



AMGENERAL INSURANCE BERHAD
(44191-P)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 March 2016

Company No: 44191-P

AmGENERAL INSURANCE BERHAD
(Incorporated in Malaysia)

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DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Company for the financial year ended 31 March 2016.

PRINCIPAL ACTIVITY

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

There has been no significant change in the principal activity of the Company during the financial year.

RESULTS

	RM'000
Net profit for the year	<u>192,771</u>

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

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

DIVIDENDS

The amount of dividends paid by the Company since 31 March 2015 were as follows:

	RM'000
In respect of financial year ended 31 March 2015:	
Irredeemable non-cumulative convertible preference shares ("INCPS"):	
Dividend of 5.5% per INCPS on 6,100,000 INCPS based on issue price of RM10.00 each declared on 10 June 2015 and paid on 14 September 2015	3,355
Redeemable non-cumulative convertible preference shares ("RNCPS"):	
Dividend of 5.5% per INCPS on 40,000,000 RNCPS based on issue price of RM10.00 each declared on 10 June 2015 and paid on 14 September 2015	<u>22,000</u> <u>25,355</u>

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DIVIDENDS (CONT'D.)

In respect of financial year ended 31 March 2015 (Cont'd.):

Ordinary shares:	RM'000
Interim single tier dividend of 41.67 sen per ordinary share on 600,000,000 ordinary shares declared on 27 April 2015 and paid on 15 May 2015	250,000
Final single tier dividend of 25 sen per ordinary share on 600,000,000 ordinary shares declared on 10 June 2015 and paid on 5 October 2015	<u>150,000</u>
	<u>400,000</u>
	<u>425,355</u>

SHARE OPTIONS

There were no options granted during the financial year by the Company to any parties to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As at the end of the financial year, there were no unissued shares of the Company under options.

DIRECTORS

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

Tan Sri Azman Hashim (Chairman)
(Non-independent, non-executive director)
Duncan Victor Brain
(Non-independent, non-executive director)
Aidan Richard Pallister
(Non-independent, non-executive director)
Raymond Fam Chye Soon
(Independent, non-executive director)
Wong Teck Kat (Appointed on 1 March 2016)
(Independent, non-executive director)

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DIRECTORS (CONT'D.)

Sathasivan Kunchambo (Appointed on 1 March 2016)

(Independent, non-executive director)

Dato' Zainal Azmi Zainal Ariffin (Resigned on 1 March 2016)

(Independent, non-executive director)

Leung Hoong Kuan @ Leong Thong Kuan (Resigned on 1 March 2016)

(Independent, non-executive director)

Datuk Mohamed Azmi Bin Mahmood (Resigned on 1 March 2016)

(Non-independent, non-executive director)

Chin Yuen Yin (Resigned on 29 October 2015)

(Independent, non-executive director)

CORPORATE GOVERNANCE

The Company has complied with the prescriptive requirements of, and adopted management practices that are consistent with the principles prescribed under BNM's Guideline BNM/RH/GL/003-2 Prudential Framework of Corporate Governance for Insurers.

Board responsibilities

The Board of Directors (the "Board") remains fully committed in ensuring that the principles and best practices in corporate governance are observed by the Company. The Board supervises the management of the Company in business policies and affairs with the goal of enhancing shareholder's value.

Board meetings are scheduled at least six (6) times per year where the Board addresses key matters concerning strategy, finance, organisation structure, business development, human resource, and establishes guidelines for overall business, risk and control policies, capital allocation as well as approves all key business developments.

Board activities

The Board currently comprises six (6) members with wide-ranging skills and experience. The Board is represented by three (3) non-independent, non-executive directors and three (3) independent, non-executive directors of calibre, and with necessary skills and diverse corporate experience to ensure that strategies proposed by the management are fully discussed and examined, as well as to take into account the long term interests of various stakeholders. During the financial year, the Board has met six (6) times.

All directors review the Board reports prior to the Board meetings. The reports are issued with sufficient time to enable the directors to obtain further explanations, where necessary, before the meetings.

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CORPORATE GOVERNANCE (CONT'D.)

Board activities (Cont'd.)

In addition, the Board decides on matters reserved specifically for its decision, including the approval of corporate plans and budgets, acquisitions and disposals of assets that are material to the Company, major investments, changes to the management and control structure of the Company, including key policies, procedures and authority limits.

The Board has also adopted a policy for induction and education of directors. The program is to provide essential and comprehensive information to a new director in order for him to be familiar with relevant insurance industry regulatory requirements and the Company's nature of business. The directors may also request independent professional advice, at the Company's expense. The Company Secretary, to whom the directors have independent access, assists the Board and keeps it apprised of relevant laws and regulations.

Membership and board meetings for the financial year ended 31 March 2016

<u>Members</u>	<u>Number of Meetings (Attended/Held)</u>
Tan Sri Azman Hashim (Chairman)	6/6
Duncan Victor Brain	5/6
Aidan Richard Pallister	5/6
Raymond Fam Chye Soon	6/6
Wong Teck Kat (Appointed on 1 March 2016)	* -
Sathasivan Kunchambo (Appointed on 1 March 2016)	* -
Dato' Zainal Azmi Zainal Ariffin (Resigned on 1 March 2016)	6/6
Leung Hoong Kuan @ Leong Thong Kuan (Resigned on 1 March 2016)	6/6
Datuk Mohamed Azmi Bin Mahmood (Resigned on 1 March 2016)	5/6
Chin Yuen Yin (Resigned on 29 October 2015)	3/4

Note:

* There was no board meeting held from 1 March 2016 to 31 March 2016.

Board Committees

The Board delegates certain responsibilities to the Board Committees. The Committees which were set up to assist the Board in certain areas of deliberation are as follows:

- (1) Nomination and Remuneration Committee of Directors
- (2) Risk Management Committee of Directors
- (3) Audit and Examination Committee of Directors
- (4) Investment Committee of Directors

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CORPORATE GOVERNANCE (CONT'D.)

Nomination and Remuneration Committee

The Committee comprises three (3) independent, non-executive directors and one (1) non-independent, non-executive director.

The functions of the Committee are:

- (a) regularly reviewing the board structure, size and composition, as well as making recommendation to the Board of the Company with regard to any changes that are deemed necessary;
- (b) recommending the appointment of Directors to the Board and Committees of the Board as well as annually review the mix of skills, experience and competencies that Non-Executive and Executive Directors should bring to the Board;
- (c) on an annual basis, assessing the effectiveness of the Board as a whole and the Committees as well as the contributions of the Chairman and each Director to the effectiveness of the Board;
- (d) recommending the appointments of Chief Executive Officer and key senior management positions as deemed necessary by the Committee to the Board;
- (e) recommending the removal of Director/Chief Executive Officer and his direct reports/Company Secretary if the Director/Chief Executive Officer and his direct reports/Company Secretary is ineffective, errant and negligent in discharging his responsibilities; and
- (f) recommending to the Board the framework/methodology for the remuneration of the Directors, Chief Executive Officer and other Senior Management staff, benchmarked against the industry. Remuneration is determined at levels, which enable the Company to attract and retain the Directors, Chief Executive Officer and Senior Management staff with the relevant experience and expertise needed to assist in managing the Company effectively. The services of consultants are utilised to review the methodology for rewarding Executive Directors and Management staff according to the Key Performance Indicators required to be achieved.

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CORPORATE GOVERNANCE (CONT'D.)

Membership and meetings of the Nomination and Remuneration Committee For the financial year ended 31 March 2016

<u>Members</u>	<u>Number of Meetings (Attended/Held)</u>
Raymond Fam Chye Soon (Chairman) **	6/6
Aidan Richard Pallister	5/6
Wong Teck Kat (Appointed on 1 March 2016)	* -
Sathasivan Kunchambo (Appointed on 1 March 2016)	* -
Dato' Zainal Azmi Zainal Ariffin (Resigned on 1 March 2016)	6/6
Leung Hoong Kuan @ Leong Thong Kuan (Resigned on 1 March 2016) ***	6/6
Datuk Mohamed Azmi Bin Mahmood (Resigned on 1 March 2016)	5/6
Chin Yuen Yin (Resigned on 29 October 2015)	2/3

Note:

* There was no meeting of the Nomination and Remuneration Committee held from 1 March 2016 to 31 March 2016.

** Chairman effective from 1 March 2016

*** Chairman up to 29 February 2016

Risk Management Committee

The Committee currently comprises three (3) independent, non-executive directors and one (1) non-independent, non-executive director. The primary objective of the Risk management Committee is to oversee senior management's activities in managing the key risk areas of the Company and to determine that the risk management process is in place and functioning effectively.

The functions of the Committee are:

- (a) exercise oversight over all risk and compliance matters;
- (b) review and recommend risk management strategies, policies and risk tolerance levels for the Board's approval;
- (c) continually assess the adequacy of overall risk and compliance activities;
- (d) ensure adequate infrastructure and resources are in place to support effective risk management activities;
- (e) provide assurance to the Board that the Company is operating within the risk appetite and thresholds set by the Board.

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CORPORATE GOVERNANCE (CONT'D.)

**Membership and meetings of the Risk Management Committee
For the financial year ended 31 March 2016**

<u>Members</u>	<u>Number of Meetings (Attended/Held)</u>
Sathasivan Kunchambo (Chairman) (Appointed on 1 March 2016) **	* -
Aidan Richard Pallister	5/5
Raymond Fam Chye Soon (Appointed on 1 March 2016)	* -
Wong Teck Kat (Appointed on 1 March 2016)	* -
Dato' Zainal Azmi Zainal Ariffin (Resigned on 1 March 2016)	5/5
Leung Hoong Kuan @ Leong Thong Kuan (Resigned on 1 March 2016) ***	5/5
Datuk Mohamed Azmi Bin Mahmood (Resigned on 1 March 2016)	4/5
Chin Yuen Yin (Resigned on 29 October 2015) ****	2/3

Note:

* There was no meeting of the Risk Management Committee held from 1 March 2016 to 31 March 2016.

** Chairman effective from 1 March 2016

*** Chairman from 1 December 2015 to 29 February 2016

**** Chairman up to 29 October 2015

Audit and Examination Committee

The Board has appointed the Audit and Examination Committee ("AEC") to assist in discharging its duties of maintaining a sound system of internal control to safeguard the Company's assets and shareholder's investments. The Committee currently comprises two (2) independent, non-executive directors and one (1) non-independent, non-executive director.

The primary objective of the AEC is to provide assistance to and review and report to the Board in relation to:

- (i) fulfilling the statutory and fiduciary responsibilities of the Board; and
- (ii) monitoring of the accounting and financial reporting practices of the Company.
Taxation at Malaysian statutory tax rate of 24%/25%

The AEC also determines that the Company has adequate policies, procedures and guidelines as well as operating and internal controls, and that they are being complied with and are operating effectively in promoting efficiency and proper conduct, including protection of the assets of the Company.

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CORPORATE GOVERNANCE (CONT'D.)

Membership and meetings of the Audit and Examination Committee For the financial year ended 31 March 2016

<u>Members</u>	<u>Number of Meetings (Attended/Held)</u>
Raymond Fam Chye Soon (Chairman)	6/6
Aidan Richard Pallister	5/6
Wong Teck Kat (Appointed on 1 March 2016)	* -
Leung Hoong Kuan @ Leong Thong Kuan (Resigned on 1 March 2016)	6/6
Chin Yuen Yin (Resigned on 29 October 2015)	4/4

Note:

* There was no meeting of the Audit and Examination Committee held from 1 March 2016 to 31 March 2016.

Investment Committee

The Committee currently comprises one (1) non-independent, non-executive director and one (1) independent, non-executive director. The primary objective of the Investment Committee is to oversee Investment Management's activities in managing the investment funds of the insurer and that the risk management and compliance process are effective.

The functions of the Committee are:

- (a) reviewing the investment performances of the investment portfolio by the internal investment department and external fund managers;
- (b) reviewing and recommending investment strategies within approved risk levels for the Committee's approval;
- (c) presenting the investment outlook and strategies with regards to the various asset classes of all funds under management; and
- (d) reviewing the risk management activities and the portfolio risk exposures.

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CORPORATE GOVERNANCE (CONT'D.)

Membership and meetings of the Investment Committee For the financial year ended 31 March 2016

<u>Members</u>	<u>Number of Meetings (Attended/Held)</u>
Raymond Fam Chye Soon (Appointed on 1 March 2016) (Chairman) **	* -
Aidan Richard Pallister	5/5
Datuk Mohamed Azmi Bin Mahmood (Resigned on 1 March 2016) ***	5/5
Chin Yuen Yin (Resigned on 29 October 2015)	3/4

Note:

- * There was no meeting of the Investment Committee held from 1 March 2016 to 31 March
- ** Chairman effective from 1 March 2016
- *** Chairman up to 29 February 2016

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the scheme shares and options granted pursuant to the Executives' Share Scheme of AMMB Holdings Berhad, the ultimate holding company.

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit (other than the benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 25) by reason of a contract made by the Company or a related corporation with any director or with a firm in which he is a member, or with a company in which he has a substantial financial interest, except for the related party transactions as shown in Note 31 to the financial statements.

DIRECTORS' INTERESTS

None of the Directors in office at the end of the financial year had any interest in the Company or its related corporations during the financial year.

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OTHER STATUTORY INFORMATION

- (a) Before the statement of financial position, income statement and statement of comprehensive income of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowances had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of allowances for doubtful debts in the financial statements of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Company which would render any amount stated in the financial statements misleading.
- (e) At the date of this report, there does not exist:
- (i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Company which has arisen since the end of the financial year.

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OTHER STATUTORY INFORMATION (CONT'D.)

(f) In the opinion of the directors:

- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Company to meet its obligations when they fall due; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

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

- (g) Before the statement of financial position, income statement and statement of comprehensive income of the Company were made out, the directors took reasonable steps to ascertain that there was adequate provision for its insurance liabilities in accordance with the valuation methods specified in Part D of the Risk-Based Capital ("RBC") Framework for insurers issued by BNM.

SIGNIFICANT EVENT

The significant event during the financial year is disclosed in Note 12 to the financial statements.

IMMEDIATE, PENULTIMATE AND ULTIMATE HOLDING COMPANIES

The immediate holding and penultimate holding companies are AmGeneral Holdings Berhad and AMAB Holdings Sdn. Bhd., respectively. Both the aforesaid companies are incorporated and domiciled in Malaysia. The ultimate holding company is AMMB Holdings Berhad which is listed on the Main Market of Bursa Malaysia Securities Berhad.

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AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 19 May 2016.

x 

Tan Sri Azman Hashim

Kuala Lumpur, Malaysia



Aidan Richard Pallister


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

We, Tan Sri Azman Hashim and Aidan Richard Pallister, being two of the directors of AmGeneral Insurance Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 16 to 121 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 at 31 March 2016 and of its financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 19 May 2016.

x 

Tan Sri Azman Hashim



Aidan Richard Pallister

Kuala Lumpur, Malaysia

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

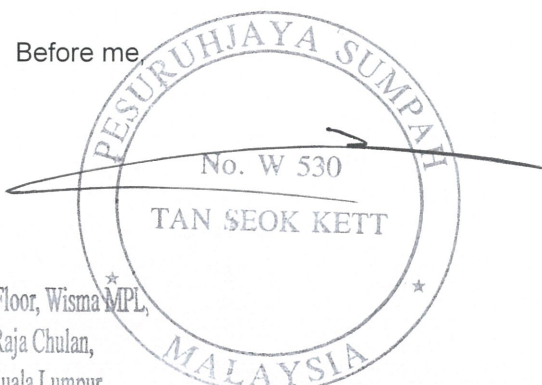
I, Derek Llewellyn Roberts, being the officer primarily responsible for the financial management of AmGeneral Insurance Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 16 to 121 are in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named Derek Llewellyn Roberts at Kuala Lumpur in Wilayah Persekutuan on 19 May 2016

x 

Derek Llewellyn Roberts

Before me



Company No : 44191-P

**Independent auditors' report to the member of
AmGeneral Insurance Berhad
(Incorporated in Malaysia)**

Report on the financial statements

We have audited the financial statements of AmGeneral Insurance Berhad, which comprise the statement of financial position as at 31 March 2016, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 16 to 121.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

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Independent auditors' report to the member of
AmGeneral Insurance Berhad (Cont'd.)
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Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2016 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.

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



Ernst & Young
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia
19 May 2016



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

Company No: 44191-P

AmGENERAL INSURANCE BERHAD
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STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016

	Note	2016 RM'000	2015 RM'000
Assets			
Property and equipment	3	77,230	76,339
Investment properties	4	5,584	13,493
Intangible assets	5	44,500	8,237
Investments	6	3,436,667	3,624,442
Reinsurance assets	7	423,932	364,228
Insurance receivables	8	72,809	63,771
Other receivables	9	127,746	120,571
Deferred tax assets	10	10,538	14,343
Tax recoverable		54,727	22,308
Cash and short-term deposits	11	274,549	183,676
Non-current assets held for sale	12	18,399	83,775
Total assets		4,546,681	4,575,183
Equity			
Share capital	13.1	646,100	646,100
Share premium	13.2	414,900	414,900
Available-for-sale fair value reserves		2,703	1,071
Retained earnings		450,611	682,629
Total equity		1,514,314	1,744,700
Liabilities			
Insurance contract liabilities	14	2,643,897	2,467,506
Other liabilities	15	12,399	9,892
Insurance payables	16	116,792	71,655
Other payables	17	240,028	261,935
Provision for retirement benefits	18	19,251	19,495
Total liabilities		3,032,367	2,830,483
Total equity and liabilities		4,546,681	4,575,183

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

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AmGENERAL INSURANCE BERHAD
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INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 RM'000	2015 RM'000
Gross earned premiums	19.1	1,581,565	1,608,905
Earned premiums ceded to reinsurers	19.2	(133,726)	(158,735)
Net earned premiums	19.3	<u>1,447,839</u>	<u>1,450,170</u>
Investment income	20	148,747	134,529
Realised gains and losses	21	(909)	30,706
Fair value gains and losses	22	1,368	5,960
Fees and commission income		29,713	28,562
Other operating income	23	3,720	2,343
Other revenue		<u>182,639</u>	<u>202,100</u>
Gross benefits and claims paid	24	(888,808)	(916,605)
Claims ceded to reinsurers	24	87,158	99,258
Gross change in contract liabilities	24	(190,570)	(24,393)
Change in contract liabilities ceded to reinsurers	24	65,163	(68,449)
Net claims	24	<u>(927,057)</u>	<u>(910,189)</u>
Fees and commission expenses		(188,364)	(189,667)
Management expenses	25	(312,358)	(258,442)
Other operating expenses	23	(596)	(55)
Other expenses		<u>(501,318)</u>	<u>(448,164)</u>
Profit before taxation		202,103	293,917
Taxation	26	(9,332)	(53,892)
Net profit for the year		<u>192,771</u>	<u>240,025</u>

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

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AmGENERAL INSURANCE BERHAD
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**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2016**

	Note	2016 RM'000	2015 RM'000
Net profit for the year		<u>192,771</u>	<u>240,025</u>
Other comprehensive income/(loss):			
<u>Other comprehensive income/(loss) to be reclassified to the income statement in subsequent periods:</u>			
Available-for-sale fair value reserve:			
Gains on fair value changes of AFS financial assets		285	8,996
Cumulative impairment losses transferred to the income statement	23	596	55
Realised losses/(gains) transferred to the income statement	21	1,248	(30,661)
		2,129	(21,610)
Tax effects thereon		(497)	5,402
Net other comprehensive income/(loss) to be reclassified to the income statement in subsequent periods		<u>1,632</u>	<u>(16,208)</u>
<u>Other comprehensive income not to be reclassified to the income statement in subsequent periods:</u>			
Re-measurement gain on defined benefit plans	18.3	780	1,016
Tax effects thereon	18.3	(154)	(224)
Net other comprehensive income not to be reclassified to the income statement in subsequent periods		<u>626</u>	<u>792</u>
Total other comprehensive income/(loss) for the year, net of taxation		<u>2,258</u>	<u>(15,416)</u>
Total comprehensive income for the year		<u>195,029</u>	<u>224,609</u>
Earnings per share (sen)			
Basic	27.1	<u>32</u>	<u>40</u>
Diluted	27.2	<u>30</u>	<u>37</u>

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

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**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2016**

	<----- Non-distributable ----->		Distributable		
	Share capital RM'000	Share premium RM'000	AFS fair value reserve RM'000	Retained earnings RM'000	Total equity RM'000
Note	(Note 13.1)	(Note 13.2)			
At 1 April 2014	646,100	414,900	17,279	467,371	1,545,650
Net profit for the year	-	-	-	240,025	240,025
Other comprehensive (loss)/income	-	-	(16,208)	792	(15,416)
Total comprehensive (loss)/income for the year	-	-	(16,208)	240,817	224,609
Dividends on INCPS and RNCPS	-	-	-	(25,355)	(25,355)
Transfer of Executive Share Scheme ("ESS") shares recharged - difference on purchase price for shares vested	-	-	-	-	-
At 31 March 2015	646,100	414,900	1,071	682,629	1,744,700
At 1 April 2015	646,100	414,900	1,071	682,629	1,744,700
Net profit for the year	-	-	-	192,771	192,771
Other comprehensive income	-	-	1,632	626	2,258
Total comprehensive income for the year	-	-	1,632	193,397	195,029
Dividends on INCPS and RNCPS	-	-	-	(25,355)	(25,355)
Dividends on ordinary shares	-	-	-	(400,000)	(400,000)
Transfer of ESS shares recharged - difference on purchase price for shares vested	-	-	-	(60)	(60)
At 31 March 2016	646,100	414,900	2,703	450,611	1,514,314

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

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AmGENERAL INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 RM'000	2015 RM'000
Operating activities			
Profit before taxation		202,103	293,917
Adjustments for:			
Investment income	20	(148,747)	(134,529)
Realised gains and losses	21	909	(30,706)
Fair value gains and losses	22	(1,368)	(5,960)
Depreciation of property and equipment	25	12,471	12,081
Intangible assets written-off	25	5	-
Property and equipment written-off	25	1,013	7
Allowance for impairment losses on property and equipment	25	-	4,116
Depreciation of investment properties	25	196	196
Amortisation of intangible assets	25	4,520	1,647
Allowance for impairment losses on investments	6.4	596	55
Reversal of allowance for impairment losses on reinsurance assets	25	(1,019)	(36,243)
Allowance for impairment losses on insurance receivables	25	3,867	5,326
Retirement benefits expense	18.2	2,058	2,182
Total adjustments		<u>(125,499)</u>	<u>(181,828)</u>
Changes in working capital:			
Purchase of AFS financial investments	6.4	(108,158)	(230,169)
Purchase of FVTPL financial investments	6.4	(368,333)	(1,416,756)
Maturity of AFS financial assets	6.4	-	30,000
Proceeds from sale of AFS financial assets	6.4	133,501	944,276
Proceeds from sale of FVTPL financial assets	6.4	530,000	180,000
Change in LAR financial assets		2,352	4,361
Reinsurance assets		(58,685)	85,555
Insurance receivables		(12,905)	18,415
Other receivables		(7,157)	(16,664)
Insurance contract liabilities		176,391	(19,020)
Other liabilities		2,507	(230)
Insurance payables		45,137	(3,852)
Other payables		(21,967)	84,271
Net increase/(decrease) in working capital		<u>312,683</u>	<u>(339,813)</u>

Company No: 44191-P

AmGENERAL INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2016 (CONT'D.)

	Note	2016 RM'000	2015 RM'000
Operating activities (Cont'd.)			
Dividend income received		144,181	122,855
Interest income received		4,272	8,138
Rental income received		342	903
Retirement benefits paid		(1,522)	(2,307)
Income tax paid		(38,597)	(59,968)
Net cash generated from/(used in) operating activities		<u>497,963</u>	<u>(158,103)</u>
Investing activities			
Proceeds from disposal of non-current assets held for sale		83,775	-
Proceeds from disposal of property and equipment		782	52
Purchase of property and equipment	3	(30,496)	(21,835)
Purchase of intangible assets	5	(35,796)	(6,163)
Net cash generated from/(used in) investing activities		<u>18,265</u>	<u>(27,946)</u>
Financing activities			
Dividend paid on INCPS and RNCPS	28	(25,355)	(25,355)
Dividend paid on ordinary shares	28	(400,000)	-
Net cash used in financing activities		<u>(425,355)</u>	<u>(25,355)</u>
Net increase/(decrease) in cash and cash equivalents		90,873	(211,404)
Cash and cash equivalents at beginning of year		183,676	395,080
Cash and cash equivalents at end of year		<u>274,549</u>	<u>183,676</u>
Cash and cash equivalents comprise:			
Cash at banks and on hand	11	61,748	114,016
Short-term deposits (with original maturity of less than three months) with:			
Licensed banks	11	<u>212,801</u>	<u>69,660</u>
Cash and cash equivalents		<u>274,549</u>	<u>183,676</u>

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

Company No: 44191-P

AmGENERAL INSURANCE BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2016

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at 22nd Floor, Bangunan AmBank Group, No. 55 Jalan Raja Chulan, 50200 Kuala Lumpur.

The principal place of business of the Company is located at Menara Shell, No 211 Jalan Tun Sambanthan, 50470 Kuala Lumpur.

The immediate holding and penultimate holding companies are AmGeneral Holdings Berhad and AMAB Holdings Sdn. Bhd., respectively. Both the aforesaid companies are incorporated and domiciled in Malaysia. The ultimate holding company is AMMB Holdings Berhad ("AMMB"). AMMB is listed on the Main Market of Bursa Malaysia Securities Berhad.

The Company is engaged principally in the underwriting of all classes of general insurance business. There has been no significant changes in the nature of the principal activity of the Company during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 19 May 2016.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

At the beginning of the current financial year, the Company had fully adopted the amended and improvements to MFRS as described fully in Note 2.3.

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

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

AmGENERAL INSURANCE BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.1 Basis of preparation (Cont'd.)

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

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

2.2 Summary of significant accounting policies

(a) Investments in subsidiaries and basis of non-consolidation

Subsidiaries are those entities over which the Company has all the following:

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

In the Company's separate financial statements, investments in subsidiaries, which relate to investments in collective investment schemes, are carried at fair value.

On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is recognised as gain or loss on disposal in the income statement.

The Company is exempted from presenting consolidated financial statements based on the criteria set out in paragraph 4 of MFRS 10 *Consolidated Financial Statements* ("MFRS 10").

The immediate holding company, AmGeneral Holdings Berhad, prepares consolidated financial statements in accordance with MFRS in Malaysia, which are available for inspection at the registered office of the immediate holding company.

AmGENERAL INSURANCE BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(b) Property and equipment

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

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

The policy for recognition and measurement of impairment losses is in accordance with Note 2.2(e).

Freehold land is not depreciated. Leased assets are depreciated over the shorter of the lease terms and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Depreciation of property and equipment is provided on a straight-line basis, to write-off the cost of each asset to its residual value over its estimated useful life at the following annual rates:

Leasehold land	Over the lease period (ranges from 37 to 80 years)
Buildings	50 years
Office improvements	3 to 5 years
Furniture and fittings	3 to 10 years
Office equipment and computers	3 to 10 years
Motor vehicles	5 years

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

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

AmGENERAL INSURANCE BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(c) Investment properties

Investment properties are properties which are owned or held under a freehold/leasehold interest to earn rental income or for capital appreciation or for both.

Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation of investment properties is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life of fifty years.

The investment properties related to freehold land is not depreciated.

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

(d) Intangible assets

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

AmGENERAL INSURANCE BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(d) Intangible assets (cont'd.)

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

Intangible assets which comprise computer application software are amortised over their estimated finite useful lives of 5 to 10 years.

The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(e).

(e) Impairment of non-financial assets

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

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's CGUs that is expected to benefit from the synergies of the combination.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. An impairment loss recognised in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(e) Impairment of non-financial assets (cont'd.)

An impairment loss is recognised in the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods. A reversal of impairment loss for an asset other than goodwill is recognised in the income statement, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(f) Investments and other financial assets

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

The classification depends on the purpose for which the investments and other financial assets were acquired or originated.

The AFS and HTM categories are used when the related liability is passively managed and/or carried at amortised cost.

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

AmGENERAL INSURANCE BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(f) Investments and other financial assets (Cont'd.)

FVTPL

Financial assets at FVTPL include financial assets held-for-trading and those designated as FVTPL at inception. Investments typically bought with the intention to sell in the near future are classified as held-for-trading. For investments designated as FVTPL, the following must be met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis, or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

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

HTM

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM when the Company has the positive intention and ability to hold until maturity. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. After initial measurement, HTM financial assets are measured at amortised cost, using the effective yield method, less allowance for impairment. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

Any sale or reclassification of more than an insignificant amount of HTM investments before maturity (other than in certain specific circumstances), would result in the entire category being tainted and having to be reclassified as AFS. Furthermore, the Company would be prohibited from classifying any investments as HTM during the following two years. On such reclassification, the difference between their carrying amount and fair value shall be accounted for in accordance with AFS investment recognition.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(f) Investments and other financial assets (Cont'd.)

LAR

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

AFS

AFS are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. These investments are initially recorded at fair value. After initial measurement, AFS are measured at fair value. Any gains or losses from changes in fair value of the investments are recognised in AFS reserve in the statement of comprehensive income.

Fair value gains and losses of monetary and non-monetary securities are reported as a separate component of equity until the investment is derecognised or is determined to be impaired. Fair value gains and losses of monetary and non-monetary securities denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on non-monetary securities are reported as a separate component of equity until the investment is derecognised.

Investments in equity instruments whose fair value cannot be reliably determined are measured at cost less accumulated impairment losses.

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

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(g) Fair value measurement

The Company measures certain financial instruments at fair value at each reporting date.

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

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

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

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(g) Fair value measurement (Cont'd.)

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

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

For investments in unit and property trust funds and collective investment schemes, fair value is determined by reference to published net asset values.

For financial instruments where there is no active market such as unquoted fixed income securities i.e. unquoted bonds, fair value is obtained from Bond Pricing Agency Malaysia Sdn. Bhd. ("BPAM").

(h) Impairment of financial assets

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

Objective evidence that a financial asset is impaired includes observable data about loss events such as significant financial difficulty of the issuer or obligor, significant adverse changes in the business environment in which the issuer or obligor operates and the disappearance of an active market for that investment because of financial difficulties which indicate that there is a measurable decrease in the estimate future cash flows. However, it may not be possible to identify a single discrete event that caused the impairment. Rather, the combined effect of several events is considered in determining whether an investment is impaired.

Assets carried at amortised cost

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(h) Impairment of financial assets (Cont'd.)

Assets carried at amortised cost (Cont'd.)

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

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

AFS financial assets

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in other comprehensive income, is transferred from other comprehensive income to income statement. Reversals of impairment losses in respect of equity instruments classified as AFS are not recognised in the income statement. Reversals of impairment losses on debt instruments classified as AFS are reversed through the income statement if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in the income statement.

When assessing the impairment of an equity instrument, the Company considers, in addition to observable data about loss events, whether there is significant or prolonged decline in the fair value of the equity instrument, and whether the cost of the investment in the equity instrument may be recovered. Where there is evidence that the cost of the investment in the equity instrument may not be recovered, impairment loss is provided.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(i) Derecognition of financial assets

A financial asset is derecognised when:

- the contractual right to receive cash flows from the financial asset expired.
- the Company retains the contractual rights to receive cash flow from the asset but has assumed obligation to pay them in full without material delay to a third party.
- the Company has transferred its rights to receive cash flows from the asset and either:
 - (a) has transferred substantially all the risks and rewards of the asset; or
 - (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

(j) Equity instruments

Ordinary share capital

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

Dividend on ordinary share capital

Dividends on ordinary shares are recognised in equity in the period in which they are declared.

INCPS and RNCPS

INCPS and RNCPS are classified as equity as they are non-redeemable and are redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(k) Product classification

The Company may issue contracts that transfer insurance risk or financial risk or both.

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

Insurance contracts are those contracts when the Company has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing claims paid with claims payable if the insured event did not occur.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can however be reclassified as
The Company currently only issues contracts that transfer insurance risk.

(l) Reinsurance

The Company cedes insurance risk in the normal course of business for all its business. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provisions or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contracts.

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

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairments 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 reliable measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in the income statement.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(l) Reinsurance (Cont'd.)

The Company also assumes reinsurance risk in the normal course of business when applicable.

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

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

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

(m) General insurance underwriting results

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

Gross premiums

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

Reinsurance premiums

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

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(m) General insurance underwriting results (Cont'd.)

Reinsurance premiums (Cont'd.)

Inward treaty reinsurance premiums comprise both proportional and non-proportional treaties. In respect of reinsurance premiums relating to proportional treaties, it is recognised on the basis of periodic advices received from the cedants given that the periodic advices reflect the individual underlying risks being incepted and reinsured at various inception dates of these risks and contractually accounted for, as such to reinsurers under the terms of the proportional treaties. In respect of reinsurance premiums relating to non-proportional treaties which cover losses occurring during a specified treaty period, the inwards treaty reinsurance premiums are recognised based on the contractual premiums already established at the start of the treaty period under the non-proportional treaty contract.

Premium liabilities

Premium liabilities represent the Company's future obligations on insurance contracts as represented by premiums received for risks that have not yet expired. In determining premium liabilities at reporting date, the method that most accurately reflects the actual unearned premium is used, as described in Note 2.2(o).

Claim liabilities

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

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

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

Acquisition costs

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(n) 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 the income statement. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2.2(h).

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.2(i), have been met.

(o) General insurance contract liabilities

General insurance contract liabilities are recognised when contracts are entered into and premiums are charged. The valuation of general insurance contract liabilities is in accordance with the RBC Framework issued by BNM.

These liabilities comprise claim liabilities and premium liabilities.

Claim liabilities

Claim liabilities are recognised in respect of both direct insurance and inward reinsurance. Claim liabilities refer to the obligation by the Company, whether contractual or otherwise to make future payments in relation to all claims that have been incurred as at valuation date. These include provision for claims reported, claims incurred but not reported ("IBNR"), claims incurred but not enough reserved ("IBNER") and together with related claims handling costs. Claim liabilities consist of the best estimate value of the claim liabilities and the Provision of Risk Margin for Adverse Deviation ("PRAD") calculated at the overall level. The liability is discounted at a risk free rate. No provision for equalisation or catastrophe reserve is recognised. The liabilities are derecognised when the claim is paid and settled, discharged or cancelled.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(o) General insurance contract liabilities (Cont'd.)

Premium liabilities

Premium liabilities are the higher of the following:

- (a) aggregate of the unearned premium reserves ("UPR"); and
- (b) the best estimate value of the Company's unexpired risk reserves ("URR") as at the valuation date and the PRAD calculated at the overall level.

UPR

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

In determining UPR at the end of the reporting period, the method that most accurately reflects the actual unearned premium used is as follows:

- (a) 25% method for Malaysian marine cargo, aviation cargo and transit business
- (b) Daily time apportionment method for all other classes
- (c) 1/24th method for inward treaty business

URR

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 Company's expenses, including overheads and cost of reinsurance, expected to be incurred during administration of these policies and settling the relevant claims, and expected future premium refunds. The URR is discounted at a risk free rate.

Liability adequacy test

At each reporting date, the Company reviews its unexpired risks and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows (taking into consideration current loss ratios) after taking account of the investment return expected to arise on assets relating to the relevant general insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums less related deferred acquisition costs is inadequate, the deficiency is recognised in the income statement by setting up a provision for liability adequacy.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(p) Other revenue recognition

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

Rental income

Rental income is recognised on an accrual basis except where default in payment of rent has already occurred and rent due remains outstanding for more than six months, in which case recognition of rental income is suspended. Subsequent to suspension, rental income is recognised on the receipt basis until all arrears have been paid.

Interest income

Interest income is recognised in the financial statements on an accrual basis using the effective interest method except for interest on loans which are considered non-performing, i.e., where repayments are in arrears for more than six months, in which case recognition of such interest is suspended. Subsequent to suspension, interest income is recognised on the receipt basis until all arrears have been paid.

Dividend income

Dividend income represents gross dividends from quoted and unquoted investments and is recognised when the right to receive payment is established.

Realised gains and losses on investments

Realised gains and losses recorded in the income statement on investments include gains and losses on financial assets. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the carrying value and are recorded on occurrence of the sale transaction.

Fees and commission income

Reinsurance commission income is recognised in the income statement for policy administration services, in the period in which they are incurred.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(q) Taxation

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

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

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

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

(r) Provisions

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

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(s) Employee benefits

Short-term benefits

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

Defined contribution plans

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

Defined benefit plans

The calculation of defined benefit obligations is performed annually by qualified actuaries using the projected unit credit method.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in the statement of comprehensive income in the period in which they occur and recorded in defined benefit reserve. Remeasurements are not reclassified to the income statement in subsequent periods.

Past service costs are recognised in the income statement on the earlier of:

- The date of the plan amendment or curtailment; or
- The date that the Company recognises restructuring-related costs.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(s) Employee benefits (Cont'd.)

Defined benefit plans (cont'd.)

Net interest and other expenses relating to defined benefit plans are calculated by applying the discount rate to the net defined benefit liability or asset and recognised in the income statement.

Share-based compensation

The ultimate holding company, AMMB, operates an equity-settled share-based compensation scheme wherein shares or options to subscribe for shares of AMMB are granted to eligible directors or employees of the AMMB Group of Companies ("AMMB Group") based on the financial and performance criteria and such conditions as it may deem fit.

The cost of this equity-settled share-based compensation for the Company (being the fair value at grant date) is recognised in the income statement as "Employee benefits expenses", together with a corresponding increase in prepayment to the ultimate holding company, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date").

The estimated number of grants to be ultimately vested and its financial impact are reviewed quarterly and adjustments made accordingly to the income statement to reflect changes in the non-market vesting conditions.

Upon vesting, any losses arising from the differences between the fair value of vested shares or options at vesting date and the fair value of vested shares or options at grant date is payable to AMMB with the corresponding amount recognised directly in retained earnings.

(t) Foreign currencies

(i) Functional and presentation currency

The financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(t) Foreign currencies (Cont'd.)

(ii) Foreign currency transactions

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currencies are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in the income statement for the year except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(u) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities are recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

All financial liabilities of the Company, comprising insurance payables and other payables, except for those covered under MFRS 4 and MFRS 119, are classified as other financial liabilities.

Insurance payables and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

For other financial liabilities, gains and losses are recognised in the income statement when the liabilities are derecognised, and through the amortisation process.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(u) Financial liabilities (Cont'd.)

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

(v) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and at banks, and deposits held at call with financial institutions with original maturities of three months or less. It excludes deposits which are held for investment purposes.

The statement of cash flows is prepared using the indirect method.

(w) Leased assets

(i) Finance leases

Leases, where the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition the asset is accounted for in accordance with the accounting policy applicable to the asset.

Minimum lease payments made under finance lease are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property and equipment.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (Cont'd.)

(w) Leased assets (Cont'd.)

(ii) Operating leases

Leases, where the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the Company's statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

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

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

(x) Non-current asset held for sale

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

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

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

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

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Changes in accounting policies

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

On 1 April 2015, the Company adopted the following amended and improvements to MFRS mandatory for annual financial periods beginning on or after 1 April 2015.

- Amendments to MFRS 119 Defined Benefit Plans: Employee Contributions
- Annual Improvements 2010-2012 Cycle
- Annual Improvements 2011-2013 Cycle

The adoption of the above pronouncements did not have any impact on the financial statements of the Company.

2.4 Standards issued but not yet effective

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

Effective for financial periods beginning on or after 1 January 2016

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

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Standards issued but not yet effective (Cont'd.)

Effective for financial periods beginning on or after 1 January 2018

- MFRS 15 *Revenue from Contracts with Customers*
- MFRS 9 *Financial Instruments*

Deferred

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

The management expects that the adoption of the above standards and annual improvements to standards issued by MASB, but not yet effective, will have no material impact on the financial statements in the period of initial application except as discussed below:

MFRS 9 Financial Instruments

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

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

(a) Classification and measurement

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

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

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Standards issued but not yet effective (Cont'd.)

(a) Classification and measurement (Cont'd.)

- A new asset category for non-traded equity investments measured at FVOCI is introduced; and
- Classification of financial liabilities will remain largely unchanged, other than the fair value gains and losses attributable to changes in 'own credit risk' for financial liabilities designated and measured at fair value through profit or loss to be presented in other comprehensive income.

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

(b) Impairment

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

(c) Hedge accounting

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

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

2.5 Significant accounting judgements, estimates and assumptions

(a) Critical judgements made in applying accounting policies

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

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Significant accounting judgements, estimates and assumptions (Cont'd.)

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

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

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates, by definition, may cause material adjustments to the carrying amounts of assets and liabilities within the next financial year such as those discussed below:

(i) *Deferred tax assets (Note 10)*

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

(ii) *Income taxes (Note 26)*

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

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

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

Management estimates that the residual values and remaining useful lives of the Company's assets continue to be applicable for the current financial year.

(iv) *Impairment of AFS financial assets (Note 2.2(h))*

The Company reviews its AFS financial assets at each reporting date to assess whether there are any objective evidence that these financial assets are impaired. If there are indicators or objective evidence, these assets are subjected to impairment review.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Significant accounting judgements, estimates and assumptions (Cont'd.)

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

(iv) Impairment of AFS financial assets (Note 2.2(h))

In carrying out the impairment review, the following judgments are required:

- (i) Determination whether the investment is impaired based on certain indicators such as, amongst others, prolonged decline in fair value, significant financial difficulties of the issuer or obligors, the disappearance of an active trading market and deterioration of the credit quality of the issuers or obligors; and
- (ii) Determination of “significant” or “prolonged” requires judgment and management evaluation on various factors, such as historical fair value movement, the duration and extent of reduction in fair value.

(v) Impairment of receivables (Notes 8 and 9)

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. In line with the requirements of BNM Guidelines, where receivables that are individually assessed for impairment is past due for more than 90 days or 3 months, objective evidence of impairment is deemed to exist. Accordingly, management will assess such receivables to determine if an impairment event has occurred. Other factors considered by the Company are probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where evidence exists that a receivable is impaired, the Company will recognise the impairment loss in the income statement.

(b) Key sources of estimation uncertainty and assumptions

(i) Valuation of general insurance contract liabilities (Note 14)

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

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

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Significant accounting judgements, estimates and assumptions (Cont'd.)

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

(i) Valuation of general insurance contract liabilities (Note 14) (Cont'd.)

The main assumption underlying these techniques is that the Company's past claims development experience can be used to project future claims development and hence, ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier periods and expected loss ratios. Historical claims development is mainly analysed by accident periods, but can also be further analysed by geographical areas, as well as by significant business lines and claims type. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. We use discounting and in most cases, explicit assumptions are made regarding future rates of claims inflation or loss ratios. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (for example, to reflect once-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, level of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

(ii) Uncertainty in accounting estimates for general insurance business (Note 14)

The principal uncertainty in the Company's general insurance business arises from the technical provisions which include the premium liabilities and claim liabilities. The premium liabilities comprise unearned premium reserves, unexpired risk reserves and provision for risk margin for adverse deviation while claim liabilities comprise provision for outstanding claims.

Generally, premium and claim liabilities are determined based upon previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Particularly relevant is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions and economic conditions. It is certain that actual future premiums and claims liabilities will not exactly develop as projected and may vary from the insurance/reinsurance subsidiaries' projections.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Significant accounting judgements, estimates and assumptions (Cont'd.)

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

(ii) Uncertainty in accounting estimates for general insurance business (Note 14) (Cont'd.)

The estimates of premium and claim liabilities are therefore sensitive to various factors and uncertainties. The establishment of technical provisions is an inherently uncertain process and, as a consequence of this uncertainty, the eventual settlement of premiums and claims liabilities may vary from the initial estimates.

There may be significant reporting lags between the occurrence of an insured event and the time it is actually reported to the Company. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude of the claim.

There are many factors that will determine the level of uncertainty such as inflation, inconsistent judicial interpretations, legislative changes and claims handling procedures.

At each reporting date, these estimates are reassessed for adequacy and changes will be reflected as adjustments to the liability.

(iii) Fair value of assets determined using valuation techniques (Notes 2.2(g) and 36)

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

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

The valuation techniques described above are calibrated annually.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.5 Significant accounting judgements, estimates and assumptions (Cont'd.)

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

(iv) Pipeline premium

The Company has recognised gross pipeline premium amounting to approximately RM16.3 million (2015: RM16.3 million) for the current financial year. Estimation made by management is based on the actual pipeline trend during the past 2 years. As estimations are inherently uncertain, actual premiums may differ from the estimated premiums.

(v) Amortisation of intangible assets (Note 5)

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

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

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

(vi) Defined benefits plans (Note 18)

The cost of the defined benefit plan and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, expected rate of returns on investments, future salary increases, mortality rates, resignation rates and future increases. Due to the complexity of the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of high quality government bonds in their respective currencies and extrapolated maturity corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rates.

Further details about the assumptions used, including a sensitivity analysis, are given in Note 18.

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3. PROPERTY AND EQUIPMENT

	Freehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Office improvements RM'000	Furniture and fittings RM'000	Office equipment and computers RM'000	Motor vehicles RM'000	Total RM'000
Cost								
At 1 April 2014	8,782	24,933	106,413	8,260	20,601	74,813	3,068	246,870
Additions	-	-	-	73	751	20,978	33	21,835
Disposals	-	-	-	-	-	(126)	(1,168)	(1,294)
Write off	-	-	-	-	(7)	(13)	-	(20)
Transferred to non-current assets held for sale	-	(22,458)	(72,172)	(2,410)	(1,806)	-	-	(98,846)
Reclassification	2	-	(2)	-	-	-	-	-
At 31 March 2015	8,784	2,475	34,239	5,923	19,539	95,652	1,933	168,545
Additions	-	-	-	11,176	7,447	11,873	-	30,496
Disposals	-	-	(550)	-	-	-	-	(550)
Write off	-	-	-	-	(13,457)	(28,776)	-	(42,233)
Transferred to non-current assets held for sale	(4,286)	-	(7,564)	-	-	-	-	(11,850)
Reclassified to intangible assets	-	-	-	-	-	(4,992)	-	(4,992)
At 31 March 2016	4,498	2,475	26,125	17,099	13,529	73,757	1,933	139,416
Accumulated depreciation								
At 1 April 2014	-	1,015	8,511	6,327	15,823	58,226	2,344	92,246
Charge for the year	-	250	2,202	704	1,166	7,479	280	12,081
Disposals	-	-	-	-	-	(126)	(1,161)	(1,287)
Write off	-	-	-	-	-	(13)	-	(13)
Transferred to non-current assets held for sale	-	(1,115)	(7,008)	(1,715)	(1,124)	-	-	(10,962)
At 31 March 2015	-	150	3,705	5,316	15,865	65,566	1,463	92,065
Charge for the year	-	221	680	1,484	1,070	8,802	214	12,471
Disposals	-	-	(107)	-	-	-	-	(107)
Write off	-	-	-	-	(12,883)	(28,337)	-	(41,220)
Transferred to non-current assets held for sale	-	-	(1,150)	-	-	-	-	(1,150)
At 31 March 2016	-	371	3,128	6,800	4,052	46,031	1,677	62,059

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3. PROPERTY AND EQUIPMENT (CONT'D.)

	Freehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Office improvements RM'000	Furniture and fittings RM'000	Office equipment and computers RM'000	Motor vehicles RM'000	Total RM'000
Accumulated impairment								
At 1 April 2014	-	-	134	-	-	-	-	134
Impairment loss for the year	-	-	4,116	-	-	-	-	4,116
Transferred to non-current assets held for sale	-	-	(4,109)	-	-	-	-	(4,109)
At 31 March 2015	-	-	141	-	-	-	-	141
Transferred to non-current assets held for sale	-	-	(14)	-	-	-	-	(14)
At 31 March 2016	-	-	127	-	-	-	-	127
Net carrying amounts								
At 31 March 2015	8,784	2,325	30,393	607	3,674	30,086	470	76,339
At 31 March 2016	4,498	2,104	22,870	10,299	9,477	27,726	256	77,230

During the current financial year, the Company reclassified its freehold land and buildings (2015: Long term leasehold land and buildings and other related assets) with a net carrying amount of RM10,686,000 (2015: RM83,775,000) (after impairment losses of nil (2015: RM4,116,000)) to non-current assets held for sale as disclosed in Note 12. The impairment loss of RM4,116,000 was recognised in the previous financial year in order to reflect the carrying amount of the property at the agreed price as stated in the Sale and Purchase Agreement less cost to sell, prior to transfer to non-current assets held for sale.

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4. INVESTMENT PROPERTIES

	2016	2015
	RM'000	RM'000
Cost		
At 1 April 2015/2014	17,508	17,508
Transferred to non-current assets held for sale (Note 12)	(7,713)	-
At 31 March 2016/2015	<u>9,795</u>	<u>17,508</u>
Accumulated depreciation		
At 1 April 2015/2014	4,015	3,819
Charge for the year	196	196
At 31 March 2016/2015	<u>4,211</u>	<u>4,015</u>
Carrying amount	<u>5,584</u>	<u>13,493</u>
Fair value	<u>9,200</u>	<u>21,320</u>

The Company's investment properties consist of office floors. In the previous year, investment properties also included freehold land which has been transferred to non-current assets held for sale in the current year.

The fair value of the properties disclosed above are based on valuations performed by PPC International Sdn Bhd who is an accredited independent valuer. PPC International Sdn Bhd are specialists in valuing these types of properties. The valuation model applied is in accordance with that recommended by the International Valuation Standards Committee and meets the requirements of MFRS 13.

Description of valuation techniques used and key inputs to valuation of the investment properties are as follows:

Description	Fair value as at 31 March 2016 RM'000	Valuation techniques	Unobservable inputs	Range
Office floors	9,200	Comparison/ income approach	Estimated sales value per sq. ft. Estimated rental value per sq. ft. Period of sale	RM390 to RM654 RM 3.00 to RM8.50 (2015)

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4. INVESTMENT PROPERTIES (CONT'D.)

Description	Fair value as at 31 March 2015 RM'000	Valuation techniques	Unobservable inputs	Range
Commercial freehold land	12,120	Comparison approach	Estimated sales value per sq. ft. Period of sale	RM405 to RM665 (2012 to 2013)
Office floors	9,200	Comparison/ income approach	Estimated sales value per sq. ft. Estimated rental value per sq. ft. Period of sale	RM630 to RM1,160 RM 3.00 to RM8.50 (2011 to 2013)

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

Fair value hierarchy disclosures for investment properties have been provided in Note 36.

The Company has determined that the highest and best use of the properties are its current use.

The amount of rental income and expenses related to investment properties recorded in the income statement are as follows:

	2016 RM'000	2015 RM'000
Rental income derived from investment properties	241	317
Direct operating expenses (including repairs and maintenance) generating rental income	<u>(439)</u>	<u>(393)</u>
Loss arising from investment properties	<u>(198)</u>	<u>(76)</u>

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

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5. INTANGIBLE ASSETS

	Computer application software - in use RM'000	Computer application software - work in progress RM'000	Total RM'000
Cost			
At 1 April 2014	16,145	203	16,348
Additions	6,163	-	6,163
At 31 March 2015	22,308	203	22,511
Additions	24,813	10,983	35,796
Written off	(150)	-	(150)
Reclassified from property and equipment	-	4,992	4,992
At 31 March 2016	46,971	16,178	63,149
Accumulated amortisation			
At 1 April 2014	12,627	-	12,627
Amortisation for the year	1,647	-	1,647
At 31 March 2015	14,274	-	14,274
Amortisation for the year	4,520	-	4,520
Written off	(145)	-	(145)
At 31 March 2016	18,649	-	18,649
Net carrying amount			
At 31 March 2015	8,034	203	8,237
At 31 March 2016	28,322	16,178	44,500

Intangible assets comprise computer application software which were developed or acquired to meet the specific requirements of the Company.

6. INVESTMENTS

	Note	2016 RM'000	2015 RM'000
Debt securities		5,060	5,107
Equity securities		48,001	47,310
Loans		5,065	10,919
Fixed and call deposits		10,098	6,833
Investments in subsidiaries:			
Collective investment schemes	6.5	3,368,443	3,554,273
		<u>3,436,667</u>	<u>3,624,442</u>

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6. INVESTMENTS (CONT'D.)

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

	Note	2016 RM'000	2015 RM'000
Loans and receivables ("LAR")	6.1	15,163	17,752
Available-for-sale ("AFS")	6.2	535,368	560,255
Fair value through profit or loss ("FVTPL")	6.3	2,886,136	3,046,435
		<u>3,436,667</u>	<u>3,624,442</u>

6.1 LAR

	2016 RM'000	2015 RM'000
At amortised cost:		
Fixed and call deposits with licensed banks	10,098	6,833
Loans:		
Commercial loans	2,250	6,750
Mortgage loans	2,665	3,684
Other loans	387	485
	5,302	10,919
Less: Impairment loss	(237)	-
	<u>5,065</u>	<u>10,919</u>
	<u>15,163</u>	<u>17,752</u>

Movement in the provision for impairment losses of LAR:

At 1 April 2015/2014	-	-
Charge for the year	237	-
At 31 March 2016/2015	<u>237</u>	<u>-</u>

The carrying value of the fixed and call deposits with licensed banks approximates fair value due to the relatively short term maturities.

The carrying values of the commercial loans, mortgage loans and other loans are reasonable approximates of fair values due to the insignificant impact of discounting.

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6. INVESTMENTS (CONT'D.)

6.2 AFS

	2016	2015
	RM'000	RM'000
At fair value:		
Equity securities:		
Quoted in Malaysia	46,571	45,880
Collective investment schemes (Note 6.5):		
Quoted in Malaysia	482,307	507,838
Debt securities:		
Unquoted in Malaysia	5,060	5,107
	<u>533,938</u>	<u>558,825</u>
At cost less impairment loss:		
Equity securities:		
Unquoted in Malaysia	1,430	1,430
	<u>535,368</u>	<u>560,255</u>

Movement in the provision for impairment losses of AFS:

At 1 April 2015/2014	-	3,433
Charge for the year	359	55
Transfer to realised gain upon disposal	(359)	(3,488)
At 31 March 2016/2015	<u>-</u>	<u>-</u>

6.3 FVTPL

	2016	2015
	RM'000	RM'000
At fair value:		
Collective investment schemes (Note 6.5):		
Quoted in Malaysia	<u>2,886,136</u>	<u>3,046,435</u>

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6. INVESTMENTS (CONT'D.)

6.4 Carrying values of investments

	LAR RM'000	AFS RM'000	FVTPL RM'000	TOTAL RM'000
At 1 April 2015	17,752	560,255	3,046,435	3,624,442
Purchases	3,266	108,158	368,333	479,757
Maturities	(5,618)	-	-	(5,618)
Disposals	-	(133,501)	(530,000)	(663,501)
Realised losses recorded in:				
Income statement	-	(1,248)	-	(1,248)
Fair value gains recorded in:				
Income statement	-	-	1,368	1,368
Other comprehensive income	-	2,129	-	2,129
Movement in impairment allowance	(237)	(359)	-	(596)
Amortisation net of accretion	-	(66)	-	(66)
At 31 March 2016	<u>15,163</u>	<u>535,368</u>	<u>2,886,136</u>	<u>3,436,667</u>
At 1 April 2014	22,113	1,295,503	1,803,719	3,121,335
Purchases	80	230,169	1,416,756	1,647,005
Maturities	(4,441)	(30,000)	-	(34,441)
Disposals	-	(944,276)	(180,000)	(1,124,276)
Realised gains recorded in:				
Income statement	-	30,661	-	30,661
Fair value gains/(losses) recorded in:				
Income statement	-	-	5,960	5,960
Other comprehensive income	-	(21,610)	-	(21,610)
Movement in impairment allowance	-	(55)	-	(55)
Amortisation net of accretion	-	(137)	-	(137)
At 31 March 2015	<u>17,752</u>	<u>560,255</u>	<u>3,046,435</u>	<u>3,624,442</u>

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6. INVESTMENTS (CONT'D.)

6.5 Investments in subsidiaries - collective investment schemes

	2016	2015
	RM'000	RM'000
At fair value:		
AFS (Note 6.2)	482,307	507,838
FVTPL (Note 6.3)	2,886,136	3,046,435
	<u>3,368,443</u>	<u>3,554,273</u>

Details of the Company's investments in subsidiaries - collective investment schemes in Malaysia are as follows:

Name of wholesale unit trust fund	Principal activities	% of ownership interest held by the Company	
		2016	2015
AmCash Institutional 1	Investment in money market	83.65%	95.77%
AmIncome Institutional 1	Investment in debt securities and money market	99.74%	99.70%
AmIncome Institutional 3	Investment in debt securities and money market	99.96%	99.95%
Philip Institutional Fixed Income Fund	Investment in debt securities and money market	100.00%	100.00%

7. REINSURANCE ASSETS

	Note	2016	2015
		RM'000	RM'000
Reinsurance assets on:			
Claims liabilities	14.1	383,534	318,371
Premium liabilities	14.2	47,912	54,390
		<u>431,446</u>	<u>372,761</u>
Allowance for impairment losses		(7,514)	(8,533)
		<u>423,932</u>	<u>364,228</u>

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7. REINSURANCE ASSETS (CONT'D.)

Movement in the provision for impairment losses of reinsurance assets:

	Individually impaired	
	2016 RM'000	2015 RM'000
At 1 April 2015/2014	8,533	44,776
Charge for the year	-	5,077
Recovery for the year	(1,019)	(41,320)
Net movement for the year	(1,019)	(36,243)
At 31 March 2016/2015	7,514	8,533

During the year, the Company reversed impairment losses of RM1,019,000 (2015: RM41,320,000) in respect of recoveries related to a reinsurer of which balances were considered doubtful of recovery in previous years, as a result of repayment.

8. INSURANCE RECEIVABLES

	2016 RM'000	2015 RM'000
Due premiums including agents, brokers and co-insurers balances	85,967	80,889
Due from reinsurers and cedants	20,719	16,430
	106,686	97,319
Allowance for impairment losses	(33,877)	(33,548)
	72,809	63,771

Movement in the provision for impairment losses of insurance receivables:

	Individually impaired RM'000	Collectively impaired RM'000	Total RM'000
At 1 April 2014	63,521	4,328	67,849
Charge for the year	4,920	406	5,326
Recovery for the year	393	-	393
Amounts written off	(40,020)	-	(40,020)
At 31 March 2015	28,814	4,734	33,548
At 1 April 2015	28,814	4,734	33,548
Charge for the year	2,324	1,543	3,867
Recovery for the year	813	-	813
Amounts written off	(4,351)	-	(4,351)
At 31 March 2016	27,600	6,277	33,877

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8. INSURANCE RECEIVABLES (CONT'D.)

The carrying amounts disclosed above approximate fair value at the reporting date. In the previous year, the Company wrote-off individually impaired insurance receivables of RM40,020,000 owing from a reinsurer of which balances were considered doubtful of recovery in the previous years, due to its deteriorating financial performance and credit rating. The write-off was made upon entering into a commutation agreement with the said reinsurer.

The Company's insurance receivables that have been offset against insurance payable are as follows:

	2016	2015
	RM'000	RM'000
Gross amount of recognised insurance receivables	120,574	120,263
Less:		
Gross amount of recognised insurance payables set off against the insurance receivables that met the criteria of legally enforceable right to set-off	<u>(13,888)</u>	<u>(22,944)</u>
Net amount of recognised in insurance receivables	<u>106,686</u>	<u>97,319</u>

9. OTHER RECEIVABLES

	2016	2015
	RM'000	RM'000
Income due and accrued	13,448	12,467
Malaysian Institute of Insurance ("MII") bonds	400	400
Share of net assets held under Malaysian Motor Insurance Pool ("MMIP")*	73,591	63,919
Amounts owing by ultimate holding, holding and other related companies	1,299	795
Reinsurance deposits	16,813	17,601
Sundry receivables	<u>22,366</u>	<u>25,560</u>
	127,917	120,742
Allowance for impairment losses	<u>(171)</u>	<u>(171)</u>
	<u>127,746</u>	<u>120,571</u>

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9. OTHER RECEIVABLES (CONT'D.)

Movement in the provision for impairment losses (individually impaired) of other receivables:

	2016 RM'000	2015 RM'000
At 1 April 2015/2014	171	171
Charge for the year	-	-
At 31 March 2016/2015	<u>171</u>	<u>171</u>

The carrying amounts (other than share of net assets held under MMIP) disclosed above approximate fair value at the reporting date due to the relatively short-term maturity of these balances.

The amounts owing by ultimate holding, holding and other related companies are unsecured, interest free and repayable on demand.

- * As a participating member of MMIP, the Company shares a proportion of the Pool's net assets/liabilities. At each reporting date, the Company accounts for its share of the assets, liabilities and performance of the Pool. The net assets held under MMIP represents the Company's share of the Pool's net assets, before insurance contract liabilities. The Company's share of the Pool's insurance contract liabilities and net exposure arising from its participation in the Pool is disclosed in Notes 14 and 35.2.1, respectively.

The net assets held under MMIP of the Company includes cash contribution of RM34.3 million (2015: RM27.3 million) made to MMIP, following additional cash calls of RM7.0 million (2015: RM9.4 million) made by the Pool during the current financial year. The cash contributions were made in respect of the Company's share of MMIP's accumulated losses up to 31 December 2014.

10. DEFERRED TAXATION

	2016 RM'000	2015 RM'000
At 1 April 2015/2014	14,343	23,005
Recognised in:		
Income statement (Note 26)	(3,154)	(13,840)
Other comprehensive income	(651)	5,178
At 31 March 2016/2015	<u>10,538</u>	<u>14,343</u>

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10. DEFERRED TAXATION (CONT'D.)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. Net deferred tax assets shown on the statement of financial position have been determined after considering appropriate offsetting as follows:

	2016	2015
	RM'000	RM'000
Deferred tax assets	25,423	21,475
Deferred tax liabilities	(14,885)	(7,132)
	<u>10,538</u>	<u>14,343</u>

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

Deferred tax assets:

	Provisions	Total
	RM'000	RM'000
At 1 April 2014	31,728	31,728
Recognised in:		
Income statement	(10,253)	(10,253)
At 31 March 2015	<u>21,475</u>	<u>21,475</u>
Recognised in:		
Income statement	3,948	3,948
At 31 March 2016	<u>25,423</u>	<u>25,423</u>

Deferred tax liabilities:

	AFS	Property	Others	Total
	fair value	and	RM'000	RM'000
	reserve	equipment	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000
At 1 April 2014	(5,759)	(2,418)	(546)	(8,723)
Recognised in:				
Income statement	-	(2,514)	(1,073)	(3,587)
Other comprehensive income	5,402	-	(224)	5,178
At 31 March 2015	<u>(357)</u>	<u>(4,932)</u>	<u>(1,843)</u>	<u>(7,132)</u>
Recognised in:				
Income statement	-	(7,941)	839	(7,102)
Other comprehensive income	(497)	-	(154)	(651)
At 31 March 2016	<u>(854)</u>	<u>(12,873)</u>	<u>(1,158)</u>	<u>(14,885)</u>

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11. CASH AND SHORT-TERM DEPOSITS

	2016	2015
	RM'000	RM'000
Cash at banks and on hand	61,748	114,016
Short-term deposits (with original maturity of less than three months) with:		
Licensed banks	<u>212,801</u>	<u>69,660</u>
	<u>274,549</u>	<u>183,676</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

Included in short-term deposits of the Company is a cash call amount of RM41.9 million (2015: Nil) received from reinsurers for a large loss.

12. NON-CURRENT ASSETS HELD FOR SALE

	Note	2016	2015
		RM'000	RM'000
At 1 April 2015/2014		83,775	-
Disposal (i)		(83,775)	-
Transferred from property and equipment (ii)	3	10,686	83,775
Transferred from investment properties (ii)	4	<u>7,713</u>	-
At 31 March 2016/2015		<u>18,399</u>	<u>83,775</u>

During the current financial year, the Company:

- (i) Completed the disposals of certain leasehold land and buildings and others related assets to a third party for a total cash consideration of RM83,775,000.
- (ii) Entered into Sale and Purchase Agreements in February and March 2016, for the proposed disposals of its self-occupied and investment properties. The disposals have not been completed as at the date of this report as certain conditions precedent have yet to be met.

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13. SHARE CAPITAL AND SHARE PREMIUM

13.1 Share capital

	Note	2016 RM'000	2015 RM'000
Ordinary shares of RM1.00 each	(a)	600,000	600,000
INCPS of RM1.00 each	(b)	6,100	6,100
RNCPS of RM1.00 each	(c)	40,000	40,000
		<u>646,100</u>	<u>646,100</u>

(a) Ordinary shares of RM1.00 each:

	<----- 2016 ----->		<----- 2015 ----->	
	No. of shares ('000)	Amount RM'000	No. of shares ('000)	Amount RM'000
Authorised:				
At 1 April 2014 and at 31 March 2016/2015	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,500,000</u>
Issued and paid-up:				
At 1 April 2014 and at 31 March 2016/2015	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>

(b) INCPS of RM1.00 each:

	<----- 2016 ----->		<----- 2015 ----->	
	No. of shares ('000)	Amount RM'000	No. of shares ('000)	Amount RM'000
Authorised:				
1 April 2014 and at 31 March 2016/2015	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Issued and paid-up:				
1 April 2014 and at 31 March 2016/2015	<u>6,100</u>	<u>6,100</u>	<u>6,100</u>	<u>6,100</u>

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13. SHARE CAPITAL AND SHARE PREMIUM

13.1 Share capital (Cont'd.)

(b) INCPS of RM1.00 each (Cont'd.):

The salient features of the INCPS issued by the Company are as follows:

- (i) Subject always to the prior approval of BNM and the discretion of the Board, the INCPS confer on the holders the right to a non-cumulative preferential dividend calculated at 5.5% per annum each year to be declared and paid within six months from the end of each financial year, calculated based on the issue price of the INCPS, in priority to any other classes of shares to the extent that there are profits available for the distribution and compliance with the capital adequacy requirements as stipulated by BNM.
- (ii) The INCPS holders are entitled at any time to convert all or any of the INCPS held to ordinary shares in the Company, pari passu as between themselves, on the basis of one (1) INCPS for one (1) new ordinary share.
- (iii) The INCPS shall not be transferable (in whole or in part) and shall not be redeemed by the Company.

(c) RNCPS of RM1.00 each:

	<----- 2016 ----->		<----- 2015 ----->	
	No. of shares ('000)	Amount RM'000	No. of shares ('000)	Amount RM'000
Authorised:				
1 April 2014 and at 31 March 2016/2015	400,000	400,000	400,000	400,000
Issued and paid-up:				
1 April 2014 and at 31 March 2016/2015	40,000	40,000	40,000	40,000

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13. SHARE CAPITAL AND SHARE PREMIUM

13.1 Share capital (Cont'd.)

(c) RNCPS of RM1.00 each (Cont'd.):

The salient features of the RNCPS issued by the Company are as follows:

- (i) Subject always to the prior approval of BNM and the discretion of the Board, the RNCPS confer on the holders the right to a non-cumulative preferential dividend calculated at 5.5% per annum each year to be declared and paid within six months from the end of each financial year, calculated based on the issue price of the RNCPS, in priority to any other classes of shares to the extent that there are profits available for the distribution and compliance with the capital adequacy requirements as stipulated by BNM.
- (ii) The RNCPS holders are entitled at any time to convert all or any of the RNCPS held to ordinary shares in the Company, *pari passu* as between themselves, on the basis of one (1) RNCPS for one (1) new ordinary share.
- (iii) The RNCPS shall not be transferable (in whole or in part). Subject to the prior approval of BNM and the provisions of Section 61 of the Companies Act, 1965 in Malaysia, the RNCPS may at the sole discretion of the Company be redeemed at a redemption price which is equal to the issue price at which the relevant RNCPS have been issued. It should be redeemed upon and subject to the terms hereunder, provided that the Company shall not redeem any RNCPS during the first five years of the issue of the RNCPS.

13.2 Share premium

	2016	2015
	RM'000	RM'000
INCPS (Note 13.1(b))	54,900	54,900
RNCPS (Note 13.1(c))	360,000	360,000
	<u>414,900</u>	<u>414,900</u>

The share premium arose as a result of:

- Issuance of 6,100,000 INCPS of RM1.00 each at an issue price of RM10.00 per INCPS, resulting in a share premium of RM54,900,000; and
- Issuance of 40,000,000 RNCPS of RM1.00 each at an issue price of RM10.00 per RNCPS, resulting in a share premium of RM360,000,000.

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14. INSURANCE CONTRACT LIABILITIES

Note	←----- 2016 -----→			←----- 2015 -----→		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Provision for claims reported by policyholders Provision for incurred but not reported claims ("IBNR")	1,090,505	(265,793)	824,712	1,013,392	(222,641)	790,751
Provision for fund provision of risk margin for adverse deviation ("FRAD")	692,727	(87,362)	605,365	572,085	(47,714)	524,371
Claim liabilities	142,320	(30,379)	111,941	149,505	(48,016)	101,489
Less: Impairment loss on reinsurance assets	1,925,552	(383,534)	1,542,018	1,734,982	(318,371)	1,416,611
	-	7,514	7,514	-	8,533	8,533
Premium liabilities	1,925,552	(376,020)	1,549,532	1,734,982	(309,838)	1,425,144
	718,345	(47,912)	670,433	732,524	(54,390)	678,134
	<u>2,643,897</u>	<u>(423,932)</u>	<u>2,219,965</u>	<u>2,467,506</u>	<u>(364,228)</u>	<u>2,103,278</u>

As at 31 March 2016, the insurance contract liabilities above includes the Company's share of MMIP's claims and premium liabilities amounting to RM69.4 million (2015: RM63.8 million) and RM6.9 million (2015: RM10.7 million) respectively.

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14. INSURANCE CONTRACT LIABILITIES (CONT'D.)

14.1 Claim liabilities

	Note	←----- 2016 -----→		←----- 2015 -----→		Net RM'000
		Gross RM'000	Reinsurance RM'000	Gross RM'000	Reinsurance RM'000	
At 1 April 2015/2014						
Claims incurred in the current accident year (direct and facultative)		1,734,982	(318,371)	1,710,589	(386,820)	1,323,769
Adjustment to claims incurred in prior accident year (direct and facultative)		1,070,130	(72,516)	1,194,736	(105,147)	1,089,589
Claims incurred during the year (treaty inwards claims)		13,200	-	22,252	(12)	22,240
Claims paid during the year	24	(888,808)	87,158	(916,605)	99,258	(817,347)
At 31 March 2016/2015	24	1,925,552	(383,534)	1,734,982	(318,371)	1,416,611

14.2 Premium liabilities

	Note	←----- 2016 -----→		←----- 2015 -----→		Net RM'000
		Gross RM'000	Reinsurance RM'000	Gross RM'000	Reinsurance RM'000	
At 1 April 2015/2014						
Premiums written during the year	19	732,524	(54,390)	775,937	(71,496)	704,441
Premiums earned during the year	19	1,567,386	(127,248)	1,565,492	(141,629)	1,423,863
	19	(1,581,565)	133,726	(1,608,905)	158,735	(1,450,170)
At 31 March 2016/2015		718,345	(47,912)	732,524	(54,390)	678,134

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15. OTHER LIABILITIES

	2016 RM'000	2015 RM'000
Treaty deposits from reinsurers	769	1,829
Performance bond deposits	11,630	8,063
	<u>12,399</u>	<u>9,892</u>

Performance bond deposits are collateral deposits received from policyholders for guarantees issued on behalf of policyholders.

The carrying amounts of treaty deposits from reinsurers disclosed above approximate fair value at the reporting date due to the relatively short term maturities.

The carrying value of performance bond deposits is a reasonable approximate of fair value due to the discounting impact being immaterial.

16. INSURANCE PAYABLES

	2016 RM'000	2015 RM'000
Due to agents, brokers, co-insurers and insured	25,269	27,524
Due to reinsurers and cedants	91,523	44,131
	<u>116,792</u>	<u>71,655</u>

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

The Company's insurance payables that have been offset against insurance receivables are as follows:

	2016 RM'000	2015 RM'000
Gross amount of recognised insurance payables	145,460	116,814
Less:		
Gross amount of recognised insurance receivables set off against the insurance payables that met the criteria of legally enforceable right to set-off	(28,668)	(45,159)
Net amount recognised in insurance payables	<u>116,792</u>	<u>71,655</u>

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17. OTHER PAYABLES

	2016 RM'000	2015 RM'000
Financial liabilities:		
Amount owing to other related companies	6,929	4,256
Sundry payables	26,675	30,085
	<u>33,604</u>	<u>34,341</u>
Non-financial liabilities:		
Accrued expenses and deposits	52,271	57,672
Other payables	112,184	110,613
Commutation accounts	41,969	59,309
	<u>206,424</u>	<u>227,594</u>
	<u>240,028</u>	<u>261,935</u>

The carrying amounts disclosed above approximate fair values at the reporting date.

The amounts owing to other related companies are unsecured, interest free and repayable on demand.

18. PROVISION FOR RETIREMENT BENEFITS

18.1 The movements in the present value of the defined benefit obligation recognised in the statement of financial position are as follows:

	Note	2016 RM'000	2015 RM'000
Defined benefit obligation at 1 April 2015/2014		19,495	20,636
Actuarial gain	18.3	(780)	(1,016)
Benefits paid		(1,522)	(2,307)
Service costs and interest	18.2	2,058	2,182
Defined benefit obligation at 31 March 2016/2015		<u>19,251</u>	<u>19,495</u>
Present value of unfunded obligation		<u>19,251</u>	<u>19,495</u>
Recognised liability for defined benefit obligation		<u>19,251</u>	<u>19,495</u>

18.2 Expense recognised in the income statement as retirement benefits cost (Note 25.1):

	2016 RM'000	2015 RM'000
Service cost	1,054	1,185
Interest cost	1,004	997
	<u>2,058</u>	<u>2,182</u>

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18. PROVISION FOR RETIREMENT BENEFITS (CONT'D.)

18.3 Actuarial gains and losses recognised directly in other comprehensive income

	2016	2015
	RM'000	RM'000
Amount accumulated in retained earnings at 1 April 2015/2014	2,248	1,456
Recognised during the year (Note 18.1)	780	1,016
Tax effects thereon	<u>(154)</u>	<u>(224)</u>
Amount accumulated in retained earnings at 31 March 2016/2015	<u>2,874</u>	<u>2,248</u>

18.4 Actuarial assumptions

Principal actuarial assumptions used at the end of the reporting year:

	2016	2015
Discount rate at 31 March 2016/2015 (per annum)	5.10%	5.15%
Future salary increases (per annum)	5.50%	6.50%
Fixed deposit rate (per annum)	<u>3.50%</u>	<u>3.50%</u>

The discount rate used is based on market yields at the end of the reporting year on high quality corporate bonds. The amount and terms of the corporate bonds are consistent with the current and estimated future post employment benefit obligation.

The assumption regarding future mortality is based on the experience of Malaysian insured lives between 1999 to 2003 with no allowance for improvement in mortality rate. The average expected future working lives has been estimated at 8.7 years.

Calculation of the unfunded defined retirement benefits involves the projection of the present value for unfunded obligations using certain principal actuarial assumptions such as the rate of interest at which to discount the future retirement benefits payments at the valuation date and the assumed rate of growth of liabilities, namely the rate of salary escalation. There are elements of significant uncertainty on the assumptions used and thus the projected future retirement benefits payable may be different from the actual retirement benefit paid.

Under the scheme, eligible employees who have completed a minimum of 10 years of service are entitled to retire at 56 years of age or optional retirement age of 50 years. Employees who leave before the attainment of the normal retirement age or optional retirement age, are not entitled to the benefit.

All new employees who are hired after 18 March 2011 are not entitled to the retirement benefit.

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18. PROVISION FOR RETIREMENT BENEFITS (CONT'D.)

18.4 Actuarial assumptions (Cont'd.)

The following table demonstrates the sensitivity to a reasonable change in discount rate and fixed deposit rate on the expense recognised in the income statement as retirement benefits cost:

	<----- 2016 ----->		
	<-----Increase/(Decrease)----->		
	Impact on profit before taxation RM'000	Impact on other comprehen- sive income RM'000	Impact on equity RM'000
Discount rate:			
Increase 100 basis points	1,533	(2,314)	(594)
Decrease 100 basis points	(1,735)	956	(592)
Fixed deposit rate:			
Increase 100 basis points	(1,735)	944	(601)
Decrease 100 basis points	1,558	(2,329)	(586)
	<----- 2015 ----->		
	<-----Increase/(Decrease)----->		
	Impact on profit before taxation RM'000	Impact on other comprehen- sive income RM'000	Impact on equity RM'000
Discount rate:			
Increase 100 basis points	1,642	(2,658)	(762)
Decrease 100 basis points	(1,868)	852	(762)
Fixed deposit rate:			
Increase 100 basis points	(1,853)	837	(762)
Decrease 100 basis points	1,657	(2,672)	(762)

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19. NET EARNED PREMIUMS

	Note	2016 RM'000	2015 RM'000
19.1 Gross earned premiums			
Premium written during the year	14.2	1,567,386	1,565,492
Change in premium liabilities		14,179	43,413
	14.2	<u>1,581,565</u>	<u>1,608,905</u>
19.2 Earned premiums ceded to reinsurers			
Premium ceded during the year	14.2	(127,248)	(141,629)
Change in premium liabilities		(6,478)	(17,106)
	14.2	<u>(133,726)</u>	<u>(158,735)</u>
19.3 Net earned premiums			
Net premium written during the year	14.2	1,440,138	1,423,863
Change in premium liabilities		7,701	26,307
	14.2	<u>1,447,839</u>	<u>1,450,170</u>

20. INVESTMENT INCOME

	2016 RM'000	2015 RM'000
Rental income	342	903
Financial assets at FVTPL:		
Dividend/distribution income:		
- Collective investment schemes quoted in Malaysia	120,630	97,782
AFS financial assets:		
Interest income	219	1,314
Dividend/distribution income:		
- Equity securities quoted in Malaysia	1,343	71
- Equity securities unquoted in Malaysia	147	-
- Unit and property trust funds quoted in Malaysia	-	98
- Collective investment schemes quoted in Malaysia	22,060	28,450
LAR:		
Interest income:		
- Commercial, mortgage and other loans	499	861
- Deposits with financial institutions	682	5
- Cash and short-term deposits	2,825	5,045
	<u>148,747</u>	<u>134,529</u>

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21. REALISED GAINS AND LOSSES

	2016 RM'000	2015 RM'000
Property and equipment:		
Realised gains on disposal of property and equipment	339	45
AFS financial assets:		
Realised (losses)/gains:		
- Equity securities quoted in Malaysia	(1,248)	5,755
- Unit and property trust funds quoted in Malaysia	-	26,600
- Collective investment schemes quoted in Malaysia	-	(2,443)
- Debt securities unquoted in Malaysia	-	749
Total realised (losses)/gains for AFS financial assets	(1,248)	30,661
Total realised (losses)/gains	(909)	30,706

22. FAIR VALUE GAINS AND LOSSES

	2016 RM'000	2015 RM'000
FVTPL financial assets:		
- Collective investment schemes quoted in Malaysia	1,368	5,960

23. OTHER OPERATING INCOME/(EXPENSE)

	2016 RM'000	2015 RM'000
Other operating income:		
Transfer fees and other contract fees	171	105
Other income	3,549	2,238
	3,720	2,343
Other operating expense:		
Allowance for impairment losses on investments	(596)	(55)
	(596)	(55)

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24. NET CLAIMS

	Note	2016 RM'000	2015 RM'000
Gross claims paid	14.1	888,808	916,605
Claims ceded to reinsurers	14.1	<u>(87,158)</u>	<u>(99,258)</u>
Net claims paid	14.1	<u>801,650</u>	<u>817,347</u>
Gross change in contract liabilities			
At 31 March 2016/2015	14.1	1,925,552	1,734,982
At 1 April 2015/2014		<u>(1,734,982)</u>	<u>(1,710,589)</u>
		<u>190,570</u>	<u>24,393</u>
Change in contract liabilities ceded to reinsurers			
At 31 March 2016/2015	14.1	(383,534)	(318,371)
At 1 April 2015/2014		<u>318,371</u>	<u>386,820</u>
		<u>(65,163)</u>	<u>68,449</u>
		<u>927,057</u>	<u>910,189</u>

25. MANAGEMENT EXPENSES

	Note	2016 RM'000	2015 RM'000
Employee benefits expenses	25.1	151,402	146,918
Chief Executive Officers' remuneration	25.2	1,215	1,976
Non-executive directors' fees and remuneration	25.3	1,664	1,556
Auditors' remuneration:			
- Statutory audits		473	445
- Regulatory-related services		65	160
- Other services		60	-
Rental of offices and premises from third parties		9,582	1,622
Rental of offices and premises from other related companies		554	591
Depreciation of property and equipment	3	12,471	12,081
Depreciation of investment properties	4	196	196
Amortisation of intangible assets	5	4,520	1,647
Intangible assets written off	5	5	-
Property and equipment written off		1,013	7
Allowance for impairment losses on property and equipment	3	-	4,116

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25. MANAGEMENT EXPENSES (CONT'D.)

	Note	2016 RM'000	2015 RM'000
Write-back of allowance for impairment losses on reinsurance assets	7	(1,019)	(36,243)
Allowance for impairment losses on insurance receivables	8	3,867	5,326
Advertisement expenses		3,490	5,049
Bank charges		15,219	14,659
Electronic Data Processing expenses		12,321	9,506
Printing expenses		14,722	15,918
Office expenses		15,247	13,480
Professional fees		19,960	16,851
Group charges		11,246	12,310
Other expenses		34,085	30,271
		<u>312,358</u>	<u>258,442</u>

25.1 Employee benefits expenses

	Note	2016 RM'000	2015 RM'000
Wages and salaries		113,007	112,311
Social securities contributions		904	901
Contribution to Employees' Provident Fund		17,746	16,828
Contribution to defined benefit plans	18.1	2,058	2,182
Other benefits		17,687	14,696
		<u>151,402</u>	<u>146,918</u>

25.2 Chief Executive Officers' remuneration including benefits-in-kind

The details of remuneration received by the Chief Executive Officers during the year was as follows:

	2016 RM'000	2015 RM'000
Salaries	1,033	1,420
Contribution to Employees' Provident Fund	165	227
Other benefits-in-kind	17	329
	<u>1,215</u>	<u>1,976</u>

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25. MANAGEMENT EXPENSES (CONT'D.)

25.3 Non-executive directors' fees and remuneration

The details of remuneration received by the non-executive directors during the year was as follows:

	2016	2015
	RM'000	RM'000
Fees	1,124	1,200
Allowances and other emoluments	540	356
	<u>1,664</u>	<u>1,556</u>

The total remuneration (including benefits-in-kind) of the non-executive directors of the Company are as follows:

	Allowances and Other		
	Fees	Emoluments	Total
2016	RM'000	RM'000	RM'000
Tan Sri Azman Hashim	150	6	156
Duncan Victor Brain	150	5	155
Aidan Richard Pallister	150	105	255
Raymond Fam Chye Soon	150	85	235
Wong Teck Kat	13	5	18
Sathasivan Kunchambo	13	4	17
Leung Hoong Kuan @ Leong Thong Kuan	137	109	246
Dato' Zainal Azmi Zainal Ariffin	137	74	211
Datuk Mohamed Azmi Bin Mahmood	137	76	213
Chin Yuen Yin	87	71	158
	<u>1,124</u>	<u>540</u>	<u>1,664</u>
2015			
Tan Sri Azman Hashim	150	9	159
Dato' Zainal Azmi Zainal Ariffin	150	40	190
Leung Hoong Kuan @ Leong Thong Kuan	150	65	215
Chin Yuen Yin	150	76	226
Duncan Victor Brain	150	8	158
Aidan Richard Pallister	150	68	218
Raymond Fam Chye Soon	150	45	195
Datuk Mohamed Azmi Bin Mahmood	150	45	195
	<u>1,200</u>	<u>356</u>	<u>1,556</u>

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25. MANAGEMENT EXPENSES (CONT'D.)

25.3 Non-executive directors' fees and remuneration (cont'd.)

The directors' fees are subject to the recommendation of the Remuneration Committee of the Board of Directors for endorsement and approval by the shareholder at the Annual General Meeting.

The number of directors of the Company whose total remuneration received during the financial year that fall within the following bands is analysed below:

	Number of directors	
	2016	2015
Non-executive director:		
Up to RM50,000	2	-
RM50,001 - RM100,000	-	-
RM100,001 - RM150,000	-	-
RM150,001 - RM200,000	3	5
RM200,001 - RM250,000	4	3
Above RM250,001	1	-

26. TAXATION

	Note	2016	2015
		RM'000	RM'000
Current tax:			
Malaysia - current		22,041	53,410
Malaysia - over provision in prior year		(15,863)	(13,358)
		<u>6,178</u>	<u>40,052</u>
Deferred tax:	10		
Origination and reversal of temporary differences		5,110	12,734
Reduction in Malaysian income tax rate		724	-
(Over)/under provision in prior year		(2,680)	1,106
		<u>3,154</u>	<u>13,840</u>
Total tax expense		<u>9,332</u>	<u>53,892</u>

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26. TAXATION (CONT'D.)

Domestic income tax is calculated at the Malaysian statutory rate of 24% (2015: 25%) of the estimated assessable profit for the year:

	2016	2015
	RM'000	RM'000
Profit before taxation	<u>202,103</u>	<u>293,917</u>
Taxation at Malaysian statutory tax rate of 24%/25%	48,505	73,479
Effect on opening deferred tax of reduction in Malaysian income tax rate	724	-
Expenses not deductible for tax purposes	13,492	26,372
Tax exempt income	(34,846)	(31,223)
Additional tax deduction in respect of contribution to MMIP*	-	(2,484)
Over provision of income tax in prior years	(15,863)	(13,358)
Under provision of deferred tax in prior years	<u>(2,680)</u>	<u>1,106</u>
	<u>9,332</u>	<u>53,892</u>

* In accordance with the P.U.(A) 419 Income Tax (Deduction for Contribution by Licensed Insurers to the Malaysian Motor Insurance Pool) Rule 2012, cash contributions made to MMIP via cash calls is allowed for as a deduction in the year when such cash is paid to the MMIP from Year of Assessment 2010 up to Year of Assessment 2015. The Company has recognised this benefit as an additional tax deduction in the previous financial years.

27. EARNINGS PER ORDINARY SHARE

27.1 Basic earning per ordinary share

Basic earnings per ordinary share is calculated based on the net profit for the year ended 31 March 2016 of RM192,771,000 (2015: RM240,025,000) divided by the number of ordinary shares in issue during the year, calculated as follows:

	2016	2015
	RM'000	RM'000
Net profit attributable to equity holder of the Company	<u>192,771</u>	<u>240,025</u>

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27. EARNINGS PER ORDINARY SHARE (CONT'D.)

27.1 Basic earning per ordinary share (Cont'd.)

Weighted average number of ordinary shares:

	2016 '000	2015 '000
Issued ordinary shares	<u>600,000</u>	<u>600,000</u>
	2016 Sen	2015 Sen
Basic earnings per ordinary share	<u>32</u>	<u>40</u>

27.2 Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share for the year ended 31 March 2016 and 31 March 2015 were based on profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

Weighted average number of ordinary shares:

	2016 '000	2015 '000
Weighted average number of ordinary shares	600,000	600,000
Effect of assumed conversion of outstanding INCPS and RNCPS	<u>46,100</u>	<u>46,100</u>
Weighted average number of ordinary shares at 31 March	<u>646,100</u>	<u>646,100</u>
	2016 Sen	2015 Sen
Diluted earnings per ordinary share	<u>30</u>	<u>37</u>

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28. DIVIDENDS

The amount of dividends paid by the Company since 31 March 2015 in relation to INCPS and RNCPS were as follows:

	2016 RM'000	2015 RM'000
In respect of financial year ended 31 March 2015/2014		
INCPS:		
Dividend of 5.5% per INCPS on 6,100,000 INCPS based on issue price of RM10.00 each declared on 10 June 2015 and paid on 14 September 2015	3,355	3,355
RNCPS:		
Dividend of 5.5% per INCPS on 40,000,000 RNCPS based on issue price of RM10.00 each declared on 10 June 2015 and paid on 14 September 2015	22,000	22,000
	<u>25,355</u>	<u>25,355</u>
Ordinary share:		
Interim single tier dividend of 41.67 sen per ordinary share on 600,000,000 ordinary shares declared on 27 April 2015 and paid on 15 May 2015	250,000	-
Final single tier dividend of 25 sen per ordinary share on 600,000,000 ordinary shares declared on 10 June 2015 and paid on 5 October 2015	150,000	-
	<u>400,000</u>	<u>-</u>
	<u>425,355</u>	<u>25,355</u>

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29. OPERATING LEASE ARRANGEMENTS

29.1 The Company as lessee

The Company has entered into lease agreements for rental of office premises. The future aggregate minimum lease payments under operating leases contracted for as at the reporting date but not recognised as liabilities, are as follows:

	2016	2015
	RM'000	RM'000
Not later than 1 year	12,563	9,492
Later than 1 year and not later than 5 years	16,048	26,204
	<u>28,611</u>	<u>35,696</u>

The future aggregate minimum lease payable disclosed above include the renewable lease arrangement with AmMetLife Insurance Berhad for RM12,000.

29.2 The Company as lessor

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

	2016	2015
	RM'000	RM'000
Not later than 1 year	352	253
Later than 1 year and not later than 5 years	202	14
	<u>554</u>	<u>267</u>

The future aggregate minimum lease receivable disclosed above include the renewable lease arrangement with AmMetLife Insurance Berhad for RM70,000.

30. CAPITAL COMMITMENTS

	2016	2015
	RM'000	RM'000
Capital expenditure:		
Approved and contracted for:		
Renovation	-	2,580
Computer hardware and software	16,275	6,701
	<u>16,275</u>	<u>9,281</u>

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30. CAPITAL COMMITMENTS (CONT'D.)

	2016 RM'000	2015 RM'000
Approved and but not contracted for:		
Renovation, furniture and fitting and office equipment	-	37,000
Computer hardware and software	28,034	61,127
	<u>28,034</u>	<u>98,127</u>

31. RELATED PARTIES DISCLOSURES

(a) 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.

Name	Relationship
AMMB Holdings Berhad	Ultimate holding company
AMAB Holdings Sdn. Bhd.	Penultimate holding company
AmGeneral Holdings Berhad	Immediate holding company
Insurance Australia Group Limited	Corporate shareholder
IAG Re Labuan (L) Berhad	Subsidiary of corporate shareholder
Insurance Australia Limited	Subsidiary of corporate shareholder
AmMetLife Insurance Berhad	Subsidiary of penultimate holding company
AmInvestment Bank Berhad	Other related company
AmBank (M) Berhad	Other related company
AmFunds Management Berhad	Other related company
Arab-Malaysian Credit Berhad	Other related company
AmTrustee Berhad	Other related company

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31. RELATED PARTIES DISCLOSURES (CONT'D.)

(a) Related parties (Cont'd.)

Name	Relationship
Phillip Institutional Fixed Income Fund*	Subsidiary
AmCash Institutional 1*	Subsidiary
AmIncome Institutional 1*	Subsidiary
AmIncome Institutional 3*	Subsidiary
Hwang Income Plus Fund*	Former subsidiary
Amara Institutional Income Fund*	Former subsidiary
Opus Strategic Fixed Income Fund 2*	Former subsidiary
Amcorp Group Berhad	A corporate shareholder of the ultimate holding company
Harpers Travel (M) Sdn. Bhd.	Company in which a director, Tan Sri Azman Hashim has financial interests
AON Insurance Brokers (Malaysia) Sdn Bhd	Company in which a director, Tan Sri Azman Hashim's family has financial interests

* In accordance with MFRS 10, the investments in wholesale unit trust funds are considered as subsidiaries of the Company.

In the normal course of business, the Company undertakes various transactions with subsidiaries and associated companies of its ultimate holding company, AMMB Holdings Berhad, AMAB Holdings Sdn Bhd and other companies deemed related parties by virtue of common director's shareholdings and a corporate shareholder's interest in the ultimate holding company. The Directors are of the opinion that the Company sold insurance policies to the related companies and related parties on terms and conditions no more favourable than those available in similar transactions with other customers or employees. Other related party transactions (other than dividends / distributions received from subsidiaries) were also carried out on terms and conditions no more favourable than those available on similar transactions with unrelated parties, unless otherwise stated.

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31. RELATED PARTIES DISCLOSURES (CONT'D.)

(a) Related parties (Cont'd.)

The Company had the following balances with related parties as at 31 March 2016 and 31 March 2015:

	2016	2015
	RM'000	RM'000
Included in insurance receivables (Note 8):		
Due from agents, brokers and co-insurers:		
AmBank (M) Berhad	7,908	7,818
Arab Malaysian Credit Berhad	4	2
AmInvestment Bank Berhad	251	573
AON Insurance Brokers (Malaysia) Sdn Bhd	426	894
	<u>8,589</u>	<u>9,287</u>
Included in amount owing by ultimate holding, holding and other related companies (Note 9):		
AMMB Holdings Berhad	101	112
AmMetLife Insurance Berhad	71	-
Insurance Australia Limited	895	673
AmGeneral Holdings Berhad	232	10
	<u>1,299</u>	<u>795</u>
Included in income due and accrued (Note 9):		
AmBank (M) Berhad	1	9
Philip Institutional Fixed Income Fund	1,300	-
AmCash Institutional 1	908	2,930
AmIncome Institutional 1	1,755	1,347
AmIncome Institutional 3	9,309	8,083
	<u>13,273</u>	<u>12,369</u>
Included in insurance payables (Note 17):		
Due to agents, brokers and co-insurers:		
AmBank (M) Berhad	5,024	6,325
AmInvestment Bank Berhad	315	113
AON Insurance Brokers (Malaysia) Sdn Bhd	144	121
	<u>5,483</u>	<u>6,559</u>

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31. RELATED PARTIES DISCLOSURES (CONT'D.)

(a) Related parties (Cont'd.)

The Company had the following balances with related parties as at 31 March 2016 and 31 March 2015 (Contd.):

	2016	2015
	RM'000	RM'000
Included in amount owing to other related companies (Note 17):		
AmBank (M) Berhad	6,709	3,838
AmGeneral Holdings Berhad	220	220
AmMetLife Insurance Berhad	-	198
	<u>6,929</u>	<u>4,256</u>
Included in accrued expenses and deposits (Note 17):		
AmBank (M) Berhad	4,668	4,218
Insurance Australia Limited	2,067	2,795
	<u>6,735</u>	<u>7,013</u>

The significant transactions of the Company with related parties during the financial year are as follows:

	2016	2015
	RM'000	RM'000
Interest and dividend income from:		
AmBank (M) Berhad	491	1,826
AmCash Institutional 1	17,833	29,815
AmIncome Institutional 1	18,487	16,354
AmIncome Institutional 2	-	2,984
AmIncome Institutional 3	105,071	72,604
Hwang Income Plus Fund	-	37
Philip Institutional Fixed Income Fund	1,300	-
Amara Institutional Income Fund	-	1,030
Opus Strategic Fixed Income Fund 2	-	1,862
AmFirst Real Estate Investment Trust	-	481
	<u>143,182</u>	<u>126,993</u>
Commission income from:		
IAG Re Labuan (L) Berhad	<u>11,014</u>	<u>11,535</u>
Gross premium income from:		
AmBank (M) Berhad	3,469	2,449
AMMB Holdings Berhad	3,758	3,717
	<u>7,227</u>	<u>6,166</u>

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31. RELATED PARTIES DISCLOSURES (CONT'D.)

(a) Related parties (Cont'd.)

The significant transactions of the Company with related parties during the financial year/period are as follows (Cont'd.):

	2016	2015
	RM'000	RM'000
Commission expenses to:		
AmBank (M) Berhad	(21,251)	(22,761)
AmInvestment Bank Berhad	(292)	(283)
Arab-Malaysian Credit Berhad	(5)	(6)
AON Insurance Brokers (Malaysia) Sdn Bhd	(1,016)	(1,186)
	<u>(22,564)</u>	<u>(24,236)</u>
Administration and operating expenses to:		
AMMB Holdings Berhad	-	(5)
AmBank (M) Berhad	(11,696)	(14,110)
AmFunds Management Berhad	(431)	(10)
AmMetLife Insurance Berhad	427	(91)
AmTrustee Berhad	(3)	(36)
Insurance Australia Limited	(2,896)	(3,207)
Harpers Travel (M) Sdn. Bhd.	(2,254)	(711)
AON Insurance Brokers (Malaysia) Sdn Bhd	(4,049)	(4,035)
	<u>(20,902)</u>	<u>(22,205)</u>
Reinsurance premiums ceded to:		
IAG Re Labuan (L) Berhad	(25,346)	(30,499)
	<u>(25,346)</u>	<u>(30,499)</u>
Claims recovery from:		
IAG Re Labuan (L) Berhad	9,916	10,089
	<u>9,916</u>	<u>10,089</u>
Rental expenses to:		
AmBank (M) Berhad	-	(42)
AmMetLife Insurance Berhad	(558)	(549)
	<u>(558)</u>	<u>(591)</u>
Rental income from:		
AmBank (M) Berhad	4	-
AmMetLife Insurance Berhad	241	555
	<u>245</u>	<u>555</u>

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31. RELATED PARTIES DISCLOSURES (CONT'D.)

(a) Related parties (Cont'd.)

The significant transactions of the Company with related parties during the financial year/period are as follows (Cont'd.):

	2016 RM'000	2015 RM'000
Reimbursement of expenses to:		
Insurance Australia Group Limited	(202)	-
	<u>(202)</u>	<u>-</u>
Dividends on INCPS, RNCPS and ordinary share paid to:		
AmGeneral Holdings Berhad	425,355	25,355
	<u>425,355</u>	<u>25,355</u>

(b) Compensation of Key Management Personnel

The remuneration of directors and other member of key management during the year was as follows:

	2016 RM'000	2015 RM'000
Chief Executive Officers' remuneration:		
Salaries	1,033	1,420
Contribution to Employees' Provident Fund	165	227
Other benefits-in-kind	17	329
	<u>1,215</u>	<u>1,976</u>
Non-executive directors' fees and remuneration:		
Fees	1,124	1,200
Allowances and other emoluments	540	356
	<u>1,664</u>	<u>1,556</u>
	<u>2,879</u>	<u>3,532</u>

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly.

The key management personnel of the Company are the directors and the Chief Executive Officer.

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32. FINANCIAL INSTRUMENTS BY CATEGORY

2016	Note	LAR RM'000	AFS RM'000	FVTPL RM'000	Sub-total RM'000	Assets not in scope of MFRS 139 RM'000	Total RM'000
Assets							
Property and equipment	3	-	-	-	-	77,230	77,230
Investment properties	4	-	-	-	-	5,584	5,584
Intangible assets	5	-	-	-	-	44,500	44,500
Investments	6	15,163	535,368	2,886,136	3,436,667	-	3,436,667
Reinsurance assets	7	-	-	-	-	423,932	423,932
Insurance receivables	8	72,809	-	-	72,809	-	72,809
Other receivables	9	127,746	-	-	127,746	-	127,746
Deferred tax assets	10	-	-	-	-	10,538	10,538
Tax recoverable		-	-	-	-	54,727	54,727
Cash and short-term deposits	11	274,549	-	-	274,549	-	274,549
Non-current assets held for sale	12	-	-	-	-	18,399	18,399
Total assets		490,267	535,368	2,886,136	3,911,771	634,910	4,546,681
Liabilities							
Other financial liabilities							
Insurance contract liabilities	14	-	-	-	-	2,643,897	2,643,897
Other liabilities	15	-	12,399	-	12,399	-	12,399
Insurance payables	16	-	116,792	-	116,792	-	116,792
Other payables	17	-	33,604	-	33,604	206,424	240,028
Provision for retirement benefits	18	-	-	-	-	19,251	19,251
Total liabilities		162,795	-	-	162,795	2,869,572	3,032,367

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32. FINANCIAL INSTRUMENTS BY CATEGORY (CONT'D.)

2015	Note	LAR RM'000	AFS RM'000	FVTPL RM'000	Sub-total RM'000	Assets not in scope of MFRS 139		Total RM'000
						RM'000	RM'000	
Assets								
Property and equipment	3	-	-	-	-	76,339	-	76,339
Investment properties	4	-	-	-	-	13,493	-	13,493
Intangible assets	5	-	-	-	-	8,237	-	8,237
Investments	6	17,752	560,255	3,046,435	3,624,442	-	-	3,624,442
Reinsurance assets	7	-	-	-	-	364,228	-	364,228
Insurance receivables	8	63,771	-	-	63,771	-	-	63,771
Other receivables	9	120,571	-	-	120,571	-	-	120,571
Deferred tax assets	10	-	-	-	-	14,343	-	14,343
Tax recoverable	11	183,676	-	-	183,676	-	-	183,676
Cash and short-term deposits	12	-	-	-	-	83,775	-	83,775
Non-current assets held for sale		-	-	-	-	582,723	-	582,723
Total assets		385,770	560,255	3,046,435	3,992,460	582,723	-	4,575,183
Liabilities								
Other financial liabilities								
Insurance contract liabilities	14	-	-	-	-	2,467,506	-	2,467,506
Other liabilities	15	-	9,892	-	9,892	-	-	9,892
Insurance payables	16	-	71,655	-	71,655	-	-	71,655
Other payables	17	-	34,341	-	34,341	227,594	-	261,935
Provision for retirement benefits	18	-	-	-	-	19,495	-	19,495
Total liabilities		115,888	-	-	115,888	2,714,595	-	2,830,483

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33. RISK MANAGEMENT FRAMEWORK

33.1 Risk governance framework

The Company's Enterprise Risk Management (ERM) Framework is focused on embedding effective risk mitigation mechanisms and risk disciplines within the Company to manage risks within the Board-approved tolerances and risk appetites while protecting it from uncertainties and threats, thus enabling the achievement of its business objectives.

The objectives of managing the risks (uncertainties) are essential to sustain the Company's business in order to:

- Protect the investments of the Company's shareholder
- Create value for the Company's shareholder
- Fulfil its obligations to the Company's customers and other stakeholders
- Prepare the Company's resilience to face expected and unexpected events
- Support the Company's objectives and the achievement of its long term strategic intent
- Instil confidence in customers, shareholders and other stakeholders on the Company's financial strength, capability and reliability

The ERM Framework set the foundation in managing all sources of risk facing the Company by defining the standards and expectations consistent with the views of the Board of Directors, regulatory requirements, industry guidelines and risk management best practices.

The ERM Framework enables the Board of Directors and the Management to maintain and manage a full view of the risk profiles of all facets of the company, through transparency, reporting and escalation of risk matters.

The ERM is implemented through a Risk Governance structure which includes:

- Board of Directors & Board Committees: Responsible for ensuring the continued appropriateness and effectiveness of the ERM Framework, setting the risk appetite and risk tolerance thresholds, endorsing risk profiling and approving the risk management policies and procedures;

33. RISK MANAGEMENT FRAMEWORK (CONT'D.)

33.1 Risk governance framework (Cont'd.)

- Risk Management Committee: Includes Chief Executive Officer and Senior Vice Presidents; accountable for the implementation of the requirements of the ERM Framework and Risk Management Strategy across the Company, including the reporting and escalation of risk matters to the Board and Board Committees and the subsequent rectification or mitigation of those matters;
- Risk Management Department: Assists the Board, Risk Management Committee of Directors and the senior management in developing and maintaining an effective ERM Framework in consultation with stakeholders, regulators and industry regulating bodies while remaining accountable for the reporting and escalation of significant risk matters to the Management and the Board and their subsequent resolution or rectification;
- Business Units: Incorporates the requirements of the ERM Framework into the departmental policies and procedures and ensures the continued effectiveness of risk management practices across each department while continually escalating and reporting significant risks to the Management and Risk Management Department;

33.2 Capital management objectives, policies and approach

The Company's Capital Management Policy ("CMP") has been noted by the regulators and establishes a detailed capital management and response action plan to be taken by the Board and Management of the Company in the event of extreme events that may lead to the Capital Adequacy Ratio ("CAR") falling below the Internal Target Capital Level ("ITCL") and the Supervisory Target Capital Level ("STCL"). The CMP defines general and probable risk scenarios that could threaten the capital position of the Company and establishes appropriate remedial action plans to respond, taking into consideration the Company's financial and business position. The CMP allows the Company to utilize capital more efficiently in a controlled and predictable manner to drive its strategic intent while ensuring that the Company operates above the ITCL and STCL at all times.

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33. RISK MANAGEMENT FRAMEWORK (CONT'D.)

33.2 Capital management objectives, policies and approach (Cont'd.)

The Company has established the following capital management objectives, policies and approach to the risks that affect its capital position.

The capital management objectives are:

- For the Company to remain resilient when faced with extreme or unexpected situations or scenarios, maintaining adequate capital to continue to support the business.
- For the Company to maintain adequate capital to support all risks in the business as well as to develop and use better risk management techniques including scenario modelling and stress testing methods in monitoring and managing risks.
- For the Company's Management and Board to develop and establish an internal capital adequacy assessment process through the use of stress testing and scenario modelling to establish capital targets that commensurate with its risk profiles and control environments.
- Maintenance of the available capital, expressed as a multiple of the statutory CAR within a range that supports the shareholder's objectives whilst suitably protecting the interests of the policyholders.
- For the setting of an ITCL which accurately reflects the risk profiles of the Company, taking into consideration the quality and effectiveness of the Company's ERM Framework and Risk Management Strategies.
- For treatment of risks not fully captured under the Risk-Based Capital (RBC) Framework and external risks to be taken up and considered within the Company's internal capital target management.
- For the Company to utilize an effective capital management strategy to create shareholder value whilst maintaining an appropriate level of capital to protect the policyholders' interests and satisfy regulatory requirements.
- For the continued issuance of dividends on ordinary shares through the effective management of the Company's CAR positions at the point of payment and the avoidance of significant deterioration to the CAR after payments.
- Dynamic management of the Company's statement of financial position and capital mix.

33. RISK MANAGEMENT FRAMEWORK (CONT'D.)

33.2 *Capital management objectives, policies and approach (Cont'd.)*

Approach to capital management

With reference to the Bank Negara Malaysia's (BNM) Guidelines of Stress Testing for Insurers, the impact of adverse scenarios on the capital position of the Company is considered and incorporated into the CMP and the management of the Company's CAR positions. This is also consistent with the Company's Individual Capital Adequacy Assessment Process.

The CMP has been implemented for the Company to monitor and manage the CAR should there be adverse conditions developing that may threaten to lower the CAR below the ITCL and STCL. The CMP also defines conditions and scenarios which may act as indicators of potential or impending adverse situations, allowing the Management to prepare and respond quickly before those adverse situations become a reality.

33.3 *Regulatory framework*

Through the RBC Framework, BNM is primarily concerned with protecting the interests of the policyholders and monitors insurers closely to ensure that the management of policyholders' interests remain at a satisfactory level. At the same time, BNM is also interested in ensuring that the Company maintains an appropriate capital position to meet the unforeseen liabilities arising from economic shocks or natural disasters.

33.4 *Asset-Liability Management ("ALM") framework*

The Company manages asset and liability positions within the ALM framework that has been developed with the objectives of achieving sustainable and predictable medium to long-term investment returns while prudently preserving capital to meet the financial and contractual obligations of the Company. The ALM framework considers multiple drivers which include interest rate movements, changes in financial obligations, asset and liability classes etc. to provide the Management and the Board with a transparent, accurate and dynamic ALM monitoring structure for effective oversight and decision making. Scenario modelling and stress testing methodologies are also extensively used to determine possible outcomes and impacts on the Company's ALM management in the event of unpredictable or extreme market and environmental situations. These methods allow for a comprehensive Sensitivity Assessment of the Company's ALM portfolio and removes uncertainties around impacts and outcomes. The Asset and Liability Committee (ALCO) maintains regular oversight, continually assessing the performance and condition of the Company's ALM portfolio while striving to achieve optimized returns on investments within the risk appetites and tolerances stipulated by the Risk Management Framework.

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34. INSURANCE RISK

34.1 Nature of risk

The Company principally issues the following types of general insurance contracts: Motor, Household and Commercial Fire, Business Interruption, Personal Accident, Extended Warranty and other Miscellaneous commercial contracts. Risks under these contracts usually cover a twelve-month duration other than Contractors' All Risk & Engineering and Extended Warranty which may be extended for more than a year. For general insurance contracts, the most significant risk arises from the frequency and severity of the claims experience. These risks vary significantly in relation to the location of risk, type of risk insured and industry.

The above risks are mitigated by diversification across a large portfolio of insurance contracts. The volatility of risks is mitigated by implementation of underwriting strategies and claims management policies which attempt to minimise risks while at the same time encouraging reduction in the time taken to settle claims.

The Company limits its exposure to risk via various reinsurance arrangements. Also, claims exposure is limited to individual contracts and loss events basis such as floods and fires, as well as accidents involving multiple insureds.

34.2 Concentration of insurance risk by type of contract

The table below sets out the concentration of insurance contract liabilities by types of contracts issued:

	Gross RM'000	Reinsurance RM'000	Net RM'000
2016			
Motor	2,240,829	(140,942)	2,099,887
Fire	187,281	(156,085)	31,196
Personal accident	19,654	(3,714)	15,940
Miscellaneous	196,133	(123,191)	72,942
	<u>2,643,897</u>	<u>(423,932)</u>	<u>2,219,965</u>
2015			
Motor	2,103,164	(156,316)	1,946,848
Fire	117,302	(75,030)	42,272
Personal accident	36,890	(2,890)	34,000
Miscellaneous	210,150	(129,992)	80,158
	<u>2,467,506</u>	<u>(364,228)</u>	<u>2,103,278</u>

Included in motor insurance contract liabilities is the Company's proportionate share of claim liabilities and premium liabilities in MMIP of RM69.4 million and RM6.9 million, respectively (2015: claim liabilities of RM63.8 million and premium liabilities of RM10.7 million).

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34. INSURANCE RISK (CONT'D)

34.3 Insurance contract liabilities for general insurance

The insurance contract liabilities comprised claim and premium liabilities and are computed in accordance with sound actuarial principles and regulatory guidelines.

Claim liabilities

The estimate of (outstanding) claim liabilities is made up of the following components:

- The best estimate value of the outstanding claim payments associated with all claims that have been incurred as at the valuation date,
- An estimate for future claims handling expenses ("CHE") associated with the outstanding claim payments, and
- An estimate of diversified risk margins resulting in the provision of the overall Insurance Liabilities at the company level at 75% level of sufficiency

Premium liabilities

The estimate of Premium Liabilities is the higher of:

- The aggregate of the unearned premium reserve calculated as per BNM guidelines, or
- The unexpired risk provision, which is made up of:
 - the best estimate value of future claim liabilities associated with the unexpired portion of the premiums written up to the valuation date.
 - an estimate for the future policy handling expenses ("PHE") and CHE associated with managing the unexpired policies and the corresponding future
 - an estimate for the future cost of reinsurance for future periods where reinsurance recoveries are expected and reinsurance has not been arranged.
 - an estimate of diversified risk margins resulting in the provision of the overall insurance liabilities at the Company level at 75% level of sufficiency.

34.3.1 Valuation methodology

The valuation methods employed are generally accepted actuarial methods. The following methods have been employed to analyse the experience and to derive the estimate of claim liabilities before CHE:

- Incurred Chain Ladder ("ICL")
- Payments per Claim Incurred ("PPCI")
- Bornhuetter-Ferguson ("BF") ; and
- Expected Loss Ratio ("ELR")

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34. INSURANCE RISK (CONT'D.)

34.3 Insurance claim liabilities for general insurance (Cont'd.)

34.3.1 Valuation methodology (Cont'd.)

The method(s) employed for each valuation group take into account factors such as characteristics of the claims, recent trends in claims experience, size and stability of each valuation group.

34.3.2 Key assumptions

The principal assumption underlying the estimation of liabilities is that the Company's future claims development will follow a similar pattern to past claims development experience.

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

34.3.3 Discounting

The insurance liabilities have been discounted using the risk-free discount rate derived from zero-coupon spot yield curve of MGS.

34.3.4 Sensitivities

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

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

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34. INSURANCE RISK (CONT'D.)

34.3 Insurance claim liabilities for general insurance (Cont'd.)

34.3.4 Sensitivities (Cont'd.)

	Change in assumption of ultimate claims ratio	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before taxation RM'000	Impact on equity* RM'000
		<-----Increase/(decrease)----->			
2016					
Motor Act	+30%	44,349	43,540	(43,540)	(33,090)
Motor Others	+4%	49,294	48,807	(48,807)	(37,093)
Fire	+2%	9,092	1,159	(1,159)	(881)
Personal Accident and Medical	+3%	3,560	3,054	(3,054)	(2,321)
2015					
Motor Act	+30%	44,871	43,330	(43,330)	(32,498)
Motor Others	+4%	56,299	54,233	(54,233)	(40,675)
Fire	+2%	2,464	1,244	(1,244)	(933)
Personal Accident and Medical	+3%	6,140	4,891	(4,891)	(3,668)

* impact on equity reflects adjustments for tax, where applicable. The method used for deriving sensitivity information and significant assumptions did not change from the previous year.

A reduction in the key assumption at the rates shown above will have an equal but opposite effect on gross and net liabilities, profit before taxation and equity.

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34. INSURANCE RISK (CONT'D.)
34.3.5 Claims development table

The following tables show the estimate of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date.

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

While the information in the tables provides a historical perspective on the adequacy of the unpaid claims estimate established in previous years, users of these financial statements are cautioned against extrapolating redundancies or deficiencies of the past on current unpaid loss balances.

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

Gross general insurance contract liabilities for 2016:

Accident year	Before		2010		2011		2012		2013		2014		2015		2016		Sub total	Inward treaty and MMIP	Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000				RM'000
At end of accident year	1,287,986	1,086,817	1,157,126	1,200,371	1,205,506	1,242,423	1,194,736	1,070,130												
One year later	1,168,663	963,725	1,029,375	1,035,887	1,078,539	1,080,837	1,044,184													
Two years later	1,140,354	965,918	1,028,550	1,018,768	1,061,513	1,087,252														
Three years later	1,125,278	984,497	992,759	1,006,413	1,106,864															
Four years later	1,119,718	951,916	968,326	1,011,446																
Five years later	1,100,126	937,177	961,038																	
Six years later	1,098,296	923,696																		
Seven years later	1,219,192	923,696	961,038	1,011,446	1,106,864	1,087,252	1,044,184	1,070,130												
Current estimate of cumulative claims incurred																				
At end of accident year	(385,276)	(363,389)	(356,496)	(394,477)	(391,391)	(382,588)	(350,724)	(362,327)												
One year later	(763,655)	(667,025)	(715,652)	(722,240)	(746,862)	(695,027)	(637,079)													
Two years later	(903,440)	(813,863)	(833,504)	(860,786)	(886,525)	(815,309)														
Three years later	(996,601)	(865,813)	(889,672)	(911,881)	(941,110)															
Four years later	(1,032,649)	(891,579)	(906,103)	(935,406)																
Five years later	(1,045,683)	(900,401)	(917,361)																	
Six years later	(1,053,200)	(904,306)																		
Seven years later	(1,057,660)	(904,306)	(917,361)	(935,406)	(941,110)	(815,309)	(637,079)	(362,327)												
Cumulative payments to-date																				
Gross general insurance claims liabilities (direct and facultative)	161,532	19,390	43,677	76,040	165,754	271,943	407,105	707,803	1,853,244	72,308	1,925,552									

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34. INSURANCE RISK (CONT'D.)

34.3.5 Claims development table (Cont'd.)

Net general insurance claims liabilities for 2016:

Accident year	Before 2010 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	Sub total RM'000	Inward treaty and MMIP RM'000	Total RM'000
At end of accident year	1,086,325	931,415	884,131	792,136	926,165	1,028,962	1,089,589	997,614			
One year later	1,124,363	925,617	877,184	793,919	896,635	959,376	951,089				
Two years later	1,097,353	905,527	863,446	791,977	860,833	982,954					
Three years later	1,008,609	891,173	848,750	779,481	885,185						
Four years later	997,677	878,021	836,041	794,484							
Five years later	986,821	865,970	839,817								
Six years later	974,585	851,612									
Seven years later	979,407		839,817	794,484	885,185	982,954	951,089	997,614			
Current estimate of cumulative claims incurred											
At end of accident year	(358,787)	(344,917)	(328,287)	(323,199)	(329,836)	(362,384)	(333,247)	(344,191)			
One year later	(693,181)	(621,523)	(633,815)	(582,021)	(627,664)	(654,304)	(593,745)				
Two years later	(823,869)	(754,228)	(734,325)	(687,473)	(730,446)	(760,861)					
Three years later	(913,490)	(802,073)	(779,901)	(725,991)	(773,550)						
Four years later	(943,843)	(824,937)	(796,842)	(742,500)							
Five years later	(954,760)	(833,625)	(804,583)								
Six years later	(962,735)	(835,931)									
Seven years later	(957,091)		(804,583)	(742,500)	(773,550)	(760,861)	(593,745)	(344,191)			
Cumulative payments to-date											
	22,316	15,681	35,234	51,984	111,635	222,093	357,344	653,423	1,469,710	72,308	1,542,018
Net general insurance claims liabilities (direct and facultative)											

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34. INSURANCE RISK (CONT'D.)

34.3.5 Claims development table (Cont'd.)

Gross general insurance contract liabilities for 2015:

Accident year	Before 2009 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	Sub total RM'000	Inward treaty and MMIP RM'000	Total RM'000
At end of accident year	579,716	1,287,986	1,086,817	1,157,126	1,200,371	1,205,506	1,242,423	1,194,736			
One year later	554,991	1,168,663	963,725	1,029,375	1,035,887	1,078,539	1,080,837				
Two years later	572,437	1,140,354	965,918	1,028,550	1,018,768	1,061,513					
Three years later	565,583	1,125,278	984,497	992,759	1,006,413						
Four years later	558,415	1,119,718	951,916	968,326							
Five years later	545,111	1,100,126	937,177								
Six years later	545,612	1,098,296									
Seven years later	532,703										
Current estimate of cumulative claims incurred	532,703	1,098,296	937,177	968,326	1,006,413	1,061,513	1,080,837	1,194,736			
At end of accident year	(136,919)	(385,276)	(363,389)	(356,496)	(394,477)	(391,391)	(382,588)	(350,724)			
One year later	(360,830)	(763,655)	(667,025)	(715,652)	(722,240)	(746,862)	(695,027)				
Two years later	(432,152)	(903,440)	(813,863)	(833,504)	(860,786)	(886,525)					
Three years later	(478,826)	(996,601)	(865,813)	(889,672)	(911,881)						
Four years later	(506,578)	(1,032,649)	(891,579)	(906,103)							
Five years later	(516,850)	(1,045,663)	(900,401)								
Six years later	(519,400)	(1,053,200)									
Seven years later	(522,598)										
Cumulative payments to-date	(522,598)	(1,053,200)	(900,401)	(906,103)	(911,881)	(886,525)	(695,027)	(350,724)			
Gross general insurance claims liabilities (direct and facultative)	10,105	45,096	36,776	62,223	94,532	174,988	385,810	844,012	1,653,542	81,440	1,734,982

34. INSURANCE RISK (CONT'D.)

34.3.5 Claims development table (Cont'd.)

Net general insurance claims liabilities for 2015:

Accident year	Before	2009	2010	2011	2012	2013	2014	2015	Sub total RM'000	Inward treaty and MMIP RM'000	Total RM'000
	2009 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000			
At end of accident year	514,864	1,086,325	931,415	884,131	792,136	926,165	1,028,962	1,089,589			
One year later	551,130	1,124,363	925,617	877,184	793,919	896,635	959,376				
Two years later	561,232	1,097,353	905,527	863,446	791,977	860,833					
Three years later	547,667	1,008,609	891,173	848,750	779,481						
Four years later	517,891	997,677	878,021	836,041							
Five years later	502,403	986,821	865,970								
Six years later	494,032	974,585									
Seven years later	490,082										
Current estimate of cumulative claims incurred	490,082	974,585	865,970	836,041	779,481	860,833	959,376	1,089,589			
At end of accident year	(127,466)	(358,787)	(344,917)	(328,287)	(323,199)	(329,836)	(362,384)	(333,247)			
One year later	(334,238)	(693,181)	(621,523)	(633,815)	(582,021)	(627,664)	(654,304)				
Two years later	(400,879)	(823,869)	(754,228)	(734,325)	(687,473)	(730,446)					
Three years later	(444,160)	(913,490)	(802,073)	(779,901)	(725,991)						
Four years later	(469,436)	(943,843)	(824,937)	(796,842)							
Five years later	(477,878)	(954,780)	(833,625)								
Six years later	(480,560)	(962,735)									
Seven years later	(483,401)										
Cumulative payments to-date	(483,401)	(962,735)	(833,625)	(796,842)	(725,991)	(730,446)	(654,304)	(333,247)			
Net general insurance claims liabilities (direct and facultative)	6,681	11,850	32,345	39,199	53,490	130,387	305,072	756,342	1,335,366	81,245	1,416,611

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35. FINANCIAL RISK

35.1 Credit risk

Credit risk is most simply defined as the potential that a borrower or counterparty will fail to meet its obligations in accordance with the agreed terms.

The Company's main exposures to credit risk include:

- Investment credit risk – financial loss arising from a change in the value of an investment due to a rating downgrade, default, or widening of credit spreads. Changes in credit spreads are also affected by the liquidity of the stock, but since the liquidity is usually closely related to credit risk, the risk is managed as credit risk.
- Reinsurance counterparty risk – financial loss arising from a reinsurer's default, or the deterioration of the reinsurer's financial position.
- Insurance and other receivables credit risk - financial loss arising from default by agents and other counterparties in the normal course of business; and staff loans and other receivables.

Investment credit risk

The Company is exposed to investment credit risk on its investment portfolio, primarily from investments in corporate bonds. Creditworthiness assessment for new and existing investments is undertaken by the Company in accordance with the Investment Policy as approved by the Investment Committee. In addition, the credit ratings of the bonds are regularly monitored and any downgrade in the credit rating will be evaluated to determine the actions required. The Company's bond portfolio is highly rated, with no material exposure below investment grade.

Reinsurance counterparty risk

The Company is exposed to three types of reinsurance counterparty risk:

- as a result of debts arising from claims made by the Company but not yet paid by the reinsurer;
- from reinsurance premium payments made to the reinsurer in advance; and
- as a result of reserves held by the reinsurer which would have to be met by the Company in the event of default.

In order to mitigate the reinsurance counterparty risk, the Company will give due consideration to the credit quality of a reinsurer before incepting a reinsurance treaty. To facilitate this process, a list of acceptable reinsurers is maintained within the Company.

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35. FINANCIAL RISK (CONT'D.)

35.1 Credit risk (Cont'd.)

Insurance and other receivables credit risk

The Company is exposed to insurance receivables credit risk arising from default by agents and other counterparties. One of the credit events would be non-remittance of premium collected on behalf of insureds by the agents. In order to mitigate the insurance receivables credit risk, the Company will give due consideration to the credit quality of an agent before accepting him as an agent and constantly monitor receivable ageing, including conforming to the Cash Before Cover rule.

Loan credit risk

The Company is exposed to loan credit risk in several different areas, the most material of which is commercial loans and mortgage loans to employees of the Company.

Objectives in managing credit risk

To mitigate credit risk:

- investment policies will have a prescribed minimum credit rating of bonds that may be held. Investing in a diverse portfolio reduces the extent of financial impact of default from individual bond issuers.
- counterparty limits are set for investments, cash deposits and foreign exchange trade exposure.
- the Company regularly reviews the financial security of its reinsurers.

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

	Note	2016 RM'000	2015 RM'000
LAR:			
Fixed and call deposits	6.1	10,098	6,833
Loans	6.1	5,065	10,919
AFS financial assets:			
Corporate debt securities	6.2	5,060	5,107
Reinsurance assets	7	423,932	364,228
Insurance receivables	8	72,809	63,771
Other receivables	9	127,746	120,571
Cash and short-term deposits	11	274,549	183,676
Total credit risk exposure		<u>919,259</u>	<u>755,105</u>

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35. FINANCIAL RISK (CONT'D.)

35.1 Credit risk (Cont'd.)

35.1.1 Credit exposure by credit rating

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

	Investment grade RM'000	Non- investment grade/ unrated RM'000	Past-due but not impaired RM'000	Total RM'000
2016				
LAR:				
Fixed and call deposits	10,098	-	-	10,098
Loans	-	5,065	-	5,065
AFS financial assets:				
Corporate debt securities	5,060	-	-	5,060
Reinsurance assets	371,060	52,872	-	423,932
Insurance receivables	4,196	40,008	28,605	72,809
Other receivables	109	127,637	-	127,746
Cash and short-term deposits	274,094	455	-	274,549
Total credit risk exposure	<u>664,617</u>	<u>226,037</u>	<u>28,605</u>	<u>919,259</u>
2015				
LAR:				
Fixed and call deposits	6,833	-	-	6,833
Loans	-	10,919	-	10,919
AFS financial assets:				
Corporate debt securities	5,107	-	-	5,107
Reinsurance assets	317,818	46,410	-	364,228
Insurance receivables	4,883	38,855	20,033	63,771
Other receivables	90	120,481	-	120,571
Cash and short-term deposits	183,536	140	-	183,676
Total credit risk exposure	<u>518,267</u>	<u>216,805</u>	<u>20,033</u>	<u>755,105</u>

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35. FINANCIAL RISK (CONT'D)

35.1 Credit risk (Cont'd.)

35.1.1 Credit exposure by credit rating (Cont'd.)

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 ("MARC") credit ratings of counterparties. AAA is the highest possible rating.

2016	AAA	AA	A	BBB	B	Non-rated	Total
LAR:	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Fixed and call deposits	10,098	-	-	-	-	-	10,098
Loans	-	-	-	-	-	5,065	5,065
AFS financial assets:							
Corporate debt securities	-	5,060	-	-	-	-	5,060
Reinsurance assets	-	134,608	236,439	-	13	52,872	423,932
Insurance receivables	-	1,949	2,247	-	-	68,613	72,809
Other receivables	59	50	-	-	-	127,637	127,746
Cash and short-term deposits	216,880	55,124	2,090	-	-	455	274,549
Total credit risk exposure	227,037	196,791	240,776	-	13	254,642	919,259
2015							
LAR:							
Fixed and call deposits	6,833	-	-	-	-	-	6,833
Loans	-	-	-	-	-	10,919	10,919
AFS financial assets:							
Corporate debt securities	-	5,107	-	-	-	-	5,107
Reinsurance assets	-	92,369	175,682	49,766	1	46,410	364,228
Insurance receivables	-	2,282	2,601	-	-	58,888	63,771
Other receivables	3	87	-	-	-	120,481	120,571
Cash and short-term deposits	51,249	131,119	1,168	-	-	140	183,676
Total credit risk exposure	58,085	230,964	179,451	49,766	1	236,838	755,105

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35. FINANCIAL RISK (CONT'D)

35.1 *Credit risk (Cont'd.)*

35.1.2 *Age analysis of financial assets past-due but not impaired*

The Company maintains an ageing analysis in respect of insurance receivables. The ageing of insurance receivables that are past due as at the reporting date but not impaired is as follows:

	< 30 days RM'000	31 to 60 days RM'000	61 to 90 days RM'000	91 to 180 days RM'000	Total RM'000
2016					
Insurance receivables	875	(5)	11,048	16,687	28,605
2015					
Insurance receivables	1,156	(13)	15,253	3,637	20,033

Information relating to reinsurance assets, insurance receivables and other receivables that are past due and impaired are shown in Note 7, Note 8 and Note 9.

35.2 *Liquidity risk*

Liquidity risk is the risk that an entity will not have available sufficient cash resources to meet its payment obligations without incurring material additional costs.

The Company will meet its liquidity needs arising in a number of key areas:

- the ability to meet the Company's payment obligations under normal and stressed operating environments without suffering any material loss
- efficient management of additions/withdrawals from the Company's investment funds

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35. FINANCIAL RISK (CONT'D.)

35.2 *Liquidity risk (Cont'd.)*

Part of the Company's liquidity management strategy is to put in place the necessary framework capable of measuring and reporting on:

- daily cash flows
- minimum liquidity holdings
- cash flow forecasting, for a minimum of 2 months up to a maximum of 1 year
- the composition and market values of the Company's investment portfolios, including liquid holdings
- Insurance contract liabilities

For managing the liquidity of the insurance funds, it is appropriate to maintain a certain proportion of the General Insurance Fund in liquid assets which is derived from the investment mandate of the Company.

35.2.1 *Maturity profiles*

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

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

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35. FINANCIAL RISK (CONT'D.)

35.2 Liquidity risk (Cont'd.)

35.2.1 Maturity profiles (Cont'd.)

Premium liabilities and the reinsurers' share of premium liabilities have been excluded from the analysis as they are not contractual obligations.

2016	Carrying value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
Financial investments:								
LAR	15,163	13,101	865	610	962	86	-	15,624
AFS	535,368	5,234	-	-	-	-	530,309	535,543
FVTPL	2,886,136	2,886,136	-	-	-	-	-	2,886,136
	3,436,667	2,904,471	865	610	962	86	530,309	3,437,303
Reinsurance assets - claim liabilities	376,020	196,263	143,831	36,866	18,852	-	-	395,812
Insurance receivables	72,809	72,809	-	-	-	-	-	72,809
Other receivables	127,746	127,746	-	-	-	-	-	127,746
Cash and short-term deposits	274,549	274,549	-	-	-	-	-	274,549
Total undiscounted financial assets	4,287,791	3,575,838	144,696	37,476	19,814	86	530,309	4,308,219
Insurance contract liabilities - claim liabilities	1,925,552	993,710	726,489	186,229	95,297	-	-	2,001,725
Other liabilities	12,399	12,399	-	-	-	-	-	12,399
Insurance payables	116,792	116,792	-	-	-	-	-	116,792
Other payables	33,604	33,604	-	-	-	-	-	33,604
Total undiscounted financial liabilities	2,088,347	1,156,505	726,489	186,229	95,297	-	-	2,164,520
Total liquidity surplus/(gap)	2,199,444	2,419,333	(581,793)	(148,753)	(75,483)	86	530,309	2,143,699

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35. FINANCIAL RISK (CONT'D.)

35.2 Liquidity risk (Cont'd.)

35.2.1 Maturity profiles (Cont'd.)

2015	Carrying value RM'000	Up to a year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
Financial investments:								
LAR	17,752	12,799	3,388	891	1,399	212	-	18,689
AFS	560,255	508,073	5,392	-	-	-	47,310	560,775
FVTPL	3,046,435	3,046,435	-	-	-	-	-	3,046,435
	3,624,442	3,567,307	8,780	891	1,399	212	47,310	3,625,899
Reinsurance assets - claim liabilities	309,838	199,112	89,466	27,455	17,158	-	-	333,191
Insurance receivables	63,771	63,771	-	-	-	-	-	63,771
Other receivables	120,571	120,571	-	-	-	-	-	120,571
Cash and short-term deposits	183,676	183,676	-	-	-	-	-	183,676
Total undiscounted financial assets	4,302,298	4,134,437	98,246	28,346	18,557	212	47,310	4,327,108
Insurance contract liabilities - claim liabilities	1,734,982	932,117	549,002	170,550	92,872	-	-	1,744,541
Other liabilities	9,892	9,892	-	-	-	-	-	9,892
Insurance payables	71,655	71,655	-	-	-	-	-	71,655
Other payables	34,341	34,341	-	-	-	-	-	34,341
Total undiscounted financial liabilities	1,850,870	1,048,005	549,002	170,550	92,872	-	-	1,860,429
Total liquidity surplus/(gap)	2,451,428	3,086,432	(450,756)	(142,204)	(74,315)	212	47,310	2,466,679

For the Company's share in the net assets held under MMIP (which is included under other receivables) and share of insurance contract liabilities arising from its participation in MMIP, as disclosed in Note 9 and Note 14, respectively, the carrying value is disclosed in the "up to one year" column as the Company expects that the net exposure will be paid to MMIP as cash contribution within 12-months from the reporting date.

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35. FINANCIAL RISK (CONT'D.)

35.2 Liquidity risk (Cont'd.)

35.2.1 Maturity profiles (Cont'd.)

The table below summarises the expected utilisation or settlement of assets and liabilities by classifying them into Current and Non-current categories:

	Current*	Non-current	Total
	RM'000	RM'000	RM'000
2016			
Assets			
Property and equipment	-	77,230	77,230
Investment properties	-	5,584	5,584
Intangible assets	-	44,500	44,500
Investments	2,904,471	532,196	3,436,667
Reinsurance assets	229,091	194,841	423,932
Insurance receivables	72,809	-	72,809
Other receivables	127,746	-	127,746
Deferred tax assets	10,538	-	10,538
Tax recoverable	54,727	-	54,727
Cash and short-term deposits	274,549	-	274,549
Non-current asset held for sale	18,399	-	18,399
Total assets	3,692,330	854,351	4,546,681
Liabilities			
Insurance contract liabilities	1,648,117	995,780	2,643,897
Other liabilities	12,399	-	12,399
Insurance payables	116,792	-	116,792
Other payables	240,028	-	240,028
Provision for retirement benefits	708	18,543	19,251
Total liabilities	2,018,044	1,014,323	3,032,367

* Expected maturities within 12-months from the reporting date.

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35. FINANCIAL RISK (CONT'D.)

35.2 Liquidity risk (Cont'd)

The table below summarises the expected utilisation or settlement of assets and liabilities by classifying them into Current and Non-current categories (Cont'd.):

	Current*	Non-	Total
	RM'000	current	RM'000
		RM'000	RM'000
2015			
Assets			
Property and equipment	-	76,339	76,339
Investment properties	-	13,493	13,493
Intangible assets	-	8,237	8,237
Investments	3,567,307	57,135	3,624,442
Reinsurance assets	253,502	110,726	364,228
Insurance receivables	63,771	-	63,771
Other receivables	120,571	-	120,571
Deferred tax assets	14,343	-	14,343
Tax recoverable	22,308	-	22,308
Cash and short-term deposits	183,676	-	183,676
Non-current asset held for sale	83,775	-	83,775
Total assets	4,309,253	265,930	4,575,183
Liabilities			
Insurance contract liabilities	1,664,641	802,865	2,467,506
Other liabilities	9,892	-	9,892
Insurance payables	71,655	-	71,655
Other payables	261,935	-	261,935
Provision for retirement benefits	708	18,787	19,495
Total liabilities	2,008,831	821,652	2,830,483

* Expected maturities within 12-months from the reporting date.

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35. FINANCIAL RISK (CONT'D.)

35.3 Market risk

Market risk is the risk of loss arising from a change in the values of, or the income from, financial assets of the Company. A risk of loss also arises from volatility in asset prices, interest rates, or exchange rates. Market risk includes the following three elements:

- Foreign exchange risk
- Interest rate risk – the risk of fluctuations in fair value or future cash flows of a financial instrument arising from a change of or volatility in interest rates
- Price risk – the risk of fluctuations in fair value or future cash flows of a financial instrument arising from a change of or volatility in equity values.

35.3.1 Foreign exchange risk

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

At the reporting date, the Company has no significant exposure to foreign exchange risk.

The Company does not engage in derivative transactions for speculative purposes.

35.3.2 Interest rate risk

Interest rate risk is the risk of fluctuations in fair value or future cash flows of a financial instrument arising from volatility in interest rates.

Day-to-day investment decisions around the management of interest rate risk and its impact on the value of the Company's investments are largely undertaken on behalf of the Company by approved fund managers, within the boundaries set by the fund management mandates entered into between the Company and its related company, AmFunds Management Berhad and Phillip Capital Management Sdn. Bhd. The fund managers will assess the extent of interest rate risk allowed by the fund as set out in the fund objectives and relative to the defined performance benchmarks. The methodology to manage interest rate risk within each specific fund is an integral part of the fund manager's approach adopted.

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35. FINANCIAL RISK (CONT'D.)

35.3.2 Interest rate risk (Cont'd.)

The following table demonstrates the sensitivity to a reasonable change in interest rates on the fair value or future cash flows of debt securities:

	Change in variables	Increase/(Decrease)			
		<----- 2016 ----->		<----- 2015 ----->	
		Impact on profit before taxation RM'000	Impact on equity* RM'000	Impact on profit before taxation RM'000	Impact on equity* RM'000
Parallel shift in yield curve	+100 bps	-	(31)	-	(67)
Parallel shift in yield curve	-100 bps	-	31	-	67

* impact on equity reflects adjustment for tax, where applicable.

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

35.3.3 Price risk

The following table demonstrates the sensitivity to a reasonable change in market indices on the equity securities, as well as quoted unit and property trust funds:

	Change in variables	<----- 2016 ----->				<----- 2015 ----->	
		Impact on profit before taxation RM'000	Impact on equity* RM'000	Impact on profit before taxation RM'000	Impact on equity* RM'000	Impact on profit before taxation RM'000	Impact on equity* RM'000
Equity securities:							
Market price	+5%	-	1,770	-	-	1,721	
Market price	-5%	-	(1,770)	-	-	(1,721)	
Collective investment schemes:							
Net asset value	+5%	109,673	101,679	152,322	139,634	139,634	
Net asset value	-5%	(109,673)	(101,679)	(152,322)	(139,634)	(139,634)	

* impact on equity reflects adjustment for tax, where applicable.

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35. FINANCIAL RISK (CONT'D.)

35.3.3 Price risk (Cont'd.)

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

35.4 Operational risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss that cannot be estimated in all operational risks. However, by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage these risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education and assessment processes, as well as the use of internal audit. Business risks such as changes in environment, technology and the industry are monitored through the Company's strategic planning and budgeting process.

36. FAIR VALUE HIERARCHY

The table below analyses those financial instruments carried at fair value and assets for which fair value is disclosed by their valuation methods.

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

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36. FAIR VALUE HIERARCHY (CONT'D.)

2016	Note	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets measured at fair value on a recurring basis:					
AFS financial assets:					
Corporate debt securities	6	-	5,060	-	5,060
Equity securities	6	46,571	-	-	46,571
Collective investment schemes	6	482,307	-	-	482,307
FVTPL financial assets:					
Collective investment schemes	6	2,886,136	-	-	2,886,136
		<u>3,415,014</u>	<u>5,060</u>	<u>-</u>	<u>3,420,074</u>
Assets for which fair values are disclosed:					
Investment properties	4	-	-	9,200	9,200
2015					
2015	Note	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets measured at fair value on a recurring basis:					
AFS financial assets:					
Corporate debt securities	6	-	5,107	-	5,107
Equity securities	6	45,880	-	-	45,880
Collective investment schemes	6	507,838	-	-	507,838
FVTPL financial assets:					
Collective investment schemes	6	3,046,435	-	-	3,046,435
		<u>3,600,153</u>	<u>5,107</u>	<u>-</u>	<u>3,605,260</u>
Assets for which fair values are disclosed:					
Investment properties	4	-	-	21,320	21,320

The fair values of investment properties were derived based on the methods disclosed in Note 4. Methods to derive fair value of other assets are disclosed in Note 2.2(g).

There were no transfers between Level 1 or Level 2 of the fair value hierarchy during the current and previous financial years for assets which are carried at fair value.

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37. REGULATORY CAPITAL REQUIREMENTS

The total capital available of the Company as at 31 March 2016, as prescribed under the RBC Framework is provided below:

	2016	2015
	RM'000	RM'000
Eligible Tier 1 capital		
Fully paid-up ordinary shares	600,000	600,000
Share premiums	54,900	54,900
Paid-up non-cumulative irredeemable preference shares	6,100	6,100
Retained earnings	450,611	682,629
	<u>1,111,611</u>	<u>1,343,629</u>
Tier 2 capital		
RNCPS	400,000	400,000
Available-for-sale fair value reserves	2,703	1,071
	<u>402,703</u>	<u>401,071</u>
Amounts deducted from capital	<u>(69,923)</u>	<u>(29,712)</u>
Total capital available	<u>1,444,391</u>	<u>1,714,988</u>

38. INSURANCE FUND

The Company's activities are organised by funds and segregated into Insurance and Shareholder's Funds in accordance with the Financial Services Act, 2013.

The insurance and shareholder's funds have been presented together as one fund in the Company's statement of financial position, income statement and statement of comprehensive income.

The general insurance business offers general insurance products which include Motor, Fire, Personal Accident, Health and Surgical, Marine, Aviation and Transit and Miscellaneous products.