

Malaysian Life Reinsurance Group Berhad

(Company No. 417867-K)

(Incorporated in Malaysia)

Financial statements for the year ended

31 December 2015

Malaysian Life Reinsurance Group Berhad

(Company No. 417867-K)

(Incorporated in Malaysia)

Directors' report for the year ended 31 December 2015

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

Principal activities

The Company is principally engaged in the underwriting of life and health reinsurance business. There has been no significant change in the nature of these activities during the financial year.

Results

	RM '000
Profit for the year attributable to shareholders of the Company	38,186
	<u>=====</u>

Reserves and provisions

There were no material transfers to or from reserves or provisions during the financial year under review.

Dividend

Since the end of the previous financial year, the Company paid a final ordinary dividend of approximately 17.48 sen per ordinary share which is 30% of net profit after tax totalling to RM8,914,401 in respect of the year ended 31 December 2014 on 9 June 2015.

The Directors have deferred the recommendation of the final dividend for the financial year ended 31 December 2015 to a later date.

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Directors of the Company

Directors who served since the date of the last report are:

Mr. Kwo Shih Kang
Mr. Peter Tan Hock Hwee
Encik Ezamshah Ismail
Mr. Chee Siew Eng
Y. Bhg. Dato Koh Yaw Hui
Mr. Toi See Jong
Mr. Lau Yew Kong
Mr. Low Shih Nin (Appointed on 8 January 2016)
Mr. Cheng Tony Kin-Shun (Resigned on 7 January 2016)

None of the Directors holding office at 31 December 2015 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in Note 23 to the financial statements of the Company) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Corporate governance

The Company has complied with all the prescriptive requirements of, and adopts management practices that are consistent with the principles prescribed under the Prudential Framework of Corporate Governance for Insurers issued by Bank Negara Malaysia.

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Corporate governance (continued)

Board, Audit, Risk Management, Nomination, Remuneration and Investment Committees

i. Membership and meetings of the Board Committees

<u>Director</u>	Risk					
	Board	Audit	Management	Nomination	Remuneration	Investment
	<i>(Attendance / Number of Meetings)</i>					
Kwo Shih Kang <i>(Non-Independent Non-Executive Director)</i>	Chairman (2/2) Member (4/4)	-	-	Member (5/5)	Member (4/4)	-
Ezamshah Ismail <i>(Independent Non-Executive Director)</i>	Member (6/6)	Member (5/5)	Member (4/4)	Chairman (5/5)	Chairman (4/4)	-
Chee Siew Eng <i>(Independent Non-Executive Director)</i>	Member (6/6)	Member (5/5)	Chairman (4/4)	Member (5/5)	Member (4/4)	-
Y. Bhg. Dato Koh Yaw Hui <i>(Non-Independent Non-Executive Director)</i>	Member (6/6)	-	-	Member (4/5)	Member (3/4)	-
Toi See Jong <i>(Non-Independent Non-Executive Director)</i>	Member (2/2) Chairman (4/4)	-	Member (4/4)	-	-	Member (6/6)
Lau Yew Kong <i>(Independent Non-Executive Director)</i>	Member (6/6)	Chairman (5/5)	-	-	-	Member (6/6)

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Corporate governance (continued)

Board, Audit, Risk Management, Nomination, Remuneration and Investment Committees (continued)

i. Membership and meetings of the Board Committees

<u>Director</u>	Risk					
	Board	Audit	Management	Nomination	Remuneration	Investment
	←----- (Attendance / Number of Meetings) -----→					
Cheng Tony Kin-Shun (Non-Independent Non-Executive Director) (Resigned from the Board on 7 January 2016)	Member (5/6)	-	-	-	-	-
Peter Tan Hock Hwee (Non-Independent Non-Executive Director) (Resigned from the Risk Management, Remuneration and Investment Committee on 27 May 2015)	Member (6/6)	Member (5/5)	Member (2/2)	Member (5/5)	Member (2/2)	Member (2/2)
Low Shih Nin (Non-Independent Non-Executive Director) (Appointed to the Board on 8 January 2016)	-	-	-	-	-	-

Corporate governance (continued)

ii. Responsibilities of the Board Committees

The duties and responsibilities of the Board Committees are as follows:

Audit Committee

- (i) To review and report the adequacy of the scope, functions and resources of the internal audit function and that it has the necessary authority to carry out its work.
- (ii) To review the results of the internal audits conducted and the adequacy of actions taken by management based on the reports.
- (iii) To review with the external auditors the audit plan, scope of the audit and the audit findings of the Company.
- (iv) To review the annual audited financial statements of the Company and thereafter submit them to the Board for approval.
- (v) To review the adequacy and effectiveness of internal control systems instituted within the Company.
- (vi) To review any related party transactions that may arise within the Company.
- (vii) To oversee the overall implementation of the Company's approved policies and procedures and review management's periodic review of them for continued effectiveness.
- (viii) To perform any other functions as may be agreed by the Audit Committee and the Board of Directors.

Risk Management Committee

- (i) To review and recommend risk management strategies, policies and risk tolerance for the Board's approval.
- (ii) To review and assess the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively.
- (iii) To oversee and ascertain that there are adequate infrastructure, resources and systems in place for an effective risk management and that the personnel responsible for implementing the Company's risk management systems perform those duties independently of the Company's risk taking activities.
- (iv) To review management's periodic reports on risk exposure, risk portfolio composition and risk management activities.

Corporate governance (continued)

ii. Responsibilities of the Board Committees (continued)

Risk Management Committee (continued)

- (v) To review and assess the risk capital profiles to ensure adequacy of capital available in the insurance and shareholders' equity to support the total capital required as specified in the Risk-Based Capital Framework for Insurers issued by Bank Negara Malaysia.
- (vi) To ensure that the investments of insurance funds are in accordance with the approved investment and risk management policy of the Board.
- (vii) To perform any other functions in relation to risk management as may be agreed by the Risk Management Committee and the Board of Directors.

Nomination Committee

- (i) To establish the minimum requirements for the Board of Directors and the Chief Executive Officer to perform their responsibilities effectively. It is also responsible for overseeing the overall composition of the Board in terms of the appropriate size and skills, the balance between Executive Directors, Non-Executive and Independent Directors, and mix of skills and other core competencies required, through annual reviews.
- (ii) To recommend and assess the nominees for directorship, the Directors to fill Board Committees, as well as nominees for the Chief Executive Officer position. This includes assessing Directors and the Chief Executive Officer proposed for reappointment, before an application for approval is submitted to Bank Negara Malaysia.
- (iii) To establish a mechanism for formal assessment and assessing the effectiveness of the Board as a whole, the contribution by each director to the effectiveness of the Board, the contribution of the Board's various committees and the performance of the Chief Executive Officer.
- (iv) To recommend to the Board on removal of a Director/Chief Executive Officer if he is ineffective, errant or negligent in discharging his responsibilities.
- (v) To ensure that all Directors undergo appropriate induction programmes and receive continuous training.
- (vi) To oversee appointment, management succession planning and performance evaluation of key Senior Officers, and recommend to the Board on the removal of key Senior Officers if they are ineffective, errant and negligent in discharging their responsibilities.

Corporate governance (continued)

ii. Responsibilities of the Board Committees (continued)

Remuneration Committee

- (i) To recommend a framework of remuneration for Directors, Chief Executive Officer and key Senior Officers.
- (ii) To recommend specific remuneration packages for Directors, Chief Executive Officer and key Senior Officers.

Investment Committee

- (i) To recommend investment policies.
- (ii) To recommend and implement guidelines and directions in respect of the investment criteria.
- (iii) To monitor the activities of external fund managers.
- (iv) To review and report to the Board on a regular basis the investment portfolio to ensure compliance with BNM's guidelines on investment.
- (v) To review and recommend to the Board major investment decisions.

Issue of shares and debentures

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

There was no debenture issued during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

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Other statutory information

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) there was adequate provision for its insurance liabilities in accordance with the valuation methods specified in Part D of the Risk-Based Capital Framework for Insurers,
- ii) all known bad debts have been written off and adequate provision made for doubtful debts, and
- iii) any current assets which were unlikely to be realised in the ordinary course of the business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render the amount of the provision for insurance liabilities inadequate to any substantial extent, or
- ii) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts in the Company inadequate to any substantial extent, or
- iii) that would render the value attributed to the current assets in the financial statements of the Company misleading, or
- iv) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate, or
- v) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Company misleading.

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Other statutory information (continued)

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

- i) any charge on the assets of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors, the financial performance of the Company for the financial year ended 31 December 2015 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Holding company

The holding company is L.I.A.M. Holding Sdn. Bhd., a company incorporated in Malaysia.

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

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Toi See Jong

.....
Peter Tan Hock Hwee

Kuala Lumpur,
Date: 29 March 2016

Malaysian Life Reinsurance Group Berhad

(Company No. 417867-K)

(Incorporated in Malaysia)

Statement of financial position as at 31 December 2015

	Note	2015 RM '000	2014 RM '000
Assets			
Plant and equipment	4	1,362	1,932
Investments	5	159,168	163,946
- Held-to-maturity investments		8,267	18,369
- Financial assets at fair value through profit or loss		150,901	145,577
Reinsurance assets	6	155,647	125,448
Insurance receivables	7	139,287	118,064
Loans and receivables, excluding insurance receivables	8	47,133	129,376
Deferred tax assets	12	1,394	1,038
Cash and cash equivalents	9	128,742	18,135
Total assets		632,733	557,939
Equity and liabilities			
Share capital	10	51,000	51,000
Retained profits		184,507	155,235
Total equity		235,507	206,235
Insurance contract liabilities	11	320,900	283,595
Insurance payables	13	65,165	61,053
Other payables	14	7,829	6,507
Current tax liabilities		3,332	549
Total liabilities		397,226	351,704
Total equity and liabilities		632,733	557,939

The notes on pages 15 to 69 are an integral part of these financial statements.

Malaysian Life Reinsurance Group Berhad

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Statement of profit or loss and other comprehensive income for the year ended 31 December 2015

	Note	2015 RM '000	2014 RM '000
Operating revenue	15	324,640	306,716
Gross reinsurance premiums	15	310,720	294,145
Premiums ceded to retrocessionaires		(128,629)	(112,044)
Net reinsurance premiums		182,091	182,101
Change in actuarial liabilities		1,336	(19,822)
Investment income	16	13,920	12,571
Realised gains	17	652	686
Fees and commission income	19	21	3,281
Other operating income - net	20	94	67
Other income		14,687	16,605
Net claims incurred	21	(121,869)	(104,362)
Commission expense	19	(9,731)	(20,478)
Management expenses	22	(15,110)	(13,150)
Fair value losses	18	(810)	(1,345)
Other expenses		(25,651)	(34,973)
Profit before tax		50,594	39,549
Tax expense	24	(12,408)	(9,834)
Profit /Total comprehensive income for the year		38,186	29,715

The notes on pages 15 to 69 are an integral part of these financial statements.

Malaysian Life Reinsurance Group Berhad

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(Incorporated in Malaysia)

Statement of changes in equity for the year ended 31 December 2015

	Share capital RM '000	<i>Distributable</i> Retained profits RM '000	Total equity RM '000
At 1 January 2014	51,000	133,640	184,640
Profit and total comprehensive income for the year	-	29,715	29,715
Dividends paid during the year (Note 25)	-	(8,120)	(8,120)
At 31 December 2014 / 1 January 2015	51,000	155,235	206,235
Profit and total comprehensive income for the year	-	38,186	38,186
Dividends paid during the year (Note 25)	-	(8,914)	(8,914)
At 31 December 2015	51,000	184,507	235,507

Note 10

The notes on pages 15 to 69 are an integral part of these financial statements.

Malaysian Life Reinsurance Group Berhad

(Company No. 417867-K)

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Statement of cash flows for the year ended 31 December 2015

	2015 RM '000	2014 RM '000
Cash flow from operating activities		
Profit before tax	50,594	39,549
Investment income	(13,920)	(12,571)
Realised gains recorded in profit or loss	(652)	(686)
Fair value losses recorded in profit or loss	810	1,345
Purchase of financial assets at fair value through profit or loss	(109,725)	(69,608)
Proceeds from maturity and buy-back of held-to-maturity investments	10,000	10,000
Proceeds from maturity and disposal of financial assets at fair value through profit or loss	104,243	63,324
Adjustments for:		
Depreciation of plant and equipment	791	770
Gain on disposal of plant and equipment	-	(23)
Impairment loss recognised / (write back)	13	(67)
Unrealised foreign exchange gain	-	(1)
Operating profit before changes in working capital	<u>42,154</u>	<u>32,032</u>
(Increase)/Decrease in reinsurance assets	(30,199)	82,480
Increase in insurance receivables	(21,236)	(8,182)
Decrease/(Increase) in loans and other receivables	82,243	(64,600)
Increase/(Decrease) in insurance contract liabilities	37,305	(43,734)
Increase/(Decrease) in insurance payables	4,112	(16,551)
Increase in other payables	1,322	17
Cash generated from/(used in) operations	<u>115,701</u>	<u>(18,538)</u>

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Statement of cash flows for the year ended 31 December 2015 (continued)

	2015 RM '000	2014 RM '000
Cash generated from/(used in) operations	115,701	(18,538)
Interest received	14,022	12,692
Refund of tax credit	-	314
Tax paid	(9,981)	(8,835)
Net cash generated from/(used in) operating activities	119,742	(14,367)
Cash flows from investing activities		
Proceeds from disposal of plant and equipment	-	208
Purchase of plant and equipment	(221)	(496)
Net cash used in investing activities	(221)	(288)
Cash flows from financing activities		
Dividends paid to shareholders	(8,914)	(8,120)
Net cash used in financing activities	(8,914)	(8,120)
Net increase/(decrease) in cash and cash equivalents	110,607	(22,775)
Cash and cash equivalents at 1 January	18,135	40,910
Cash and cash equivalents at 31 December (Note 9)	128,742	18,135

The notes on pages 15 to 69 are an integral part of these financial statements.

Malaysian Life Reinsurance Group Berhad

(Company No. 417867-K)

(Incorporated in Malaysia)

Notes to the financial statements

1. Corporate information and principal activities

Malaysian Life Reinsurance Group Berhad is a public limited liability company, incorporated and domiciled in Malaysia.

The number of employees of the Company as at the end of the financial year was 38 (2014: 36).

The address of the registered office and principal place of business of the Company are as follows:

Registered office and principal place of business

Unit 39-A-6
Level 39, Tower A
Menara UOA Bangsar
No.5 Jalan Bangsar Utama 1
59000 Kuala Lumpur

The Company is principally engaged in the underwriting of life and health reinsurance business. There has been no significant change in the nature of this activity during the financial year.

The immediate and ultimate holding company is L.I.A.M. Holding Sdn. Bhd., a company incorporated in Malaysia.

These financial statements were authorised for issue by the Board of Directors on 29 March 2016.

2. Basis of preparation

(a) Statement of compliance

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards, Financial Services Act, 2013 and the requirements of the Companies Act, 1965 in Malaysia.

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Company:

MFRSs, Interpretations and Amendments effective for annual periods beginning on or after 1 January 2016

- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

MFRSs, Interpretations and Amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*

MFRSs, Interpretations and Amendments effective for a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

The Company plans to apply the abovementioned accounting standards, amendments and interpretations:

- * from the annual period beginning on 1 January 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016, except for MFRS 14, Amendments to MFRS 5, Amendments to MFRS 10, Amendments to MFRS 11, Amendments to MFRS 12, Amendments to MFRS 119, Amendments to MFRS 127, Amendments to MFRS 128, Amendments to MFRS 134, Amendments to MFRS 138, and Amendments to MFRS 141 which are not applicable to the Company.
- * from the annual period beginning on 1 January 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018.

The initial application of the applicable accounting standards, amendments or interpretations are not expected to have any material financial impact to the current period and prior period financial statements of the Company except as mentioned below:

MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfer of Assets from Customers* and IC Interpretation 131, *Revenue – Barter Transactions Involving Advertising Services*. Upon adoption of MFRS 15, it is expected that the timing of revenue recognition for non-insurance contracts might be different as compared with the current practices.

The adoption of MFRS 15 may result in a change in accounting policy. The Company is currently assessing the financial impact of adopting MFRS 15.

MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost.

The Company is currently assessing the financial impact of adopting MFRS 9.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 3(c)(ii).

2. Basis of preparation (continued)

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

Note 3 (i)(i) – Premium liabilities

Note 3 (i)(ii) – Claims liabilities

3. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, unless otherwise stated.

(a) Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rates at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting period, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

3. Significant accounting policies (continued)

(b) Plant and equipment

(i) Recognition and measurement

Items of plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

The gain or loss on disposal of an item of plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and is recognised net within “other income” and “other expenses” respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

3. Significant accounting policies (continued)

(b) Plant and equipment (continued)

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Motor vehicles	5 years
Office equipment	5 years
Furniture, fixtures and fittings	5 years
Computers	3 years
Renovation	5 years

Depreciation methods, useful lives and residual values are reassessed at the end of the reporting period, and adjusted as appropriate.

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or financial liability is recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

The Company categorises and measures financial instruments as follows:

Financial assets

(a) *Financial assets at fair value through profit or loss*

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) *Held-to-maturity investments*

Held-to-maturity investments category comprises debts instruments that are quoted in an active market and the Company has the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity are subsequently measured at amortised cost using the effective interest method.

(c) *Loans and receivables, excluding insurance receivables*

Loans and receivables category comprises debt instruments that are not quoted in an active market (including fixed deposits with financial institutions).

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

(d) Insurance receivables

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

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in profit or loss. 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 3(e)(ii).

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 3(c)(iv), have been met.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 3 (e)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
- (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(iv) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(d) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value with original maturities of three months or less, and are used by the Company in the management of their short term commitment.

3. Significant accounting policies (continued)

(e) Impairment

(i) Financial assets, excluding insurance receivables

All financial assets (except for financial assets categorised as fair value through profit or loss) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables (excluding insurance receivables as set out in Note 3(e)(ii) below) and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

3. Significant accounting policies (continued)

(e) Impairment (continued)

(ii) Insurance receivables

Insurance receivables are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. An objective evidence of impairment is deemed to exist where the principal or interest or both for insurance receivables is past due for more than 90 days or 3 months, as prescribed in the Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia.

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

If, in a subsequent period, the fair value of insurance receivables increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the profit or loss.

(iii) Other assets

The carrying amounts of other assets (except for deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

3. Significant accounting policies (continued)

(e) Impairment (continued)

(iii) Other assets (continued)

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit and loss. Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(f) Product classification

The Company issues contracts that transfer insurance risk.

Reinsurance contracts are those contracts that transfer significant insurance risk. A reinsurance contract is a contract under which the Company (the reinsurer) has accepted significant insurance risk from another party (the cedant) by agreeing to compensate the cedant if a specified uncertain future event (the insured event) adversely affects the cedant. Insurance risk is significant if, and only if, an insured event could cause the Company to pay significant additional benefits.

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

(g) Reinsurance

The Company retrocedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from retrocessionaires. Amounts recoverable from retrocessionaires are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the retrocessionaire's policies and are in accordance with the related retrocession contracts.

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

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding 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 retrocessionaire. The impairment loss is recorded in profit or loss.

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3. Significant accounting policies (continued)

(h) Reinsurance commission

Reinsurance commission, which are costs directly incurred in securing reinsurance premiums on reinsurance, and income derived from retrocessionaires in the course of ceding of premiums to retrocessionaires, are charged to profit or loss in the period in which they are incurred or deferred where appropriate.

(i) Life reinsurance underwriting results

Any surplus transferable from the Life Fund to profit or loss is based on the surplus determined by an annual actuarial valuation of the long term liabilities to cedants. Actuarial valuation reserves comprise premium liabilities and claim liabilities.

(i) Premium liabilities

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

Unearned Premium Reserves

The UPR represents the portion of the net premium income of a reinsurance contract written that relates to the unexpired periods of the contract at the end of the financial year.

In determining the UPR at the reporting date, the method that most accurately reflects the actual unearned premium is used. 1/8th method is applied to gross premiums.

Unexpired Risk Reserve

The URR is the prospective estimate of the expected future payments arising from future events insured under policies in force as at the valuation date and also includes allowance for the reinsurer's expenses, including overheads and cost of retrocession, expected to be incurred during the unexpired period in administering these treaties and settling the relevant claims, and expected future premium refunds.

3. Significant accounting policies (continued)

(i) Life reinsurance underwriting results (continued)

(ii) Claims liabilities

Outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and 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 that included a regulatory risk margin for adverse deviation. The liability is not 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.

Estimating the outstanding claims provision involves projection of the Company's future claims experience based on current claims experience. As with all projections, there are elements of uncertainty and thus the projected future claims experience may be different from its actual claims experience due to the level of uncertainty involved in projecting future claims experience based on past claims experience. These uncertainties arise from changes in underlying risks, changes in spread of risks, claims settlement as well as uncertainties in the projection model and underlying assumptions.

(j) Acquisition costs

The cost of acquiring and renewing reinsurance contracts net of income derived from retroceding reinsurance premiums is recognised as incurred and properly allocated to the periods in which it is probable they give rise to income based on the method specified in Note 3(i)(i). Acquisition costs or retroceding income which are not recoverable, or not payable in the event of a termination of the policy to which they relate, are not deferred but are recognised in the period in which they occur.

(k) Equity instrument

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

Ordinary shares

Ordinary shares are classified as equity.

3. Significant accounting policies (continued)

(l) Premium income

The Company recognises reinsurance premiums on an accrual basis. Gross premium is reduced by discount on premiums, if any and premium received in advance which is treated as prepaid premium and is taken up as a liability in the statement of financial position as well as unearned premium reserve.

(m) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

(n) Leased assets

Operating lease

Leases, where the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and the leased assets are not recognised on the statement of financial position.

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

(o) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or incentive schemes if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Company's contributions to the statutory pension funds are charged to profit or loss in the financial year in which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payment is attributable.

3. Significant accounting policies (continued)

(p) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in statement of financial position and their tax bases. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(q) Affiliated company

An affiliated company is defined as one that directly or indirectly controls between 20% to 50% of the equity interest in the Company.

(r) Provisions

A provision is recognised if, as a result of a past event, the Company has a present, legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3. Significant accounting policies (continued)

(s) Fair value measurements

Fair value of an asset or a liability is determined as 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 measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement 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.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can assess at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Company recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

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4. Plant and equipment

	Motor vehicles	Office equipment	Furniture, fixtures and fittings	Computers	Renovation	Total
<i>Cost</i>	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
At 1 January 2014	765	266	677	412	2,031	4,151
Additions	345	14	12	52	73	496
Disposal	(616)	-	-	-	-	(616)
Written off	-	-	(5)	(65)	-	(70)
At 31 December 2014/ 1 January 2015	494	280	684	399	2,104	3,961
Additions	-	14	39	168	-	221
Disposal	-	-	-	-	-	-
Written off	-	-	-	-	-	-
At 31 December 2015	494	294	723	567	2,104	4,182
<i>Accumulated depreciation</i>						
At 1 January 2014	455	83	254	327	641	1,760
Charge for the year	129	53	123	51	414	770
Disposal	(431)	-	-	-	-	(431)
Written off	-	-	(5)	(65)	-	(70)
At 31 December 2014/ 1 January 2015	153	136	372	313	1,055	2,029
Charge for the year	99	57	129	78	428	791
Disposal	-	-	-	-	-	-
Written off	-	-	-	-	-	-
At 31 December 2015	252	193	501	391	1,483	2,820
<i>Carrying amount</i>						
At 1 January 2014	310	183	423	85	1,390	2,391
At 31 December 2014	341	144	312	86	1,049	1,932
At 31 December 2015	242	101	222	176	621	1,362

Included in plant and equipment are the following fully depreciated assets which are still in use:

	2015 RM '000	2014 RM '000
At cost:		
Furniture, fixtures and fittings	56	56
Computers	272	236
Office equipment	7	-
	335	292

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5. Investments

(a) Held-to-maturity ("HTM") investments

	2015		2014	
	Carrying amount RM '000	Fair value RM '000	Carrying amount RM '000	Fair value RM '000
Malaysian Government Securities	-	-	5,000	5,002
Malaysian Government Guaranteed Securities	5,160	5,798	10,171	10,806
Unquoted in Malaysia:				
Corporate debt securities				
- secured	3,007	3,560	3,098	3,560
Zero coupon bond	100	100	100	100
	<u>8,267</u>	<u>9,458</u>	<u>18,369</u>	<u>19,468</u>

(b) Financial assets at fair value through profit or loss ("FVTPL")

- Held for Trading ("HFT")

	2015		2014	
	Carrying amount RM '000	Fair value RM '000	Carrying amount RM '000	Fair value RM '000
Malaysian Government Securities	6,917	6,917	4,541	4,541
Unquoted in Malaysia:				
Corporate debt securities				
- secured	6,982	6,982	3,166	3,166
- unsecured	137,002	137,002	137,870	137,870
	<u>150,901</u>	<u>150,901</u>	<u>145,577</u>	<u>145,577</u>

5. Investments (continued)

(c) Estimation of fair values

The estimated fair values for Government Securities, Government Guaranteed Securities and unquoted corporate debt securities are based on the indicative market prices obtained from two independent licensed financial institutions at the end of the reporting period.

The following investments mature after 12 months:-

	2015 RM '000	2014 RM '000
Financial assets :-		
Held-to-maturity	5,160	8,269

(d) Carrying amounts of other investments

	HTM RM '000	HFT RM '000	Total RM '000
At 1 January 2014	28,489	139,953	168,442
Addition	-	69,607	69,607
Disposal/Maturity/Repayment	(10,000)	(62,638)	(72,638)
Fair value losses recorded in:			
- profit or loss	-	(1,345)	(1,345)
Amortisation	(123)	-	(123)
Accretion	3	-	3
At 31 December 2014/1 January 2015	18,369	145,577	163,946
Addition	-	109,725	109,725
Disposal/Maturity/Repayment	(10,000)	(103,591)	(113,591)
Fair value losses recorded in:			
- profit or loss	-	(810)	(810)
Amortisation of premiums, net off accretion of discounts	(102)	-	(102)
At 31 December 2015	8,267	150,901	159,168

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6. Reinsurance assets

	Note	2015 RM '000	2014 RM '000
Retrocession of reinsurance contracts:			
Provision for outstanding claims	11.1	27,529	8,690
Actuarial liabilities	11.2	128,118	116,758
		<u>155,647</u>	<u>125,448</u>

7. Insurance receivables

	2015 RM '000	2014 RM '000
Due premiums from cedants	139,203	115,726
Less: Impairment allowance	(13)	-
	<u>139,190</u>	<u>115,726</u>
Amount due from retrocessionaires	97	2,338
	<u>139,287</u>	<u>118,064</u>

Included in the amount due from retrocessionaires is RM 82,449 (2014: RM 2,227,528) due from an affiliated company.

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8. Loans and receivables, excluding insurance receivables

	2015 RM '000	2014 RM '000
Fixed and call deposits with licensed financial institutions with original maturity of more than 3 months	43,557	125,630
Other receivables	389	380
Deposits	218	192
Prepayments	94	132
Income due and accrued	2,875	3,042
	<u>47,133</u>	<u>129,376</u>
Receivable after 12 months	<u>12,780</u>	<u>380</u>

Fixed and call deposits of the Reinsurance Life Fund of RM32,367,641 (2014: RM91,366,000) are not available for other use of the Company other than to meet the obligations of the Life Fund.

9. Cash and cash equivalents

	2015 RM '000	2014 RM '000
Cash and bank balances	536	335
Fixed and call deposits with licensed financial institutions with original maturity of less than 3 months	128,206	17,800
	<u>128,742</u>	<u>18,135</u>

Cash and cash equivalents of the Reinsurance Life Fund of RM103,061,349 (2014: RM8,300,000) are not available for other use of the Company other than to meet the obligations of the Life Fund.

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10. Share capital

	2015		2014	
	Amount	Number of	Amount	Number of
	RM '000	shares	RM '000	shares
		'000		'000
Authorised:				
Ordinary shares of RM1 each	100,000	100,000	100,000	100,000
Issued and fully paid shares classified as equity instrument :				
Ordinary shares of RM1 each at 31 December	51,000	51,000	51,000	51,000

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

11. Insurance contract liabilities

	<----- 2015 ----->			<----- 2014 ----->		
	Gross	Retrocession	Net	Gross	Retrocession	Net
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Provision for outstanding claims	77,308	(27,529)	49,779	50,027	(8,690)	41,337
Actuarial liabilities	243,592	(128,118)	115,474	233,568	(116,758)	116,810
	320,900	(155,647)	165,253	283,595	(125,448)	158,147
		(Note 6)			(Note 6)	

11. Insurance contract liabilities (continued)

11.1 Provision for outstanding claims

	<----- 2015 ----->			<----- 2014 ----->		
	Gross	Retrocession	Net	Gross	Retrocession	Net
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
At 1 January	50,027	(8,690)	41,337	53,020	(30,607)	22,413
Claims reported for the current accident year	92,165	(39,175)	52,990	68,700	(28,275)	40,425
Reported claims in relation to prior accident years	148,761	(79,882)	68,879	107,632	(43,695)	63,937
Claims paid during the year	(213,645)	100,218	(113,427)	(179,325)	93,887	(85,438)
At 31 December	<u>77,308</u>	<u>(27,529)</u>	<u>49,779</u>	<u>50,027</u>	<u>(8,690)</u>	<u>41,337</u>
	Note 6			Note 6		

11.2 Provision for actuarial liabilities

	<----- 2015 ----->			<----- 2014 ----->		
	Gross	Retrocession	Net	Gross	Retrocession	Net
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
At 1 January	233,568	(116,758)	116,810	274,309	(177,321)	96,988
Change in life assurance fund contract liabilities:-						
Assumption change (YRT Life)	812	-	812	3,181	-	3,181
Due to movement during the year	(3,414)	1,080	(2,334)	11,075	5,662	16,737
Due to movement and assumption change (SRT)	12,626	(12,440)	186	(54,997)	54,901	(96)
At 31 December	<u>243,592</u>	<u>(128,118)</u>	<u>115,474</u>	<u>233,568</u>	<u>(116,758)</u>	<u>116,810</u>
	Note 6			Note 6		

12. Deferred tax assets

Recognised deferred tax assets / (liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Plant and equipment	-	-	(68)	(60)	(68)	(60)
Provisions	1,414	1,188	-	-	1,414	1,188
Other items	48	-	-	(90)	48	(90)
Net deferred tax assets/(liabilities)	1,462	1,188	(68)	(150)	1,394	1,038

Movement in temporary differences during the financial year

	At 1 January 2015 RM '000	Recognised in profit or loss (Note 24) RM '000	At 31 December 2015 RM '000
Property and equipment			
- capital allowances	(60)	(8)	(68)
Provisions	1,188	226	1,414
Other items	(90)	138	48
	1,038	356	1,394

	At 1 January 2014 RM '000	Recognised in profit or loss (Note 24) RM '000	At 31 December 2014 RM '000
Property and equipment			
- capital allowances	(126)	66	(60)
Provisions	1,198	(10)	1,188
Other items	(323)	233	(90)
	749	289	1,038

Deferred tax liabilities and assets are offset above as there is a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax relates to the same taxation authority.

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13. Insurance payables

	2015 RM '000	2014 RM '000
Prepaid premiums received	28,453	28,958
Amount due to cedants	4,795	689
Amount due to retrocessionaires	31,917	31,406
	<u>65,165</u>	<u>61,053</u>

Included in amount due to retrocessionaires is RM29,935,510 (2014: RM28,848,000) due to an affiliated company.

14. Other payables

	2015 RM '000	2014 RM '000
Other payables	239	669
Accrued expenses	7,590	5,838
	<u>7,829</u>	<u>6,507</u>

Included in other payables is RM1,947,591 (2014: RM807,000) due to an affiliated company.

15. Operating revenue

	Note	2015 RM '000	2014 RM '000
Gross reinsurance premiums		310,720	294,145
Investment income	16	13,920	12,571
		<u>324,640</u>	<u>306,716</u>

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16. Investment income

	2015 RM '000	2014 RM '000
Held-to-maturity investments		
- interest income	772	1,357
Financial assets at fair value through profit or loss		
- interest/profit income	7,257	7,267
Amortisation of premiums, net of accretion of discounts	(102)	(121)
Fixed and call deposits with licensed financial institutions		
- interest income	6,000	4,074
	<u>13,927</u>	<u>12,577</u>
Less: Investment expenses	(7)	(6)
	<u><u>13,920</u></u>	<u><u>12,571</u></u>

17. Realised gains

	2015 RM '000	2014 RM '000
Gains on disposal/repayment:		
- Financial assets at fair value through profit or loss	<u>652</u>	<u>686</u>

18. Fair value losses

	2015 RM '000	2014 RM '000
Financial assets at fair value through profit or loss	<u>(810)</u>	<u>(1,345)</u>

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19. Commission income/(expense)

	2015 RM '000	2014 RM '000
Commission income	21	3,281
Commission expense	(9,731)	(20,478)

20. Other (expenses)/income – net

	2015 RM '000	2014 RM '000
Gain on disposal of plant and equipment	-	23
Net impairment loss (recognised)/reversed	(13)	67
Realised (losses)/ gains in foreign exchange	85	(63)
Unrealised gains in foreign exchange	-	1
Other income	22	39
	94	67

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21. Net claims incurred

	2015 RM '000	2014 RM '000
Gross claims paid	213,645	179,325
Claims recovered	(100,218)	(93,887)
Net claims paid	113,427	85,438
Gross change in claims liabilities:		
At 31 December	77,308	50,027
At 1 January	(50,027)	(53,020)
	27,281	(2,993)
Change in claims liabilities retroceded:		
At 31 December	(27,529)	(8,690)
At 1 January	8,690	30,607
	(18,839)	21,917
	121,869	104,362

22. Management expenses

	2015 RM '000	2014 RM '000
Employee benefits expenses	6,741	6,632
Directors' remuneration	513	519
Auditors' remuneration		
- Audit fee		
KPMG Malaysia	116	110
Overseas affiliates of KPMG Malaysia	77	68
- Non-audit fee		
KPMG Malaysia	17	19
Depreciation of plant and equipment	791	770
Rental of office premises	598	555
Rental of equipment	22	20
Direct operating expenses (revenue-generating)	5,808	4,246
Other expenses	427	211
	15,110	13,150

23. Key management personnel compensation

The total remuneration (including benefits-in-kind) of the Chief Executive Officer and Directors are as follows:

2015	Fees RM '000	Salary RM '000	Bonus RM '000	EPF RM '000	Other RM '000	Benefits- in-kind RM '000	Total RM '000
Chief Executive Officer							
Liew Pek Hin	-	540	465	161	-	13	1,179
Total Chief Executive Officer	-	540	465	161	-	13	1,179
Non-Executive Directors							
Kwo Shih Kang	51	-	-	-	15	-	66
Ezamshah Ismail	45	-	-	-	24	-	69
Chee Siew Eng	45	-	-	-	24	-	69
Y.Bhg Dato Koh Yaw Hui	45	-	-	-	13	-	58
Toi See Jong	54	-	-	-	17	-	71
Lau Yew Kong	45	-	-	-	18	-	63
Cheng Tony Kin-Shun *	45	-	-	-	5	-	50
Peter Tan Hock Hwee *	45	-	-	-	22	-	67
Total Directors' Remuneration (including benefits-in-kind)	375	-	-	-	138	-	513
Total Chief Executive Officer and Directors' Remuneration (including benefits-in-kind)	375	540	465	161	138	13	1,692

* These directors are nominees of an affiliated company, Reinsurance Group of America, Incorporated (RGA). Their remuneration are paid directly to RGA.

23. Key management personnel compensation (continued)

The total remuneration (including benefits-in-kind) of the Chief Executive Officer and Directors are as follows:

2014	Fees RM '000	Salary RM '000	Bonus RM '000	EPF RM '000	Other RM '000	Benefits- in-kind RM '000	Total RM '000
Chief Executive Officer							
Hooi Tuck Kok	-	422	481	181	116	12	1,212
Liew Pek Hin	-	270	-	65	66	7	408
Total Chief Executive Officer	-	692	481	246	182	19	1,620
Non-Executive Directors							
Kwo Shih Kang	60	-	-	-	14	-	74
Ezamshah Ismail	45	-	-	-	22	-	67
Chee Siew Eng	45	-	-	-	22	-	67
Y.Bhg Dato Koh Yaw Hui	45	-	-	-	10	-	55
Loke Kah Meng	11	-	-	-	4	-	15
Toi See Jong	45	-	-	-	12	-	57
Lau Yew Kong	35	-	-	-	12	-	47
Low Hong Ceong	18	-	-	-	2	-	20
Cheng Tony Kin-Shun *	45	-	-	-	5	-	50
Peter Tan Hock Hwee *	45	-	-	-	22	-	67
Total Directors' Remuneration (including benefits-in-kind)	394	-	-	-	125	-	519
Total Chief Executive Officer and Directors' Remuneration (including benefits-in-kind)	394	692	481	246	307	19	2,139

* These directors are nominees of an affiliated company, Reinsurance Group of America, Incorporated (RGA). Their remuneration are paid directly to RGA.

24. Income tax expense

	2015 RM '000	2014 RM '000
Current tax expense		
- current year	13,360	10,576
- over provision in prior years	(596)	(453)
	<u>12,764</u>	<u>10,123</u>
Deferred tax expense		
- origination and reversal of temporary differences	(491)	(237)
- under / (over) provision in prior years	98	(52)
- change in tax rate	37	-
	<u>(356)</u>	<u>(289)</u>
	<u>12,408</u>	<u>9,834</u>
Reconciliation of tax expense		
Profit before tax	50,594	39,549
	<u>50,594</u>	<u>39,549</u>
Tax at Malaysian tax rate of 25%	12,649	9,887
Effect of changes in tax rate	58	-
Non-deductible expenses	199	446
Other items	-	6
	<u>12,906</u>	<u>10,339</u>
Over provision in prior years	(498)	(505)
Tax expense	<u>12,408</u>	<u>9,834</u>

25. Dividends

Dividends recognised by the Company:	Sen per share	Total amount RM'000	Date of payment
2015			
Final 2014 ordinary (net of tax)	17.48	<u>8,914</u>	9 June 2015
2014			
Final 2013 ordinary (net of tax)	15.92	<u>8,120</u>	4 June 2014

26. Operating lease commitments

Lease as lessee

Total future minimum lease payments under the non-cancellable operating leases are as follows:

	2015 RM '000	2014 RM '000
Payable within 1 year	598	598
Payable between 1 and 5 years	598	1,196
	<u>1,196</u>	<u>1,794</u>

The Company has renewed its leasing for the current office premise with a third party for a period of three years with effect from 1 January 2015 until 31 December 2017 with an option to renew for a further two years based on a revised rental to be mutually agreed upon.

27. Capital commitments

There was no capital commitment as at the end of the current and previous financial years.

28. Related parties

Identity of related parties

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

i) Holding company

The holding company is L.I.A.M. Holding Sdn. Bhd., a company incorporated in Malaysia.

ii) Affiliated company

An affiliated company is a company that directly or indirectly controls between 20% to 50% of the equity interest in the Company.

iii) Key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel include the Chief Executive Officer and all the Directors of the Company. Key management personnel remuneration is disclosed in Note 23 to the financial statements.

28. Related parties (continued)

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Company are shown below. The balances related to the below transactions are shown in Notes 7, 13 and 14.

	2015 RM '000	2014 RM '000
Shareholders of the holding company		
Gross premium income	292,844	267,366
Discount payable	(8,825)	-
Commission payable	-	(9,452)
Profit commission payable	(12,332)	(10,232)
Claims payable	(227,948)	(155,010)
Affiliated company		
Gross premium income	22,478	10,688
Discount payable	(6,506)	-
Commission payable	-	(2,032)
Profit commission (payable) / recoverable	7,163	4,439
Gross premium retroceded	(122,623)	(102,868)
Retroceded discount receivable	1,550	-
Retroceded commission receivable	-	3,235
Services payable	(2,912)	(1,108)
Claims payable	(9,165)	(5,880)
Claims recoverable	112,249	62,202

29. Risk management framework

The risk management framework of the Company is as follows:

- The Risk Management Committee was established to drive the risk management processes in identifying principal business risks and the implementation of appropriate systems to manage these risks.
- Independent risk management and control functions under Internal Audit are responsible to ascertain that the risk policies are implemented and complied with.
- The Management of respective Business Units are responsible for identifying, mitigating risks within their lines of business and ensure that their day-to-day business activities are carried out in accordance with the established risk policies, procedures and limits.
- Audit Committee, supported by Internal Audit, is established to provide an independent assessment of the adequacy and reliability of the risk management processes and system of internal controls and compliance with risk policies, laws, internal and regulatory guidelines.
- Risk Management policies are reviewed at least yearly to ensure they remain relevant and effective and managing the associated risks due to changes in the market and regulatory environments.

29. Risk management framework (continued)

Capital Management

Pursuant to the Risk-Based Capital Framework for Insurers issued by Bank Negara Malaysia, the Board approved and adopted a Capital Management Plan (“CMP”) for the Company in line with the requirements set out in the Risk-Based Capital Framework with effect from 1 January 2009. The objective of the CMP and the Company’s policy are to create shareholders’ value, deliver sustainable returns to shareholders, and maintain a strong capital position with optimum buffer to meet the Company’s obligations and regulatory requirements.

The management of the Company’s capital is guided by the CMP which is driven by the Company’s business strategies and organisational requisites which take into account the business and regulatory environment in which the Company operates. In this respect, the Company sets a capital target that is above the minimum regulatory requirements as defined and required under the Risk-Based Capital Framework.

As required by Bank Negara Malaysia, the Company conducts stress testing twice per year. The objective of the stress test is to evaluate the extent by which the Company’s capital could withstand market shocks and by which capital will be eroded by the principal risks identified due to adverse plausible events. The stress test results, together with the mitigating measures and action plan are tabled to the Board for approval prior to submission to Bank Negara Malaysia.

30. Insurance risk management

Managing insurance risk is the core business of the Company. The objectives of managing insurance risks are to enhance the long-term financial performance of the business and limit any excessive variability of the insurance results.

Insurance risk results from pricing and acceptance of reinsurance contracts. The risks arise when actual claims experience is different from the assumptions used in setting the prices of products and establishing the technical provisions and liabilities for claims. Sources of risk include policy lapses and claims such as mortality and morbidity.

The Company utilises retrocession to manage the mortality and morbidity risks. Loss ratios would be monitored closely and insurance risk can be mitigated by a re-pricing exercise if the adverse experience persists.

Geographically, the Company’s risks are concentrated in Malaysia. Catastrophic cover is procured to limit catastrophic losses.

30. Insurance risk management (continued)

The table below sets out the concentration of the Company's reinsurance business premium by type of product.

	<----- 2015 ----->			<----- 2014 ----->		
	Gross RM '000	Retrocession RM '000	Net RM '000	Gross RM '000	Retrocession RM '000	Net RM '000
Yearly Renewable						
Term - Life	189,159	(20,757)	168,402	189,408	(18,460)	170,948
Yearly Renewable						
Term - Health	4,376	(7)	4,369	2,784	-	2,784
Surplus Relief						
Reinsurance	117,765	(108,136)	9,629	101,950	(93,524)	8,426
Coinurance	(580)	271	(309)	3	(60)	(57)
Total	310,720	(128,629)	182,091	294,145	(112,044)	182,101

The table below sets out the concentration of the Company's actuarial liabilities by type of product.

	<----- 2015 ----->			<----- 2014 ----->		
	Gross RM '000	Retrocession RM '000	Net RM '000	Gross RM '000	Retrocession RM '000	Net RM '000
Yearly Renewable						
Term - Life	103,859	-	103,859	104,776	-	104,776
Yearly Renewable						
Term - Health	2,092	-	2,092	1,928	-	1,928
Surplus Relief						
Reinsurance	138,801	(129,125)	9,676	126,176	(116,685)	9,491
Coinurance	(1,160)	1,007	(153)	688	(73)	615
Total	243,592	(128,118)	115,474	233,568	(116,758)	116,810

30. Insurance risk management (continued)

Key assumptions

Material judgements are required in determining the claim liabilities and in the choice of assumptions. Assumptions used 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 date of valuation. Assumptions are further evaluated on a continuous basis in order to arrive at realistic and reasonable valuations.

Disclosure of Key Assumptions

Yearly Renewable Term Contracts

The principal assumptions underlying the estimation of claims liabilities is that the Company's future claims will follow a similar pattern to the past claims development experience. These assumptions include claims development factors and loss ratios. These assumptions are derived based on the Company's historical and emerging underwriting experience. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future.

In setting provisions for claims liabilities, 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. As required by Bank Negara Malaysia under the Risk-Based Capital Framework, the Company sets provisions for claims at the 75% confidence interval.

Sensitivities

Given the uncertainty in establishing the claim liabilities, it is likely that the final outcome will be different from estimation. The sensitivity analysis is performed on the Yearly Renewable Term - Life liabilities. However, the Yearly Renewable Term - Health has been excluded due to its relative small size and immateriality.

The analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities and profit before tax.

	Impact on gross liabilities RM '000	Impact on net liabilities RM '000	Impact on profit before tax RM '000
31 December 2015			
Assumed loss ratios increase by 10%	6,918	6,918	(6,918)
31 December 2014			
Assumed loss ratios increase by 10%	6,794	6,794	(6,794)

30. Insurance risk management (continued)

Sensitivities (continued)

Coinsurance and Surplus Relief Treaties

The principal assumptions underlying the estimation of liabilities include mortality assumptions, investment return, lapse rates and discount rates.

The Company booked its coinsurance and surplus relief treaties contract liabilities based on liabilities amounts provided by the respective cedants. The key assumptions to which the estimation of liabilities is particularly sensitive are mortality and morbidity rates, longevity, investment return, expenses, lapse and surrender rates and discount rates. The selection of these assumptions varies by cedants and is not disclosed to the Company. As such, sensitivity analysis could not be performed.

31. Financial instruments

31.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (a) Loans and receivables ("L&R")
- (b) Fair value through profit or loss ("FVTPL");
- Held for trading ("HFT")
- (c) Held-to-maturity investments ("HTM"); and
- (d) Financial liabilities measured at amortised cost ("FL").

	Carrying amount RM '000	L&R/ (FL) RM '000	FVTPL - HFT RM '000	HTM RM '000
31 December 2015				
Financial assets				
Investments	159,168	-	150,901	8,267
Insurance receivables	139,287	139,287	-	-
Loans and receivables, excluding insurance receivables	47,039	47,039	-	-
Cash and cash equivalents	128,742	128,742	-	-
	<u>474,236</u>	<u>315,068</u>	<u>150,901</u>	<u>8,267</u>
Financial liabilities				
Insurance payables	(65,165)	(65,165)	-	-
Other payables	(7,829)	(7,829)	-	-
	<u>(72,994)</u>	<u>(72,994)</u>	<u>-</u>	<u>-</u>

31. Financial instruments (continued)

31.1 Categories of financial instruments (continued)

	Carrying amount RM '000	L&R/ (FL) RM '000	FVTPL - HFT RM '000	HTM RM '000
31 December 2014				
Financial assets				
Investments	163,946	-	145,577	18,369
Insurance receivables	118,064	118,064	-	-
Loans and receivables, excluding insurance receivables	129,244	129,244	-	-
Cash and cash equivalents	18,135	18,135	-	-
	<u>429,389</u>	<u>265,443</u>	<u>145,577</u>	<u>18,369</u>
Financial liabilities				
Insurance payables	(61,053)	(61,053)	-	-
Other payables	(6,507)	(6,507)	-	-
	<u>(67,560)</u>	<u>(67,560)</u>	<u>-</u>	<u>-</u>

31.2 Net gains and losses arising from financial instruments

	2015 RM '000	2014 RM '000
Net gains arising on:		
Fair value through profit or loss:		
- Held-for-trading	7,099	6,607
Held-to-maturity investments	670	1,237
Loans and receivables	6,071	4,080
	<u>13,840</u>	<u>11,924</u>

31. Financial instruments (continued)

31.3 Financial risk management

The Company is exposed to a variety of financial risks that includes credit risk, liquidity risk, market risk (currency risk, interest rate risk, equity price risk) and operational risk. The Company's overall financial risk management objective is to ensure that the Company creates value for its shareholders whilst managing potential exposure to adverse effects on its financial performance and positions.

The Company is guided by risk management policies which set out the overall business strategies. The Risk Management Committee sets the policy and framework for the risk management function and reviews its appropriateness regularly. The administration of financial risk management is delegated to the Management of the Company.

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

- Credit risk
- Liquidity risk
- Market risk

31.4 Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer, 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, placements or balances with financial institutions, reinsurance premium receivables and recoveries from retrocessionaires.

Receivables

Risk management objectives, policies and process for managing the risk

Management has taken reasonable steps to ensure that premium receivables that are neither past due nor impaired are stated at their realisable values. The Company uses aging analysis to monitor the credit quality of premium receivables. Premium receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

31. Financial instruments (continued)

31.4 Credit risk (continued)

Receivables (continued)

Risk management objectives, policies and process for managing the risk (continued)

Recoveries from retrocessionaires are monitored by the Finance Department. The Company monitors the credit quality and financial conditions on a quarterly basis as part of its overall credit risk management framework. The Company cedes the majority of its business to reinsurers that are deemed to be qualified reinsurers under the Risk-Based Capital Framework.

Impairment losses

The Company maintains an aging analysis in respect of insurance receivables and the aging of insurance receivables as at the end of the reporting period was:

	Gross RM'000	Individual impairment RM'000	Collective impairment RM'000	Net RM'000
2015				
Not past due	130,895	-	-	130,895
Past due 1-30 days	-	-	-	-
Past due 31-60 days	7,675	-	-	7,675
Past due 61-90 days	717	-	-	717
Past due more than 90 days	13	(13)	-	-
	<u>139,300</u>	<u>(13)</u>	<u>-</u>	<u>139,287</u>
2014				
Not past due	109,166	-	-	109,166
Past due 1-30 days	4,032	-	-	4,032
Past due 31-60 days	2,710	-	-	2,710
Past due 61-90 days	2,156	-	-	2,156
Past due more than 90 days	-	-	-	-
	<u>118,064</u>	<u>-</u>	<u>-</u>	<u>118,064</u>

31. Financial instruments (continued)

31.4 Credit risk (continued)

Receivables (continued)

Past due and impaired

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

At 31 December 2015, based on a combination of collective and individual assessment of receivables, the movement in provision for impaired insurance receivables is disclosed below. All insurance receivables are from licensed insurers/reinsurers and there has been no history of non-collection. The Company records impairment allowance for insurance receivables in a separate "Allowance for Impairment" accounts.

	2015 RM '000	2014 RM '000
At 1 January	-	67
Impairment loss recognised	13	-
Impairment loss reversed	-	(67)
At 31 December	<u>13</u>	<u>-</u>

Investments and deposit placements

Risk management objectives, policies and procedures for managing the risk

For fixed income securities, the Company relies on the ratings assigned by external rating agencies to assess the issuer's credit risk. Monitoring of credit is carried out by the Finance Department and any adverse changes in the credit profile on a security to below A-rated would be reported to the Investment Committee.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the Company has only invested in domestic securities and have placements with domestic licensed banks. The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

In view of the credit rating of counterparties, management does not expect any counterparty to fail to meet its obligations. The Company does not have overdue investments that have not been impaired.

31. Financial instruments (continued)

31.4 Credit risk (continued)

31.4.1 Credit exposure

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

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

	2015 RM '000	2014 RM '000
Investments:		
Held-to-maturity investments	8,267	18,369
Fair value through profit or loss- HFT	150,901	145,577
Insurance receivables	139,287	118,064
Loans and receivables, excluding insurance receivables and prepayment	47,039	129,244
Cash and cash equivalents	128,742	18,135
	<u>474,236</u>	<u>429,389</u>

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

	Neither past due nor impaired RM' 000	Past due but not impaired RM '000	Past due and impaired RM '000	Total RM '000
31 December 2015				
Investments:				
Held-to-maturity investments	8,267	-	-	8,267
Fair value through profit or loss- HFT	150,901	-	-	150,901
Insurance receivables	130,895	8,392	13	139,300
Loans and receivables, excluding insurance receivables	47,039	-	-	47,039
Cash and cash equivalents	128,742	-	-	128,742
	<u>465,844</u>	<u>8,392</u>	<u>13</u>	<u>474,249</u>
31 December 2014				
Investments:				
Held-to-maturity investments	18,369	-	-	18,369
Fair value through profit or loss- HFT	145,577	-	-	145,577
Insurance receivables	109,166	8,898	-	118,064
Loans and receivables, excluding insurance receivables	129,244	-	-	129,244
Cash and cash equivalents	18,135	-	-	18,135
	<u>420,491</u>	<u>8,898</u>	<u>-</u>	<u>429,389</u>

31. Financial instruments (continued)

31.4 Credit risk (continued)

31.4.1 Credit exposure (continued)

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Rating Agency of Malaysia's ("RAM") or Malaysian Rating Corporation Berhad's ("MARC") credit ratings of counterparties and those of internationally recognised rating agencies such as A.M. Best and Standard and Poor's. AAA is the highest possible rating. Assets are classified as 'Not-rated' when the assets are unrated or the Company is unable to obtain the rating of the assets.

	AAA RM' 000	AA RM' 000	A RM' 000	BBB RM' 000	B RM' 000	P RM' 000	Not-rated RM' 000	Total RM' 000
31 December 2015								
Investments:								
Held-to-maturity investments	-	3,007	-	-	-	-	5,260	8,267
Fair value through profit or loss- HFT	21,160	101,813	14,029	-	-	-	13,899	150,901
Insurance receivables	-	667	2,265	-	13	-	136,355	139,300
Loans and receivables, excluding insurance receivables	18,351	27,709	82	-	-	-	897	47,039
Cash and cash equivalents	52,548	76,194	-	-	-	-	-	128,742
	92,059	209,390	16,376	-	13	-	156,411	474,249
31 December 2014								
Investments:								
Held-to-maturity investments	3,098	5,000	-	-	-	-	10,271	18,369
Fair value through profit or loss- HFT	17,618	116,291	7,127	-	-	-	4,541	145,577
Insurance receivables	-	8,370	725	-	1,310	-	107,659	118,064
Loans and receivables, excluding insurance receivables	52,485	75,903	123	-	-	-	733	129,244
Cash and cash equivalents	4,737	13,397	-	-	-	-	1	18,135
	77,938	218,961	7,975	-	1,310	-	123,205	429,389

31. Financial instruments (continued)

31.5 Liquidity Risk

Liquidity risk is the risk that the Company may not have sufficient liquid financial resources to meet its obligations when they fall due. The Company's policy is to maintain adequate liquidity to meet its liquidity needs under normal and stressed conditions.

As part of its liquidity management, the Company maintains sufficient level of cash and cash equivalents to meet expected and to a lesser extent unexpected outflows.

31.5.1 Maturity analysis

The table below summarises the maturity profile of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM' 000	Contractual interest rate/ coupon %	Contractual cash flow RM' 000	Up to a year* RM' 000	1 - 5 years RM' 000	Above 5 years RM' 000	No maturity date RM' 000
31 December 2015							
Insurance payables	65,165	-	65,165	65,165	-	-	-
Other payables	7,829	-	7,829	5,347	2,482	-	-
	<u>72,994</u>		<u>72,994</u>	<u>70,512</u>	<u>2,482</u>	<u>-</u>	<u>-</u>
31 December 2014							
Insurance payables	61,053	-	61,053	61,053	-	-	-
Other payables	6,507	-	6,507	4,728	1,779	-	-
	<u>67,560</u>		<u>67,560</u>	<u>65,781</u>	<u>1,779</u>	<u>-</u>	<u>-</u>

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

31. Financial instruments (continued)

31.6 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprised of three types of exposures: currency risk, interest rate risk and equity price risk.

31.6.1 Currency Risk

The Company is exposed to foreign currency risk on reinsurance premiums and claims that are denominated in currencies other than the Malaysian Ringgit. The Company has exposure to the following currencies: United States Dollar, Philippines Peso, Thailand Baht, Brunei Dollar, Singapore Dollar and Taiwan Dollar.

Risk management objectives, policies and processes for managing the risk

As at the end of the reporting period, 3.04% (2014: 2.16%) of the Company's businesses are from overseas business. As such, the Company has minimal exposure to foreign currency risk, and currency risk sensitivity is not disclosed. The net reinsurance premiums due to the Company from foreign clients are deposited into a multi-currency bank account which would later be transferred to a Ringgit-denominated account.

Exposure to foreign currency risk

The Company's exposure to foreign currency (a currency which is other than the functional currency of the Company) risk, based on carrying amounts as at the end of the reporting period was:

	US Dollar RM '000	Phillippines Peso RM '000	Thailand Baht RM '000	Brunei Dollar RM '000	Singapore Dollar RM '000	Taiwan Dollar RM '000
31 December 2015						
Insurance receivables	-	10	-	-	-	-
Cash and cash equivalents	20	-	-	-	2	-
	<u>20</u>	<u>10</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>-</u>
31 December 2014						
Insurance receivables	695	303	382	10	1,004	111
Cash and cash equivalents	109	-	95	-	-	-
	<u>804</u>	<u>303</u>	<u>477</u>	<u>10</u>	<u>1,004</u>	<u>111</u>

31. Financial instruments (continued)

31.6 Market risk (continued)

31.6.2 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.

Risk management objectives, policies and processes for managing the risk

Interest rate risk is managed by the Company on an on-going basis with the primary objective of limiting the extent to which solvency and profitability can be affected by an adverse movement in interest rates.

Exposure to interest rate risk

The Company does not have any variable rate investments and borrowings, and hence are not exposed to a risk of change in cash flows due to changes in interest rates.

The interest rate profile of the Company's significant interest bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	2015 RM '000	2014 RM '000
Fixed rate instruments		
- Investments (exclude zero coupon bond)	159,068	163,846
Loans and receivables, excluding insurance receivables	47,039	125,630
Cash and cash equivalents	128,742	18,135
	<u>334,849</u>	<u>307,611</u>

The Company's investments in fixed income securities which are classified as held for trading, are exposed to a risk of change in their fair values due to changes in interest rates.

Interest rate risk sensitivity analysis

Sensitivity analysis for changes in yield curve that is reasonably possible as at year end are as follows:

	Impact on profit before tax RM '000
31 December 2015	
Parallel shift in yield curve by +10%	(3,689)
31 December 2014	
Parallel shift in yield curve by +10%	(3,083)

31. Financial instruments (continued)

31.6 Market risk (continued)

31.6.3 Equity Price Risk

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

The Company's investment policy does not permit investment in equities and consequently has no exposure to the volatilities of the equity markets.

31.6.4 Operational Risk

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

The Company mitigates operational risk by establishing a control framework and by monitoring and responding to potential risks. Controls include segregation of duties, access controls, authorisation, reconciliation procedures, staff training and evaluation procedures, including the use of Internal Audit.

The Company has a Business Continuity Plan in place to ensure all aspects of the Company remain to be functioning in the midst of disruptive events. The Company also has a Disaster Recovery Plan which focuses on the technology systems that support various business functions.

31.7 Fair value information

The carrying amounts of cash and cash equivalents, short-term receivables and payables reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

31. Financial instruments (continued)

31.7 Fair value information (continued)

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year. (2014: no transfer in either directions)

Level 3 fair value

Level 3 fair value, if any, is estimated using unobservable inputs for the financial assets and liabilities.

	Fair value of financial instruments carried at			Fair value of financial instruments not carried at			Total fair value	Carrying amount
	fair value			fair value				
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Total	
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
31 December 2015								
Financial assets								
Held-to-maturity investments	-	-	-	-	9,458	-	9,458	8,267
Fair value through profit or loss- HFT	-	150,901	-	-	-	-	150,901	150,901
	-	150,901	-	-	9,458	-	160,359	159,168
31 December 2014								
Financial assets								
Held-to-maturity investments	-	-	-	-	19,468	-	19,468	18,369
Fair value through profit or loss- HFT	-	145,577	-	-	-	-	145,577	145,577
	-	145,577	-	-	19,468	-	165,045	163,946

32. Regulatory capital requirements

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

The Company is required to comply with the regulatory capital requirement prescribed in the Risk-Based Capital Framework which is imposed by the Ministry of Finance pursuant to Section 13(1) of the Financial Services Act, 2013. Under this Framework, the Company is required to satisfy a minimum capital adequacy ratio of 130% and maintain a capital level that commensurates with the Company's risk profile. The Company has a capital adequacy ratio in excess of the minimum requirement.

The total capital available of the Company as at 31 December 2015, as defined under the Risk-Based Capital Framework is provided below:

	2015 RM '000	2014 RM '000
Share capital (paid up)	51,000	51,000
Retained profits	184,507	155,235
Total capital available	<u>235,507</u>	<u>206,235</u>

33. Reinsurance funds

The Company's activities are organised by funds and segregated into the Life Fund and Shareholders' Fund in accordance with the Financial Services Act, 2013.

The reinsurance life business offers various reinsurance arrangements that are required by clients (cedants/retrocessionaires).

The Company's statement of financial position, profit or loss and information on cash flows comprising the Shareholders' and Life Funds are further analysed by funds as follows:

33. Reinsurance funds (continued)

Statement of Financial Position by Funds as at 31 December 2015

	Shareholders' Fund		Life Fund		Total	
	2015	2014	2015	2014	2015	2014
	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000
Assets						
Plant and equipment	-	-	1,362	1,932	1,362	1,932
Financial assets - Investments	-	-	159,168	163,946	159,168	163,946
Reinsurance assets	-	-	155,647	125,448	155,647	125,448
Insurance receivables	-	-	139,287	118,064	139,287	118,064
Loans and receivables, excluding insurance receivables	11,758	34,976	35,375	94,400	47,133	129,376
Current tax assets	-	-	-	-	-	-
Deferred tax assets	1,394	1,038	-	-	1,394	1,038
Cash and cash equivalents	16,661	2,257	112,081	15,878	128,742	18,135
	29,813	38,271	602,920	519,668	632,733	557,939
Amount due from life fund/(due to) shareholders' fund	209,064	168,526	(209,064)	(168,526)	-	-
Total assets	238,877	206,797	393,856	351,142	632,733	557,939
Equity, life fund and liabilities						
Total equity	235,507	206,235	-	-	235,507	206,235
Insurance contract liabilities	-	-	320,900	283,595	320,900	283,595
Deferred tax liabilities	-	-	-	-	-	-
Insurance payables	-	-	65,165	61,053	65,165	61,053
Other payables	38	13	7,791	6,494	7,829	6,507
Current tax liabilities	3,332	549	-	-	3,332	549
Total life fund and liabilities	3,370	562	393,856	351,142	397,226	351,704
Total equity, life fund and liabilities	238,877	206,797	393,856	351,142	632,733	557,939

33. Reinsurance funds (continued)

Profit or Loss by Funds for the year ended 31 December 2015

	Shareholders' Fund 2015		Life Fund		Total	
	2015	2014	2015	2014	2015	2014
	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000
Operating revenue	1,176	1,448	323,464	305,268	324,640	306,716
Gross reinsurance premiums	-	-	310,720	294,145	310,720	294,145
Premiums ceded to retrocessionaires	-	-	(128,629)	(112,044)	(128,629)	(112,044)
Net reinsurance premiums	-	-	182,091	182,101	182,091	182,101
Change in actuarial liabilities	-	-	1,336	(19,822)	1,336	(19,822)
Investment income	1,176	1,448	12,744	11,123	13,920	12,571
Fees and commission income	-	-	21	3,281	21	3,281
Realised gains	-	-	652	686	652	686
Other operating income-net	-	-	94	67	94	67
Other income	1,176	1,448	13,511	15,157	14,687	16,605
Gross benefits and claims paid	-	-	(213,645)	(179,325)	(213,645)	(179,325)
Claims retroceded to retrocessionaires	-	-	100,218	93,887	100,218	93,887
Gross change to claims liabilities	-	-	(27,281)	2,993	(27,281)	2,993
Change in claims liabilities retroceded to retrocessionaires	-	-	18,839	(21,917)	18,839	(21,917)
Net claims incurred	-	-	(121,869)	(104,362)	(121,869)	(104,362)
Commission expense	-	-	(9,731)	(20,478)	(9,731)	(20,478)
Management expenses	(34)	(29)	(15,076)	(13,121)	(15,110)	(13,150)
Fair value losses	-	-	(810)	(1,345)	(810)	(1,345)
Other operating expenses-net	-	-	-	-	-	-
Other expenses	(34)	(29)	(25,617)	(34,944)	(25,651)	(34,973)
Transfer from Revenue Account	1,142	1,419	49,452	38,130	50,594	39,549
Profit before tax	49,452	38,130	(49,452)	(38,130)	-	-
Tax expense	50,594	39,549	-	-	50,594	39,549
	(12,408)	(9,834)	-	-	(12,408)	(9,834)
Profit for the year after tax	38,186	29,715	-	-	38,186	29,715

33. Reinsurance funds (continued)

Cash flows by Funds for the year ended 31 December 2015

	Shareholders' Fund		Life Fund		Total	
	2015	2014	2015	2014	2015	2014
	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000
Cash flows (used in)/ generated from:						
Operating activities	14,404	(2,588)	105,338	(11,779)	119,742	(14,367)
Investing activities	-	-	(221)	(288)	(221)	(288)
Financing activities	-	(8,120)	(8,914)	-	(8,914)	(8,120)
Net (decrease)/increase in cash and cash equivalents	14,404	(10,708)	96,203	(12,067)	110,607	(22,775)
Cash and cash equivalents at beginning of year	2,257	12,965	15,878	27,945	18,135	40,910
Cash and cash equivalents at end of year	16,661	2,257	112,081	15,878	128,742	18,135

Malaysian Life Reinsurance Group Berhad

(Company No. 417867-K)

(Incorporated in Malaysia)

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

In the opinion of the Directors, the financial statements set out on pages 10 to 69 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 Company as of 31 December 2015 and of its financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

.....
Toi See Jong

.....
Peter Tan Hock Hwee

Kuala Lumpur,

Date: 29 March 2016

Malaysian Life Reinsurance Group Berhad

(Company No. 417867-K)

(Incorporated in Malaysia)

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

I, **Liew Pek Hin**, the officer primarily responsible for the financial management of Malaysian Life Reinsurance Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 10 to 69 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur on 29 March 2016.



.....
Liew Pek Hin

Before me:



KPMG (Firm No. AF 0758)
Chartered Accountants
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47800 Petaling Jaya
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Independent auditors' report to the members of Malaysian Life Reinsurance Group Berhad

(Company No. 417867-K)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Malaysian Life Reinsurance Group Berhad, which comprise the statement of financial position as at 31 December 2015 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 10 to 69.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Company No. 417867-K

Opinion

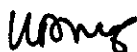
In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards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

Report on Other Legal and Regulatory Requirements


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

Other Matters

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



KPMG
Firm Number: AF 0758
Chartered Accountants



Mok Wan Kong
Approval Number: 2877/12/16(J)
Chartered Accountant

Petaling Jaya,

Date: 29 March 2016