<b>4,654,289</b>
<b>Total liquidity surplus/(gap)</b>	<b>515,383</b>	<b>(238,919)</b>	<b>(94,068)</b>	<b>762,346</b>	<b>16,542</b>	<b>785,929</b>	<b>1,231,830</b>

\* Excluding premium liabilities, AFS reserves, asset revaluation reserves and unallocated surplus.

\*\* Excluding prepayments and tax recoverable.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014



## 39. FINANCIAL RISK (CONT'D)

### (e) Cash flow and liquidity risk (cont'd)

#### Maturity profiles (cont'd)

#### Company (cont'd)

#### 2013

#### Financial investments:

	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	5-15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
LAR	692,978	311,747	8,630	4,421	3,112	366,348	694,258
AFS	3,505,387	21,996	1,191,269	2,353,750	942,476	411,653	4,921,144
FVTPL	102,739	-	12,804	16,426	-	79,574	108,804
Reinsurance assets*	109,011	60,271	50,594	2,968	-	-	113,833
Insurance receivables	73,462	73,462	-	-	-	-	73,462
Other receivables**	85,821	85,821	-	-	-	-	85,821
Cash and bank balances	91,507	91,507	-	-	-	-	91,507
<b>Total financial and insurance assets</b>	<b>4,660,905</b>	<b>644,804</b>	<b>1,263,297</b>	<b>2,377,565</b>	<b>945,588</b>	<b>857,575</b>	<b>6,088,829</b>
Insurance contract liabilities*	3,471,540	511,972	943,044	1,583,783	1,108,600	-	4,147,399
Insurance payables	128,836	128,836	-	-	-	-	128,836
Other payables	72,903	72,903	-	-	-	-	72,903
<b>Total financial and insurance liabilities</b>	<b>3,673,279</b>	<b>713,711</b>	<b>943,044</b>	<b>1,583,783</b>	<b>1,108,600</b>	<b>-</b>	<b>4,349,138</b>
<b>Total liquidity surplus/(gap)</b>	<b>987,626</b>	<b>(68,907)</b>	<b>320,253</b>	<b>793,782</b>	<b>(163,012)</b>	<b>857,575</b>	<b>1,739,691</b>

\* Excluding premium liabilities, AFS reserves, asset revaluation reserves and unallocated surplus.

\*\* Excluding prepayments and tax recoverable.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014



## 39. FINANCIAL RISK (CONT'D)

### (e) Cash flow and liquidity risk (cont'd)

#### Maturity profiles (cont'd)

The table below summarises the expected utilisation or settlement of assets:

<b>Group and Company</b>	<b>Current*</b>	<b>Non-current</b>	<b>Unit linked</b>	<b>Total</b>
<b>2014</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Assets</b>				
Property and equipment	-	103,299	-	103,299
Investment properties	-	1,770	-	1,770
Intangible assets	-	13,954	-	13,954
Prepaid land lease payments	-	242	-	242
Financial investments:				
LAR	695,724	13,507	-	709,231
AFS	409,883	2,955,073	-	3,364,956
FVTPL	-	-	114,177	114,177
Reinsurance assets	3,291	-	-	3,291
Insurance receivables	49,033	-	-	49,033
Other receivables	38,365	-	758	39,123
Cash and bank balances	5,754	-	223	5,977
Assets classified as held for sale	427,581	-	-	427,581
<b>Total assets</b>	<b>1,629,631</b>	<b>3,087,845</b>	<b>115,158</b>	<b>4,832,634</b>

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

<b>Group and Company</b>	<b>Current*</b>	<b>Non-current</b>	<b>Unit linked</b>	<b>Total</b>
<b>2013</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Assets</b>				
Property and equipment	-	106,550	-	106,550
Investment properties	-	1,770	-	1,770
Intangible assets	-	15,873	-	15,873
Prepaid land lease payments	-	255	-	255
Financial investments:				
LAR	298,505	381,231	13,242	692,978
AFS	21,996	3,483,391	-	3,505,387
FVTPL	-	-	102,739	102,739
Reinsurance assets	91,221	48,740	-	139,961
Insurance receivables	73,462	-	-	73,462
Other receivables	84,953	-	3,736	88,689
Cash and bank balances	86,755	-	4,752	91,507
<b>Total assets</b>	<b>656,892</b>	<b>4,037,810</b>	<b>124,469</b>	<b>4,819,171</b>

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



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

## 40. OPERATIONAL RISKS

Operational risk is the risk of loss arising from inadequate or failed internal processes, people and systems, or from external events.

The Company mitigates operational risks by establishing a proper framework for controls and procedures, which includes total risk profiling, documented procedures, proper segregation of duties, access controls, authorization and reconciliation procedures and staff training.

The RMCD assesses the effectiveness of the operational compliance and report to the GRCC and BRMC.

## 41. FAIR VALUE MEASUREMENT

The following table provides the fair value measurement hierarchy of the Group and Company's assets and liabilities:

Group and Company	Date of valuation	<--Fair value measurement using -->		
		Level 1 - Quoted market price RM'000	Level 2 - Valuation Techniques - Market observable inputs RM'000	Total fair value RM'000
<b>2014</b>				
<b>Assets measured at fair value:</b>				
Investment properties (Note 4)	12 May 2014	-	1,770	1,770
AFS financial assets (Note 7(b)):				
Malaysian Government securities	30 June 2014	-	1,385,478	1,385,478
Government investment issues	30 June 2014	-	135,675	135,675
Malaysian Government guaranteed bonds	30 June 2014	-	647,439	647,439
Unquoted debt securities	30 June 2014	-	832,393	832,393
Quoted equity securities	30 June 2014	242,343	-	242,343
Quoted unit and property trust funds	30 June 2014	114,292	-	114,292
		356,635	3,000,985	3,357,620
Financial assets designated at FVTPL (Note 7(c)):				
Malaysian Government securities	30 June 2014	-	11,953	11,953
Government investment issues	30 June 2014	-	1,952	1,952
Malaysian Government guaranteed bonds	30 June 2014	-	2,464	2,464
Unquoted debt securities	30 June 2014	-	4,752	4,752
Quoted equity securities	30 June 2014	59,936	-	59,936
Quoted exchange traded funds	30 June 2014	21,399	-	21,399
Quoted unit and property trust funds	30 June 2014	11,721	-	11,721
		93,056	21,121	114,177
Revalued property and equipment (Note 3)	May 2012	-	103,340	103,340
Discontinued operations (Note 11)	30 June 2014	-	138,721	138,721
		-	242,061	242,061
		449,691	3,265,937	3,715,628

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014



## 41. FAIR VALUE MEASUREMENT (CONT'D)

The following table provides the fair value measurement hierarchy of the Group and Company's assets and liabilities (cont'd):

Group and Company	Date of valuation	<--Fair value measurement using -->		
		Level 1 - Quoted market price RM'000	Level 2 - Valuation Techniques - Market observable inputs RM'000	Total fair value RM'000
<b>2013</b>				
<b>Assets measured at fair value:</b>				
Investment properties (Note 4)	23 May 2013	-	1,770	1,770
AFS financial assets (Note 7(b)):				
Malaysian Government securities	30 June 2013	-	1,234,901	1,234,901
Government investment issues	30 June 2013	-	98,245	98,245
Malaysian Government guaranteed bonds	30 June 2013	-	836,508	836,508
Unquoted debt securities	30 June 2013	-	924,080	924,080
Quoted equity securities	30 June 2013	251,481	-	251,481
Quoted unit and property trust funds	30 June 2013	152,836	-	152,836
		<u>404,317</u>	<u>3,093,734</u>	<u>3,498,051</u>
Financial assets designated at FVTPL (Note 7(c)):				
Malaysian Government securities	30 June 2013	-	10,707	10,707
Malaysian Government guaranteed bonds	30 June 2013	-	3,544	3,544
Unquoted debt securities	30 June 2013	-	8,914	8,914
Quoted equity securities	30 June 2013	52,332	-	52,332
Quoted exchange traded funds	30 June 2013	23,879	-	23,879
Quoted unit and property trust funds	30 June 2013	3,363	-	3,363
		<u>79,574</u>	<u>23,165</u>	<u>102,739</u>
Revalued property and equipment (Note 3)	May 2012	-	103,340	103,340
		<u>483,891</u>	<u>3,222,009</u>	<u>3,705,900</u>

The Company categorises its fair value measurements in accordance to the fair value hierarchy which is based on the priority of inputs to the valuation. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets, a lower priority to valuation techniques based on observable inputs and the lowest priority to valuation techniques based on unobservable inputs. An active market for the asset is a market in which transactions for the asset occur with sufficient frequency and volume to provide reliable pricing information on an ongoing basis.







# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

## 41. FAIR VALUE MEASUREMENT (CONT'D)

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

The three level hierarchy is defined as follows:

Level 1 - Quoted prices in active markets

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

Level 2 - Valuation technique supported by observable inputs

Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the financial asset or financial liabilities, either directly or indirectly. These include quoted prices for similar financial assets and financial liabilities in active markets, quoted prices for identical or similar financial assets and financial liabilities in inactive markets, inputs that are observable that are no prices (such as interest rates, credit risks, etc.) and inputs that are derived from or corroborated by observable market data.

Level 3 - Valuation technique supported by unobservable inputs

Fair value measurements using significant non market observable inputs. These include valuations for financial assets and financial liabilities that are derived using data, some or all of which is not market observable, including assumptions about risks.

There has been no transfers of financial assets between Level 1 and Level 2 during the financial years ended 30 June 2014 and 2013.



## 42. INSURANCE FUNDS

The Company's activities are organised by funds and segregated into the Shareholders' and General, Life and Investment linked funds in accordance with the Financial Services Act, 2013. The statements of financial position, income statements and condensed statements of cash flows by funds are presented as follows:

### Statements of financial position by funds As at 30 June 2014

Company	Shareholders' and General funds		Life funds		Investment linked funds		Total	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Assets</b>								
Property and equipment	350	387	102,949	106,163	-	-	103,299	106,550
Investment properties	-	-	1,770	1,770	-	-	1,770	1,770
Intangible assets	-	24	13,954	15,849	-	-	13,954	15,873
Prepaid land lease payments	-	-	242	255	-	-	242	255
Investments	391,528	585,422	3,663,244	3,599,701	133,592	115,981	4,188,364	4,301,104
Reinsurance assets	-	139,042	3,291	919	-	-	3,291	139,961
Insurance receivables	-	24,075	49,033	49,387	-	-	49,033	73,462
Other receivables*	350,259	369,321	51,956	44,816	758	3,736	39,123	88,689
Cash and bank balances	4,647	7,354	1,107	79,401	223	4,752	5,977	91,507
Assets classified as held for sale	427,581	-	-	-	-	-	427,581	-
<b>Total assets</b>	<b>1,174,365</b>	<b>1,125,625</b>	<b>3,887,546</b>	<b>3,898,261</b>	<b>134,573</b>	<b>124,469</b>	<b>4,832,634</b>	<b>4,819,171</b>
<b>Total equity</b>	<b>457,690</b>	<b>446,634</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>457,690</b>	<b>446,634</b>
<b>Liabilities</b>								
Insurance contract liabilities	-	373,772	3,609,816	3,637,483	131,970	121,330	3,741,786	4,132,585
Deferred tax liabilities	24,799	24,493	617	11,778	1,746	1,545	27,162	37,816
Insurance payables	-	49,063	62,696	79,773	-	-	62,696	128,836
Provision for taxation**	4,187	-	13,976	-	708	397	4,742	397
Other payables*	247,143	231,663	200,441	169,227	149	1,197	98,012	72,903
Liabilities directly associated with assets classified as held for sale	440,546	-	-	-	-	-	440,546	-
<b>Total liabilities</b>	<b>716,675</b>	<b>678,991</b>	<b>3,887,546</b>	<b>3,898,261</b>	<b>134,573</b>	<b>124,469</b>	<b>4,374,944</b>	<b>4,372,537</b>
<b>Total equity and liabilities</b>	<b>1,174,365</b>	<b>1,125,625</b>	<b>3,887,546</b>	<b>3,898,261</b>	<b>134,573</b>	<b>124,469</b>	<b>4,832,634</b>	<b>4,819,171</b>

\* Included in other receivables and payables are inter-fund balances which are eliminated in presenting the Company's total results.  
\*\* Tax recoverable in other receivables and provision for taxation are eliminated in presenting the Company's net results.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

## 42. INSURANCE FUNDS (CONT'D)

### Income statements by funds

For the financial year ended 30 June 2014

Company	Shareholders' and General funds		Life funds		Total	
	2014	2013	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Continuing operations:</b>						
Gross earned premiums	-	-	564,185	583,439	564,185	583,439
Premiums ceded to reinsurers	-	-	(6,005)	(2,436)	(6,005)	(2,436)
<b>Net earned premiums</b>	-	-	558,180	581,003	558,180	581,003
Investment income	13,489	8,237	175,752	166,670	189,241	174,907
Realised gains and losses	1,202	1,466	56,534	65,074	57,736	66,540
Fair value gains and losses	-	-	2,401	3,374	2,401	3,374
Fee and commission income	-	-	624	2,898	624	2,898
Other operating income*	-	-	26,126	1,346	726	1,346
<b>Other revenue</b>	14,691	9,703	261,437	239,362	250,728	249,065
Gross benefits and claims paid	-	-	(476,052)	(394,637)	(476,052)	(394,637)
Claims ceded to reinsurers	-	-	4,128	5,476	4,128	5,476
Gross change in contract liabilities	-	-	(103,848)	(250,173)	(103,848)	(250,173)
Change in contract liabilities ceded to reinsurers	-	-	2,372	(730)	2,372	(730)
<b>Net benefits and claims</b>	-	-	(573,400)	(640,064)	(573,400)	(640,064)
Fee and commission expenses	-	-	(81,009)	(89,995)	(81,009)	(89,995)
Other operating expenses*	(25,961)	(2,233)	(28,857)	(2,439)	(29,418)	(4,672)
Management expenses	(3,878)	(2,822)	(69,319)	(59,937)	(73,197)	(62,759)
Taxation of life insurance business	-	-	(19,506)	(1,109)	(19,506)	(1,109)
<b>Other expenses</b>	(29,839)	(5,055)	(198,691)	(153,480)	(203,130)	(158,535)
<b>(Loss)/Profit from operations</b>	(15,148)	4,648	47,526	26,821	32,378	31,469
Transferred from Life funds:						
- Participating funds	15,422	14,159	(15,422)	(14,159)	-	-
- Non-participating funds	24,230	-	(24,230)	-	-	-
	39,652	14,159	(39,652)	(14,159)	-	-

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014



## 42. INSURANCE FUNDS (CONT'D)

**Income statements by funds (cont'd)**  
For the financial year ended 30 June 2014

Company (cont'd)	Shareholders' and General funds		Life funds		Total	
	2014	2013	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Reclassification of unallocated surplus of non-participating funds to shareholders' fund	7,874	12,662	(7,874)	(12,662)	-	-
<b>Profit before taxation from continuing operations</b>	32,378	31,469	-	-	32,378	31,469
Taxation	(7,592)	(10,102)	-	-	(7,592)	(10,102)
<b>Net profit for the year from continuing operations</b>	24,786	21,367	-	-	24,786	21,367
<b>Discontinued operations:</b>						
Net profit for the year from discontinued operations	12,807	21,837	-	-	12,807	21,837
<b>Net profit for the year</b>	37,593	43,204	-	-	37,593	43,204

\* Included in other operating income and expenses are inter-fund transactions which are eliminated in presenting the Company's total results.

**Statements of cash flows by funds**  
For the financial year ended 30 June 2014

	Shareholders' and General funds		Life funds		Total	
	2014	2013	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Cash flows from:</b>						
Operating activities	5,110	11,529	(80,824)	53,544	(75,714)	65,073
Investing activities	(296)	(161)	(1,999)	(6,286)	(2,295)	(6,447)
Financing activities	(7,521)	(11,282)	-	-	(7,521)	(11,282)
<b>Net (decrease)/ increase in cash and bank balances</b>	(2,707)	86	(82,823)	47,258	(85,530)	47,344
At beginning of year	7,354	7,268	84,153	36,895	91,507	44,163
At end of year	4,647	7,354	1,330	84,153	5,977	91,507

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014

## 42. INSURANCE FUNDS (CONT'D)

### Investment linked funds Statement of financial position As at 30 June 2014

#### Assets

Investments  
Other receivables\*  
Cash and bank balances

#### Total assets

#### Liabilities

Deferred tax liabilities  
Provision for taxation  
Other payables\*

#### Total liabilities

#### Net asset value of funds

	2014 RM'000	2013 RM'000
Investments	133,592	115,981
Other receivables*	758	3,736
Cash and bank balances	223	4,752
<b>Total assets</b>	<b>134,573</b>	<b>124,469</b>
Deferred tax liabilities	1,746	1,545
Provision for taxation	708	397
Other payables*	149	1,197
<b>Total liabilities</b>	<b>2,603</b>	<b>3,139</b>
<b>Net asset value of funds</b>	<b>131,970</b>	<b>121,330</b>

\* After elimination of inter fund balances of RM941,000 (2013: Nil).

### Income statement For the financial year ended 30 June 2014

Investment income  
Realised gains and losses  
Fair value gains and losses

#### Management fees

Other income  
Other expenses  
Profit before taxation  
Taxation  
Net profit for the year

	2014 RM'000	2013 RM'000
Investment income	3,724	3,687
Realised gains and losses	1,190	2,995
Fair value gains and losses	2,401	3,464
	7,315	10,146
Management fees	(1,441)	(1,291)
Other income	-	52
Other expenses	(23)	(41)
Profit before taxation	5,851	8,866
Taxation	(595)	(814)
Net profit for the year	5,256	8,052

### Statement of changes in equity For the financial year ended 30 June 2014

At beginning of year  
Net profit for the year  
Creation of units  
Cancellation of units  
At end of year

	2014 RM'000	2013 RM'000
At beginning of year	121,330	99,948
Net profit for the year	5,256	8,052
Creation of units	36,725	49,317
Cancellation of units	(31,341)	(35,987)
At end of year	131,970	121,330



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2014



## 43. SIGNIFICANT AND SUBSEQUENT EVENTS

On 22 April 2014, there were several Sale and Purchase Agreements entered between the following parties:

- (a) Koperasi MCIS Berhad ("Koperasi") and Zurich Asia Holdings Limited ("Zurich"), the two major shareholders of the Company prior to that time, where Zurich disposed of its entire stake in the Company, representing 40,113,628 shares or approximately 40% of issued and paid-up share capital of the Company, for a total cash consideration of RM304 million to Koperasi. Consequently, the Company is no longer a member of or associated with Zurich Group upon the completion of sale;
- (b) Koperasi and Sanlam Emerging Market Proprietary Limited ("SEM") where SEM acquired 40,113,628 or 40% of the issued and paid-up share capital of the Company for a total cash consideration of RM304 million from Koperasi. The sale was completed on 5 May 2014.

Subsequently by 6 August 2014, SEM had increased its interest in the Company to 51% of the total issued share capital through a mandatory take-over offer ("MGO") to the minority shareholders of the Company and a top-up from Koperasi. Accordingly, the Company became a subsidiary of SEM effective from 6 August 2014, when SEM became the legal and beneficial owner of the final portion of 51%.







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