Building a better working world

MULTI-PURPOSE INSURANS BHD
(14730-X)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2013

Multi-Purpose Insurans Bhd
(Incorporated in Malaysia)

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Multi-Purpose Insurans Bhd
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Directors' report

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and the Company for the financial year ended 31 December 2013.

Principal activity

The Company is principally engaged in the underwriting of all classes of general insurance business. The principal activity of the subsidiary is as disclosed in Note 6 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

Results

	Group RM'000	Company RM'000
Net profit for the year	52,215	52,024
Attributable to:		
Owners of the parent	52,163	52,024
Non-controlling interest	52	-
	52,215	52,024

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

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

Dividend

The amount of dividend paid by the Company since 31 December 2012 was as follows:-

In respect of the financial year ended 31 December 2012 :-

	RM'000
Interim dividend of 0.2667 sen per share, less income tax at 25%, on 100,000,000 ordinary shares approved by the Board on 13 May 2013 and paid on 7 June 2013.	20,000

The Directors do not recommend any payment of final dividend in respect of the current financial year.

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Corporate governance

The Company has generally complied with the prescriptive applications of Bank Negara Malaysia's BNM/RH/GL 003-2 on "Prudential Framework of Corporate Governance for Insurers" as briefly described below:

(i) Board responsibility and oversight

The Board is responsible for the overall governance of the Company, the attainment of its corporate plans and objectives and compliance with the Financial Services Act, 2013 and the relevant Bank Negara Malaysia guidelines. To ensure effective and timely discharge of these responsibilities, the Board convenes once every 2 months.

As at 31 December 2013, the Board comprises three independent non-executive Directors and two non-independent non-executive directors.

(ii) Management accountability

The Company has an effective and well-defined organisational structure, clear job descriptions and authority limits. Effective channels of communication are in place throughout the organisation and operating manuals have been developed for all critical functions to ensure a consistent and high standard of service delivery.

None of the Directors and senior management are involved in conflict of interest situations. All executive staff are bound by a Code of Ethics adopted by the Company.

(iii) Corporate independence

Material related party transactions as disclosed in Note 29 to the financial statements have been undertaken at terms that are at the least comparable to normal commercial terms.

(iv) Internal controls and operational risk management

The Company has established an effective internal control and risk management system with appropriate operational risk limits that allow for early detection and containment of risks. The process of identifying, evaluating and managing risks as well as the nurturing of an appropriate corporate culture is a continuous one. An effective management information system supports management efforts to safeguard the Company's assets and protect policyholders' interests at all times.

Adequacy of internal controls are competently assessed by an independent internal audit function which reports to the Board through the Audit Committee. The Audit Committee as at 31 December 2013 comprises three independent non-executive directors and one non-independent non-executive director. Compliance with procedures and controls are also assessed by internal auditors. All deficiencies and breaches are reported and remedied promptly.

Corporate governance (cont'd.)

(v) Public accountability

It is part of the Company's stated quality policies and objectives to be a socially responsible and accountable corporate citizen and to build a corporate culture of integrity, fairness and good ethics in all dealings and interactions with the public and policy owners.

(vi) Financial reporting

The Company maintains proper accounting records and financial statements are prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, the requirements of Companies Act, 1965 in Malaysia and the requirements of Bank Negara Malaysia.

(vii) Membership and meetings of the committees

The composition of the Committees and the meetings held during the financial year ended 31 December 2013 are as follows:

	Attendance/Number of Meetings				
	Board of Directors	Audit Committee	Nominating Committee	Remuneration Committee	Risk Management Committee
Tan Sri Dato' Dr Yahya bin Awang	Chairman 7/7	Member 6/6	Chairman 3/3	Member 2/2	-
Dato' Lim Tiong Chin	Member 7/7	-	Member 3/3	Member 2/2	Member 6/6
Dato' Yogesvaran a/l T Arianayagam	Member 7/7	Chairman 6/6	Member 3/3	Chairman 2/2	Chairman 6/6
Ms Kheoh And Yeng	Member 7/7	Member 6/6	Member 3/3	Member 2/2	-
Datuk Mohd Yusof bin Abd Rahaman	Member 7/7	Member 6/6	Member 3/3	-	Member 6/6

Corporate governance (cont'd.)

(viii) Responsibilities of the committees

The duties and responsibilities of the Committees are as follows:

Audit committee

The Audit Committee is a committee of the Board with the function of assisting the Board in fulfilling its oversight responsibilities. The Audit Committee reviews the Group's and the Company's financial reporting process, the system of internal control and management of risk, the audit process and the Company's process for monitoring compliance with laws and regulations, and such other matters which may be delegated by the Board.

The Audit Committee carried out its duties in accordance with its Terms of Reference. The activities of the Audit Committee for 2013 were as follows:

(i) Reviewed and recommended to the Board for approval, the audited financial statements of the Group and the Company, as well as highlighted any significant issues to the Board;

(ii) Reviewed the annual audit plan of the Group Internal Audit Division ("GIAD") to ensure adequate scope and coverage of activities of the Company;

(iii) Reviewed the resource requirements of the GIAD to ensure that it can perform effectively and efficiently;

(iv) Reviewed the internal audit reports of the Company, the audit recommendations and management responses to these recommendations and the implementation status of recommendations;

(v) Reviewed and assessed the performance of the GIAD;

(vi) Reviewed the external auditors' audit plan and scope of work; and

(vii) Reviewed the external auditors' report on the audit of the statutory financial statements of the Group and the Company.

Nominating committee

(i) To establish and oversee the overall composition of the Board in relation to its size and members' skills so that members could discharge their responsibilities effectively;

(ii) To assess and recommend to the Board for the appointment of nominees to be appointed to the Board arising from a vacancy. This includes assessing and selecting Directors and the Chief Executive Officer for reappointment;

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Corporate governance (cont'd.)

(viii) Responsibilities of the committees (cont'd.)

Nominating committee (cont'd.)

(iii) To assess and review the contribution and effectiveness of the Board in discharging its duties and responsibilities;

(iv) To oversee the appointment and the evaluation of performance of key senior officers and ensure that a management succession plan is in place arising from resignation and removal of key senior officers; and

(v) To ensure that all members of the Board undergo appropriate training programmes.

Remuneration committee

To recommend to the Board a framework of remuneration structure including employee benefits such as salaries, social security contributions, paid annual leave, paid sick leave, bonuses and retirement benefits for the employees of the Company as well as the Directors and the Chief Executive Officer.

Risk management committee

(i) To review the structure of the Risk Management Committee for effective management of financial and non-financial risks and maintenance of an effective risk management capability;

(ii) To co-opt a risk management working committee to assist the Risk Management Committee in carrying out studies for an effective risk management system to be formulated for the process by which risk management can be carried out; and

(iii) To review the recommendations of the working committee and report the same to the Board for timely actions to be taken.

Directors' interest

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

Tan Sri Dato' Dr Yahya bin Awang
Dato' Lim Tiong Chin
Dato' Yogesvaran a/l T Arianayagam
Kheoh And Yeng
Datuk Mohd Yusof bin Abd Rahaman

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Directors' interest (cont'd.)

According to the register of directors' shareholdings, the interest of directors in office at the end of the financial year in shares and in the Company and its related corporations during the financial year were as follows:

	Number of Ordinary Shares of RM1 each						
	As at 27.6.2013	**Allotted**	(b)	**Disposed**	**As at 31.12.2013**	
Ultimate Holding Company						
MPHB Capital Berhad						
("MPHB Capital") (a)						
Direct Interest:						
Tan Sri Dato' Dr Yahya bin Awang	-	51,100		-	51,100	
Dato' Lim Tiong Chin	-	508,000		-	508,000	
Dato' Yogesvaran T.Arianayagam	-	50,000		-	50,000	
Kheoh And Yeng	-	300,900		-	300,900	
Indirect interest:						
Dato' Lim Tiong Chin	-	4,160,000	(c)	-	4,160,000	(c)
Dato' Yogesvaran T.Arianayagam	-	3,000	(d)	-	3,000	(d)

	Number of Ordinary Shares of RM1 each					
	As at 1.1.2013		**Acquired**	**Disposed**	**As at 27.6.2013**	
Former Ultimate Holding Company						
Magnum Berhad (a)						
(formerly known as Multi-Purpose Holdings Berhad)						
Direct Interest :						
Tan Sri Dato' Dr Yahya bin Awang	30,000		10,000	-	40,000	
Dato' Lim Tiong Chin	1,000,000		-	-	1,000,000	
Dato' Yogesvaran T.Arianayagam	100,000		-	-	100,000	
Kheoh And Yeng	455,000		20,000	-	475,000	
Indirect interest:						
Dato' Lim Tiong Chin	8,200,000	(c)	-	-	8,200,000	(c)
Dato' Yogesvaran T.Arianayagam	6,000	(d)	-	-	6,000	(d)

Directors' interest (cont'd.)

(a) Between 1.1.2013 to 28.3.2013, Magnum Berhad ("Magnum") was the ultimate holding company of Multi-Purpose Insurans Bhd ("the Company"). On 29.3.2013, Magnum disposed of its entire equity interest in Multi-Purpose Capital Holdings Berhad, the immediate holding company of the Company to MPHB Capital Berhad ("MPHB Capital"), a wholly-owned subsidiary of Magnum.

    On 27.6.2013, Magnum ceased to have any interest in MPHB Capital following the completion of the renounceable offer for sale by Magnum of 715,000,000 ordinary shares of RM1.00 each in MPHB Capital representing 100% equity interest in MPHB Capital to the existing shareholders of Magnum ("Offer Shares"). Hence, Magnum ceased to be the ultimate holding company of the Company. Arising therefrom, MPHB Capital became the ultimate holding company of the Company on 27.6.2013.

(b) Allotment of MPHB Capital shares pursuant to the Offer Shares is on the basis of 1 Offer Share for every 2 existing ordinary shares of RM1.00 each held in Magnum.

(c) Deemed interest by virtue of Section 6A(4) of the Companies Act,1965 held through his shareholdings of more than 15% in Keetinsons Sendirian Berhad and T.C.Holdings Sendirian Berhad.

(d) Indirect interest held through Next Generation Sdn Bhd.

Other than as disclosed, the other director in office at the end of the financial year had no interest in shares in the Company or its related corporations during the financial year.

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 Directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year and at the date of this report, no Director has received or become entitled to receive any benefits (other than benefits included in the aggregate amount of emoluments received or due and receivable by directors as shown in Notes 24 and 29 to the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member or with a company in which the Director has a substantial financial interest.

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Other statutory information

(a) Before the statements of financial position, income statements and statements of comprehensive income of the Group and 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 impairment, and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for impairments; 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 have 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 as bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent; and

 (ii) the values attributed to the current assets in the financial statements of the Group and the Company misleading.

(c) At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and 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 the financial statements of the Group and the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

 (i) any charge on the assets of the Group and 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 in respect of the Group and 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 liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and the Company to meet its obligations as and when they fall due. For the purpose of paragraphs (e) (ii) and (f) (i), contingent and other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Company; and

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

(g) Before the statements of financial position, income statements and statements of comprehensive income of the Group and 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 the Risk-Based Capital Framework for insurers issued by Bank Negara Malaysia.

Auditors

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 27 March 2014.

Tan Sri Dato' Dr Yahya bin Awang

Kheoh And Yeng

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

We, Tan Sri Dato' Dr Yahya bin Awang and Kheoh And Yeng, being two of the Directors of Multi-Purpose Insurans Bhd, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 14 to 102 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2013 and of their financial performance and the cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 27 March 2014.

Tan Sri Dato' Dr Yahya bin Awang

Kheoh And Yeng

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

I, Liew Yaw Lian, being the Officer primarily responsible for the financial management of Multi-Purpose Insurans Bhd, do solemnly and sincerely declare that the accompanying financial statements set out on pages 14 to 102 are, in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Liew Yaw Lian at Kuala Lumpur in the Federal Territory on 27 March 2014

Liew Yaw Lian

Before me,

PESURUHJAYA SUMPAH
No : W520
Name : MOHAMED PUDZIL BIN HJ MOHD WAHI
MALAYSIA

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Independent auditors' report to the member of
Multi-Purpose Insurans Bhd
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Report on the financial statements

We have audited the financial statements of Multi-Purpose Insurans Bhd, which comprise the statements of financial position as at 31 December 2013 of the Group and the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Company for the year ended 31 December 2013, and a summary of significant accounting policies and other explanatory notes, as set out on pages 14 to 102.

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 are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

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

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Independent auditors' report to the member of
Multi-Purpose Insurans Bhd (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 Group and of the Company as at 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Report on other legal and regulatory requirements

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

(a) 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.

(b) We have considered the financial statements and the auditors' reports of the subsidiary of which we have not acted as auditor, which is indicated in Note 6 to the financial statements, being financial statements that have been included in the consolidated financial statements.

(c) We are satisfied that the financial statements of the subsidiary that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the financial statements of the subsidiary were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

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**Independent auditors' report to the member of
Multi-Purpose Insurans Bhd (cont'd.)
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Other matters

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

Ernst & Young
AF: 0039
Chartered Accountants

Yeo Beng Yean
No. 3013/10/14(J)
Chartered Accountant

Kuala Lumpur, Malaysia
27 March 2014

Multi-Purpose Insurans Bhd
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STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
ASSETS					
Property and equipment	3	6,458	8,683	6,458	8,683
Investment properties	4	6,509	5,739	6,509	5,739
Intangible assets	5	1,782	1,435	1,782	1,435
Investment securities	6	635,984	589,367	636,790	589,499
Loans	7	17	38	17	38
Reinsurance assets	8	411,529	358,727	411,529	358,727
Insurance receivables	9	138,956	107,901	138,956	107,901
Other receivables	10	58,455	29,281	56,366	27,917
Tax recoverable		1,733	-	1,733	-
Cash and bank balances	11	8,738	8,477	8,713	8,456
Total assets		1,270,161	1,109,648	1,268,853	1,108,395
EQUITY AND LIABILITIES					
Share capital	12	100,000	100,000	100,000	100,000
Share premium		200	200	200	200
Retained earnings	13	194,227	162,064	192,083	160,059
Fair value reserves	13	5,934	10,134	8,078	12,126
Shareholders' equity		300,361	272,398	300,361	272,385
Non-controlling interest		1,216	1,163	-	-
Total equity		301,577	273,561	300,361	272,385
Insurance contract liabilities	14	816,204	703,003	816,204	703,003
Insurance payables	15	113,386	76,613	113,386	76,613
Tax payable		-	4,540	-	4,540
Deferred tax liabilities	16	2,791	3,387	2,791	3,387
Other payables	17	36,203	48,544	36,111	48,467
Total liabilities		968,584	836,087	968,492	836,010
TOTAL EQUITY AND LIABILITIES		1,270,161	1,109,648	1,268,853	1,108,395

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

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INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Gross earned premium		484,639	474,274	484,639	474,274
Premiums ceded to reinsurers		(204,739)	(227,055)	(204,739)	(227,055)
Net earned premiums	18	279,900	247,219	279,900	247,219
Investment income	19	26,046	22,330	26,353	24,589
Realised gains	20	8,488	9,777	7,888	7,245
Fee and commission income	21	48,442	52,342	48,442	52,342
Other operating revenue	22	11,244	14,498	11,348	14,211
Other revenue		94,220	98,947	94,031	98,387
Gross claims paid	23	(201,129)	(173,795)	(201,129)	(173,795)
Claims ceded to reinsurers	23	64,920	54,203	64,920	54,203
Gross change to contract liabilities	23	(40,330)	(14,665)	(40,330)	(14,665)
Change in contract liabilities ceded to reinsurers	23	8,723	(13,691)	8,723	(13,691)
Net claims incurred		(167,816)	(147,948)	(167,816)	(147,948)
Fee and commission expenses		(80,160)	(79,780)	(80,160)	(79,780)
Management expenses	24	(67,408)	(57,885)	(67,410)	(57,862)
Other expenses		(147,568)	(137,665)	(147,570)	(137,642)
Profit before taxation		58,736	60,553	58,545	60,016
Taxation	25	(6,521)	(13,020)	(6,521)	(13,020)
Net profit for the year		52,215	47,533	52,024	46,996
Earnings per share (sen)					
Basic and diluted	26	52.2	47.5	52.0	47.0

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

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STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Net profit for the year	52,215	47,533	52,024	46,996
Other comprehensive income:				
Items that are or may be reclassified subsequently to profit or loss				
Fair value reserves				
Net gain arising during the year	3,974	13,193	3,526	13,977
Net realised gains transferred to income statement	(8,488)	(9,777)	(7,888)	(7,245)
	(4,514)	3,416	(4,362)	6,732
Tax effects	314	(1,166)	314	(1,166)
	(4,200)	2,250	(4,048)	5,566
Total comprehensive income for the year	48,015	49,783	47,976	52,562
Profit attributable to :				
Owners of the parent	52,163	47,470	52,024	46,996
Non-controlling interest	52	63	-	-
	52,215	47,533	52,024	46,996
Total comprehensive income attributable to:				
Owners of the parent	47,976	49,724	47,976	52,562
Non-controlling interest	39	59	-	-
	48,015	49,783	47,976	52,562

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 DECEMBER 2013

Group		Non-Distributable		Distributable	Non-	
	Share capital RM'000	Share premium RM'000	Fair value reserves RM'000	Retained earnings RM'000	controlling interest RM'000	Total RM'000
At 1 January 2012	100,000	200	7,884	114,594	1,070	223,748
Fair value reserves						
Net gain arising during the year	-	-	12,027	-	-	12,027
Net realised gains transferred to income statement	-	-	(9,777)	-	-	(9,777)
Total other comprehensive income for the year	-	-	2,250	-	-	2,250
Profit for the year	-	-	-	47,470	63	47,533
Total comprehensive income for the year	-	-	2,250	47,470	63	49,783
Distribution during the year	-	-	-	-	(60)	(60)
Creation of units	-	-	-	-	90	90
At 31 December 2012	100,000	200	10,134	162,064	1,163	273,561
At 1 January 2013	100,000	200	10,134	162,064	1,163	273,561
Fair value reserves						
Net gain arising during the year	-	-	4,288	-	-	4,288
Net realised gains transferred to income statement	-	-	(8,488)	-	-	(8,488)
Total other comprehensive income for the year	-	-	(4,200)	-	-	(4,200)
Profit for the year	-	-	-	52,163	52	52,215
Total comprehensive income for the year	-	-	(4,200)	52,163	52	48,015
Distribution during the year	-	-	-	-	(50)	(50)
Dividend paid for the year (Note 30)	-	-	-	(20,000)	-	(20,000)
Creation of units	-	-	-	-	51	51
As 31 December 2013	100,000	200	5,934	194,227	1,216	301,577

Company		Non-Distributable		Distributable	
	Share capital RM'000	Share premium RM'000	Fair value reserves RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2012	100,000	200	6,560	113,063	219,823
Fair value reserves					
Net gain arising during the year	-	-	12,811	-	12,811
Net realised gains transferred to income statement	-	-	(7,245)	-	(7,245)
Total other comprehensive income for the year	-	-	5,566	-	5,566
Profit for the year	-	-	-	46,996	46,996
Total comprehensive income for the year	-	-	5,566	46,996	52,562
At 31 December 2012	100,000	200	12,126	160,059	272,385
At 1 January 2013	100,000	200	12,126	160,059	272,385
Fair value reserves					
Net gain arising during the year	-	-	3,840	-	3,840
Net realised gains transferred to income statement	-	-	(7,888)	-	(7,888)
Total other comprehensive income for the year	-	-	(4,048)	-	(4,048)
Profit for the year	-	-	-	52,024	52,024
Total comprehensive income for the year	-	-	(4,048)	52,024	47,976
Dividend paid for the year (Note 30)	-	-	-	(20,000)	(20,000)
As 31 December 2013	100,000	200	8,078	192,083	300,361

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

Multi-Purpose Insurans Bhd
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before tax	58,736	60,553	58,545	60,016
Adjustments for:				
Investment income	(25,901)	(22,316)	(26,208)	(24,575)
Realised gains recorded in profit or loss	(8,488)	(9,777)	(7,888)	(7,245)
Realised gains on disposal of investment property	-	(1,876)	-	(1,876)
Depreciation of property and equipment	1,173	1,356	1,173	1,356
(Gain)/loss on disposal of property and equipment	(120)	6	(120)	6
Depreciation of investment properties	50	-	50	-
Amortisation of intangible assets	497	326	497	326
Property and equipment written off	2,204	-	2,204	-
Impairment loss on AFS financial assets	280	266	155	266
Amortisation of premium	7	6	7	6
Allowance/(write-back) for impairment	3,517	(508)	3,517	(508)
Bad debt written off	7	741	7	741
Operating profit before working capital changes	31,962	28,777	31,939	28,513
Decrease/(increase) in LAR	1,040	(106,883)	(37,470)	(68,759)
Increase in reinsurance assets	(52,802)	(1,673)	(52,802)	(1,673)
Increase in insurance receivables	(34,579)	(13,416)	(34,579)	(13,416)
(Increase)/decrease in other receivables	(22,120)	2,793	(22,120)	2,793
Increase in insurance contract liabilities	113,201	45,776	113,201	45,776
Increase in insurance payables	36,773	24,896	36,773	24,896
(Decrease)/increase in other payables	(12,341)	18,652	(12,355)	18,635
	61,135	(1,078)	22,587	36,765
Dividend income received	3,365	2,286	3,365	2,286
Interest income received	8,593	10,179	9,625	12,181
Income tax paid	(12,700)	(10,269)	(12,700)	(10,269)
Net cash flows generated from operating activities	60,393	1,118	22,877	40,963

Multi-Purpose Insurans Bhd
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013 (cont'd.)

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Cash flows from investing activities				
Proceeds from disposal of property and equipment	120	2	120	2
Purchase of property and equipment	(1,191)	(3,792)	(1,191)	(3,792)
Purchase of intangible assets	(805)	(1,162)	(805)	(1,162)
Purchase of investment properties	(820)	(3,512)	(820)	(3,512)
Purchase of AFS financial assets	(268,695)	(287,309)	(81,925)	(173,145)
Proceeds from sale of investment properties	-	3,970	-	3,970
Proceeds from sale of AFS financial assets	155,631	261,722	82,001	135,065
Redemption of fixed income securities	75,627	27,326	-	-
Net cash flows used in investing activities	(40,133)	(2,755)	(2,620)	(42,574)
Cash flows from financing activity				
Dividend paid to ultimate holding company	(20,000)	-	(20,000)	-
Proceeds from subcription of units	51	90	-	-
Distribution to unitholders	(50)	(60)	-	-
Net cash flow (used in)/generated from financing activity	(19,999)	30	(20,000)	-
Net increase/(decrease) in cash and bank balances	261	(1,607)	257	(1,611)
Cash and bank balances at beginning of year	8,477	10,084	8,456	10,067
Cash and bank balances at end of year (Note 11)	8,738	8,477	8,713	8,456

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

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The principal place of business of the Company is located at 8th Floor, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur.

Between 1.1.2013 to 28.3.2013, Magnum Berhad ("Magnum") was the ultimate holding company of Multi-Purpose Insurans Bhd ("the Company"). On 29.3.2013, Magnum disposed of its entire equity interest in Multi-Purpose Capital Holdings Berhad, the immediate holding company of the Company to MPHB Capital Berhad ("MPHB Capital"), a wholly-owned subsidiary of Magnum.

On 27.6.2013, Magnum ceased to have any interest in MPHB Capital following the completion of the renounceable offer for sale by Magnum of 715,000,000 ordinary shares of RM1.00 each in MPHB Capital representing 100% equity interest in MPHB Capital to the existing shareholders of Magnum ("Offer Shares"). Hence, Magnum ceased to be the ultimate holding company of the Company. Arising therefrom, MPHB Capital became the ultimate holding company of the Company on 27.6.2013.

The holding and ultimate holding companies of the Company are Multi-Purpose Capital Holdings Berhad and MPHB Capital Berhad respectively, both of which are incorporated in Malaysia. MPHB Capital Berhad is listed on Malaysia Stock Exchange.

The Company is engaged in the underwriting of all classes of general insurance business. The principal activity of the subsidiary is as disclosed in Note 6. There have been no significant changes in the nature of the principal activities 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 27 March 2014.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

The accounting policies set out in Note 2.4 have been applied in preparing the financial statements of the Group and the Company for the financial year ended 31 December 2013.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.1 Basis of preparation (cont'd.)

The financial statements of the Group and the Company have been prepared on a historical cost basis, except for those financial instruments which have been measured at their fair values and insurance liabilities which have been measured in accordance with the valuation methods specified in the Risk-Based Capital Framework ("RBC Framework") for insurers issued by Bank Negara Malaysia ("BNM").

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

2.2 Changes in accounting policies

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

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

	Effective for annual periods beginning on or after
Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income	1 July 2012
MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)	1 January 2013
MFRS 127 Consolidated and Separate Financial Statements (IAS 27 revised by IASB in December 2003)	1 January 2013
MFRS 10 Consolidated Financial Statements	1 January 2013
MFRS 11 Joint Arrangements	1 January 2013
MFRS 12 Disclosure of Interests in Other Entities	1 January 2013
MFRS 13 Fair Value Measurement	1 January 2013
MFRS 119 Employee Benefits (IAS 19 as amended by IASB in June 2011)	1 January 2013
MFRS 127 Separate Financial Statements (IAS 27 as amended by IASB in May 2011)	1 January 2013
MFRS 128 Investment in Associate and Joint Ventures (IAS 28 as amended by IASB in May 2011)	1 January 2013
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.2 Changes in accounting policies (cont'd.)

	Effective for annual periods beginning on or after
Annual Improvements 2009-2011 Cycle	1 January 2013
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Annual Improvements 2009-2011 Cycle	1 January 2013
Amendments to MFRS 1: Government Loans	1 January 2013
Amendments to MFRS 10, MFRS 11 and MFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013

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

MFRS 10 Consolidated Financial Statements

MFRS 10 replaces part of MFRS 127 Consolidated and Separate Financial Statements that deals with consolidated financial statements and IC Interpretation 112 Consolidation – Special Purpose Entities.

Under MFRS 10, an investor controls an investee when (a) the investor has power over an investee, (b) the investor has exposure, or rights, to variable returns from its investment with the investee, and (c) the investor has ability to use its power over the investee to affect the amount of the investor's returns. Under MFRS 127 Consolidated and Separate Financial Statements, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

MFRS 10 includes detailed guidance to explain when an investor that owns less than 50 per cent of the voting shares in an investee has control over the investee. MFRS 10 requires the investor to take into account all relevant facts and circumstances, particularly the size of the investor's holding of voting rights relative to the size and dispersion of holdings of the other vote holders. The application of MFRS 10 affected the accounting for the Company's investment in Opus Institutional Income Fund 2 ("the Fund"), which is treated by the Company as an investment in unit trust fund.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.2 Changes in accounting policies (cont'd.)

MFRS 10 Consolidated Financial Statements (cont'd.)

As at 31 December 2013, the Company owns 99.51% of the Fund with the remaining of 0.49% held by a related investor. Accordingly, in compliance with MFRS 10, the Group's financial statements now comprise the fund which has been consolidated with the Company. Previously, no consolidated financial statements were presented.

The changes in accounting treatment for the investment in the Fund have been applied in accordance with the relevant transitional provisions as set out in MFRS 10. As MFRS 10 is effective for annual periods beginning on or after 1 January 2013, hence no group financial statements were presented in the prior year.

(i) Impact of the application of the above new standard on net assets and equity of the Group as at 31 December 2012.

	Company 31.12.2012 RM'000	MFRS 10 adjustments RM'000	Group 31.12.2012 RM'000
ASSETS			
Property and equipment	8,683	-	8,683
Investment properties	5,739	-	5,739
Intangible assets	1,435	-	1,435
Investment securities	589,499	(132)	589,367
Loans	38	-	38
Reinsurance assets	358,727	-	358,727
Insurance receivables	107,901	-	107,901
Other receivables	27,917	1,364	29,281
Tax recoverable	-	-	-
Cash and bank balances	8,456	21	8,477
Total assets	1,108,395	1,253	1,109,648
EQUITY			
Share capital	100,000	-	100,000
Share premium	200	-	200
Retained earnings	160,059	2,005	162,064
Fair value reserves	12,126	(1,992)	10,134
Non-controlling interest	-	1,163	1,163
TOTAL EQUITY	272,385	1,176	273,561

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.2 Changes in accounting policies (cont'd.)

MFRS 10 Consolidated Financial Statements (cont'd.)

	Company 31.12.2012 RM'000	MFRS 10 adjustments RM'000	Group 31.12.2012 RM'000
LIABILITIES			
Insurance contract liabilities	703,003	-	703,003
Insurance payables	76,613	-	76,613
Tax payable	4,540	-	4,540
Deferred tax liabilities	3,387	-	3,387
Other payables	48,467	77	48,544
TOTAL LIABILITIES	836,010	77	836,087
TOTAL EQUITY AND LIABILITIES	1,108,395	1,253	1,109,648

(ii) Impact of the application of the above new standard on income statements of the Group as at 31 December 2012.

	Company 31.12.2012 RM'000	MFRS 10 adjustments RM'000	Group 31.12.2012 RM'000
Gross earned premium	474,274	-	474,274
Premiums ceded to reinsurers	(227,055)	-	(227,055)
Net earned premiums	247,219	-	247,219
Investment income	24,589	(2,259)	22,330
Realised gains	7,245	2,532	9,777
Fee and commission income	52,342	-	52,342
Other operating revenue	14,211	287	14,498
Other revenue	98,387	560	98,947
Gross claims paid	(173,795)	-	(173,795)
Claims ceded to reinsurers	54,203	-	54,203
Gross change to contract liabilities	(14,665)	-	(14,665)
Change in contract liabilities ceded to reinsurers	(13,691)	-	(13,691)
Net claims incurred	(147,948)	-	(147,948)
Fee and commission expenses	(79,780)	-	(79,780)
Management expenses	(57,862)	(23)	(57,885)
Other expenses	(137,642)	(23)	(137,665)
Profit before taxation	60,016	537	60,553
Taxation	(13,020)	-	(13,020)
Net profit for the year	46,996	537	47,533

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.2 Changes in accounting policies (cont'd.)

MFRS 13 Fair Value Measurement

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

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

Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income

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

2.3 Standards issued but not yet effective

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

	Effective for annual periods beginning on or after
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	1 January 2014
Disclosures for Non-Financial Assets	
Amendments to MFRS 139: Novation of Derivatives	1 January 2014
and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21 Levies	1 January 2014

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.3 Standards issued but not yet effective (cont'd.)

	Effective for annual periods beginning on or after
Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010–2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011–2013 Cycle	1 July 2014
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009)	To be announced
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010)	To be announced
MFRS 9 Financial Instruments: Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139	To be announced

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

(a) MFRS 9 Financial Instruments

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.4 Summary of significant accounting policies

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at the reporting date. The financial statements of the subsidiary used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The Company controls an investee if and only if 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.

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

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

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

(iii) Rights arising from other contractual arrangements; and

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

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

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

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

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

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

(b) Property and equipment and depreciation

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

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

Subsequent to recognition, property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.4(j).

Depreciation on property and equipment is provided on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life. Work-in-progress is not depreciated as it is not available for use. When work-in-progress is completed and the asset is available for use, it is reclassified to the relevant category of property and equipment. The annual depreciation rates are:

Motor vehicles	20 %
Office equipment and computer	10 to 20 %
Renovation, furniture and fittings	10 to 20 %
Land and building	2 %

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 profit or loss.

(c) Investment properties

Investment properties are properties that are held either to earn rental income or for capital appreciation or for both.

Investment properties are measured initially at cost, including related transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. The depreciation policy for investment properties are in accordance with that for depreciation property and equipment as described in Note 2.4(b).

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(c) Investment properties (cont'd.)

Investment property is derecognised when either it has 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 disposal of an investment property are recognised in profit or loss in the year in which they arise.

(d) Intangible assets

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

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets are not capitalised and expenditure is reflected in the income statement in the period in which the expenditure is incurred. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.4(j).

The useful lives of intangible assets are assessed to be either finite or indefinite.

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 each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(d) Intangible assets (cont'd.)

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

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

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

(e) Financial instruments

The Group and the Company classify their investments into held-to-maturity financial assets ("HTM"), available-for-sale financial assets ("AFS") and loans and receivables ("LAR").

The classification depends on the purpose for which the investments were acquired or originated. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date. The Group and the Company initially recognise financial assets when they become a party to the contractual provisions of the instruments.

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(e) Financial instruments (cont'd.)

HTM

Non-derivative investments with fixed or determinable payments and fixed maturities are classified as HTM when the Group and the Company have 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 investments are measured at amortised cost, using the effective yield method, less any impairment loss. Gains and losses are recognised in profit or loss 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 during the current financial year or last two preceding financial years will constitute a "tainting" of the whole HTM portfolio and result in the remaining securities in the HTM portfolio being reclassified to AFS. On such reclassification, the difference between their carrying amount and fair value shall be accounted for in accordance with the recognition of AFS investments.

LAR

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

Amortised cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(e) Financial instruments (cont'd.)

AFS

AFS are non-derivative investments that are designated as available-for-sale or are not classified in any of the two preceding categories. These investments are initially recorded at fair value. After initial measurement, AFS investments are re-measured at fair value with unrealised gains or losses recognised directly in equity. Upon derecognition or impairment, the cumulative fair value gains and losses previously reported in equity are transferred to profit or loss.

(f) Fair value of financial instruments

All financial instruments are recognised initially at the transacted price, which is the best indicator of fair value. The fair value of investments 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 trusts, the fair value is determined by reference to published net assets values.

For financial instruments where there is no active market such as unquoted securities, the fair value is determined based on the average quotes obtained from three licensed financial institutions which are also the principal dealers.

If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the instrument or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

(g) Impairment of financial assets

The Group and the Company assess at each reporting date whether a financial asset or group of financial assets is impaired.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(g) Impairment of financial assets (cont'd.)

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 financial instrument's original effective interest rate/yield. The carrying amount of the asset is reduced and the loss is recorded in profit or loss.

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

AFS investments

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 impairment loss previously recognised in other comprehensive income, is transferred from other comprehensive income to the income statement. Reversals 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 profit or loss 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 profit or loss.

LAR

A review of all outstanding amounts is performed at the end of the reporting period. Specific allowance for impairment are made for other receivables that have been individually reviewed and specifically identified as impaired. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Other receivables are written off when deemed irrecoverable. If a write-off is later recovered, the recovery is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(h) Derecognition of financial assets

Financial assets are derecognised when the Group's and the Company's contractual rights to receive cash flows from the financial assets expire or where the financial assets have been transferred and the Group and the Company have also transferred substantially all risks and rewards of ownership.

(i) Equity instruments

Ordinary shares are classified as equity on the statements of financial position.

Dividends on ordinary shares are recognised and reflected in the statements of changes in equity in the period in which they are declared.

(j) Impairment of non-financial assets

Non-financial assets are tested annually for impairment. The carrying amounts of these 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.

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.

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. Impairment losses recognised in respect of a CGU are allocated to reduce the carrying amount of the assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in 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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

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

An impairment loss of an asset 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 assets in prior years. A reversal of impairment loss for an asset is recognised in profit or loss.

(k) 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, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company becomes a party to the contractual provisions of the financial instrument.

Financial liabilities 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 profit or loss when the liabilities are derecognised, and through the amortisation process.

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 profit or loss.

(l) Leases

(i) As lessee

Finance leases, which transfer to the Group and the Company substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased assets or, if lower, at the present value of the minimum lease payments. Any initial costs are also added to the amount capitalised.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(l) Leases (cont'd.)

(i) As lessee (cont'd.)

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group and the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorted of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in the income statement on an accrual basis over the lease term.

(ii) As lessor

Leases where the Group and the Company retain substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease receipts are recognised as an income on an accrual basis over the lease term.

(m) Product classification

The Company issues contracts that transfer insurance risk only.

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 that transfer significant insurance risk. An insurance contract is a contract under which the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(m) Product classification (cont'd.)

Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance and investment contracts are further classified as being either with or without discretionary participation features ("DPF"). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits.

The Company does not have any investment contracts and the insurance contracts issued do not contain any DPF.

(n) Reinsurance

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

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

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in profit or loss.

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

The Company also assumes reinsurance risk in the normal course of business for general insurance contracts when applicable.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(n) Reinsurance (cont'd.)

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

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

(o) General insurance underwriting results

The general insurance underwriting results are determined for each class of business after taking into account, inter alia, reinsurances, unearned premium, commissions and claims incurred.

(i) Gross Premiums

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

(ii) Reinsurance Premiums

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

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 inceptions dates of these risks and contractually accounted for, as such to reinsurers under the terms of the proportional treaties.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(o) General insurance underwriting results (cont'd.)

(iii) Premium liabilities

Premium liability is reported at the higher of the aggregate of the unearned premium reserve ("UPR") for all lines of business and the best estimate value of the insurer's unexpired risk reserves ("URR") at the end of the financial year and the provision of risk margin for adverse deviation ("PRAD") calculated at 75% confidence level at the overall Company level. The best estimate value is a prospective estimate of the expected future payments arising from future events insured under policies in force at the end of the financial year including allowance for insurer's expenses.

(a) Unexpired risk reserves

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

(b) Unearned premium reserves

The Unearned Premium Reserves ("UPR") represent the portion of net premiums less the related net acquisition costs of insurance policies written that relate to the unexpired periods of the policies at the end of the financial year.

In determining the UPR at reporting date, the methods used in calculation of actual unearned premium are as follows:

- 25% method for marine and aviation cargo, and transit business;
- 1/24th method for all other classes of general business in respect of Malaysian policies, with the following deduction rates, or actual commission incurred, whichever is lower:

- Motor and bonds	10%
- Fire, engineering, aviation and marine hull	15%
- Medical	10 - 15%
- Other classes	20%

- 1/8th method for all other classes of overseas inward treaty business, with a deduction of 20% for commission.
- Non-annual policies are time-apportioned over the period of the risks.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(o) General insurance underwriting results (cont'd.)

(iv) Claim liabilities

Claim liabilities are recognised as the obligation to make future payments in relation to all claims that have been incurred as at the end of the financial year. They are recognised in respect of both direct insurance and inward reinsurance. The value is the best estimate value of claim liability which includes provision for claims reported, claims incurred but not enough reserved ("IBNER"), claims incurred but not reported ("IBNR") and direct and indirect claim-related expenses as well as PRAD at 75% confidence level calculated at the overall Company level. These are based on an actuarial valuation by a qualified actuary, using a mathematical method of estimation based on, among others, actual claims development pattern.

(v) Acquisition costs

The costs of acquiring and renewing insurance policies, net of 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.

(p) Insurance receivables

Insurance receivables are recognised when due and measured at the fair value of the consideration received and receivable.

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 and method adopted for financial assets carried at amortised cost. These processes are described in Note 2.4(g).

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.4(h), have been met.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(q) Insurance contract liabilities

General insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities comprise outstanding claims provision and provision for unearned premiums.

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

The provision for unearned premiums represents premiums received for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognised as premium income.

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 into 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.

(r) Other revenue recognition

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(r) Other revenue recognition (cont'd.)

(i) 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 over six months, in which case the recognition of rental income is suspended. Subsequent to suspension, income is recognised on receipt basis until all arrears have been paid.

(ii) Investment income and interest income on loan

Investment and interest income is recognised in the financial statements on an accrual basis using the effective interest method.

(iii) Dividend/distribution income from unit trust funds

Dividend/distribution income from unit trust funds is recognised on a declared basis, when the Company's right to receive payment is established.

(iv) Realised gains and losses on investments

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

(s) Foreign currencies

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

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(t) Income tax

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

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or 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 the tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity.

(u) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Company. 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, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.4 Summary of significant accounting policies (cont'd.)

(u) Employee benefits (cont'd)

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the Employees' Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

(iii) Defined benefit plan

In addition to the contributions made to the statutory Employees' Provident Fund, the Company contributes at an approved rate to a funded scheme for eligible employees based on a defined benefit plan. This fund is known as the Multi-Purpose Group Retirement Benefit Scheme (MPGRS) and was established in 1984 via a trust deed between Magnum Berhad (formerly known as Multi-Purpose Holdings Berhad) and the Trustees.

Contributions made are charged to profit or loss.

The financial position of MPGRS is subject to review by an actuary not less than once in every 3 years and in the event of a deficit, the Trustees of MPGRS may request the Company, subject to the consent of the Director-General of Inland Revenue being obtained, to make such further contributions as recommended by the actuary for the purpose of reducing or eliminating the said deficit. The last review was performed by an actuary in 2011.

(v) Cash and cash equivalents

For the purpose of the statement of cash flow, cash and cash equivalents consist of cash and bank balances.

The cash flow statement has been prepared using the indirect method.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.5 Significant of accounting judgements, estimates and assumption

(a) Critical judgments in applying the Group's accounting policies

The preparation of financial statements in conformity with MFRS requires management to exercise judgment on the use of estimates and make assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving higher degree of judgment and complexity, are disclosed as below:

(i) Impairment of AFS financial assets

Significant judgment is required to assess impairment for AFS financial assets. The Company evaluates the duration and extent to which the fair value of an investment is less than it's cost; the financial health and near term business outlook for the investee, including but not limited to factors such as industry and sector performance, changes in technology; and operational and financial cash flows. The carrying amount of the Group's and the Company's AFS financial assets are as disclosed in Note 6.

(ii) Impairment of receivables

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. Factors considered by the Company are probability of insolvency or significant financial difficulties of the debtors and default or significant delay in payments. The Company also considers default risk of the industry and credit rating, payment trend and aging of receivables. The carrying amount of the Group's and the Company's insurance receivables and other receivables are as disclosed in Notes 9 and 10 respectively.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.5 Significant of accounting judgements, estimates and assumption (cont'd.)

(b) Key sources of estimation uncertainty

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

(i) Valuation of insurance contract liabilities

For 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 reporting liability. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

The main assumption underlying these techniques is that a company's past claims development experience can be used to project future claims development and hence, ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical areas, as well as by significant business lines and claims type. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratio. Instead, the assumptions used are those implicit in the historic claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (for example, to reflect one-off occurrences, changes in external or market factors such as public 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. The movement and carrying amount of insurance contract liabilities are as disclosed in Note 14.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

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

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

(ii) Deferred taxation

Deferred tax implications arising from the changes in corporate income tax rates are measured with reference to the estimated realisation and settlement of temporary differences in the future periods in which the tax rates are expected to apply, based on the tax rates enacted or substantively enacted at the reporting date. While management's estimates on the realisation and settlement of temporary differences are based on the available information at the reporting date, changes in business strategy, future operating performance and other factors could impact on the actual timing and amount of temporary differences realised and settled. Any difference between the actual amount and the estimated amount would be recognised in the income statement in the financial year in which actual realisation and settlement occurs.

Deferred tax assets are recognised for all impairment losses on investments, net amortisation of premium in investments and other temporary differences to the extent that it is probable that taxable profit will be available against which the benefits can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amount of deferred taxation is as disclosed in Note 16.

(iii) Investment properties

In estimating fair value of investment properties, the Group uses market observable data to the extent it is available. Where level 1 inputs are not available, the Group engaged third party qualified valuers to perform the valuation in establishing the appropriate valuation techniques and inputs to the model.

Information about the valuation techniques and inputs used in determining the fair value of investment properties are disclosed in Note 4.

Multi-Purpose Insurans Bhd
(Incorporated in Malaysia)

3. PROPERTY AND EQUIPMENT

	Land and building RM'000	Motor vehicles RM'000	Office equipment and computer RM'000	Renovation, furniture and fittings RM'000	Work-in-progress RM'000	Total RM'000
Group and Company						
2013						
Cost						
At 1 January 2013	3,177	557	7,584	4,773	1,444	17,535
Additions	8	278	293	612	-	1,191
Disposals	-	(255)	(49)	-	-	(304)
Write-off	-	-	(16)	(2)	(2,204)	(2,222)
Transfer to intangible assets	-	-	(39)	-	-	(39)
Reclassification	-	-	(760)	-	760	-
At 31 December 2013	3,185	580	7,013	5,383	-	16,161
Accumulated depreciation						
At 1 January 2013	242	439	5,002	3,169	-	8,852
Charge for the year	64	120	595	394	-	1,173
Disposals	-	(255)	(49)	-	-	(304)
Write-off	-	-	(16)	(2)	-	(18)
At 31 December 2013	306	304	5,532	3,561	-	9,703
Net carrying amount						
At 31 December 2013	2,879	276	1,481	1,822	-	6,458
Fair Value						
At 31 December 2013	4,453					

* The cost of fully depreciated property and equipment as at 31 December 2013 amounted to RM903,406 (2012: RM1,457,387).

The fair value is estimated by considering the asking price of similar units in one of the property advertising website.

3. PROPERTY AND EQUIPMENT (cont'd.)

	Land and building RM'000	Motor vehicles RM'000	Office equipment and computer RM'000	Renovation, furniture and fittings RM'000	Work-in-progress RM'000	Total RM'000
Group and Company (cont'd.)						
2012						
Cost						
At 1 January 2012	1,177	557	6,346	4,365	1,405	13,850
Additions	2,000	-	1,341	412	39	3,792
Disposals	-	-	(100)	(4)	-	(104)
Write-off	-	-	(3)	-	-	(3)
At 31 December 2012	3,177	557	7,584	4,773	1,444	17,535
Accumulated depreciation						
At 1 January 2012	211	327	4,291	2,766	-	7,595
Charge for the year	31	112	809	404	-	1,356
Disposals	-	-	(95)	(1)	-	(96)
Write-off	-	-	(3)	-	-	(3)
At 31 December 2012	242	439	5,002	3,169	-	8,852
Net carrying amount						
At 31 December 2012	2,935	118	2,582	1,604	1,444	8,683
Fair Value						
At 31 December 2012	2,935					

4. INVESTMENT PROPERTIES

	2013 RM'000	2012 RM'000
Group and Company		
Cost		
At 1 January	5,739	4,321
Additions	820	3,512
Disposals	-	(2,094)
At 31 December	6,559	5,739
Accumulated depreciation		
At 1 January	-	-
Charge for the year	50	-
At 31 December	50	-
Net carrying amount	6,509	5,739
Fair value	7,820	5,739

The investment properties consists of 5 units of residential properties (White Lily, Penang) and 1 unit of a commercial building (ground floor, Wisma Prudential). Under the comparison method, fair value is estimated by considering the asking price of similar units for White Lily in one of the property advertising website.

As for the commercial building, it is based on a 31 December 2011 valuation report by an independent property valuer and management has established a value estimate by estimating a 4% appreciation on the value as at 31 December 2011, based on the location and condition of the building.

5. INTANGIBLE ASSETS

Group and Company	2013 RM'000	2012 RM'000
Cost		
At 1 January	4,289	3,139
Additions	805	1,162
Write off	-	(12)
Transfer from property and equipment	39	-
At 31 December	5,133	4,289

5. INTANGIBLE ASSETS (cont'd.)

Group and Company (cont'd.)	2013 RM'000	2012 RM'000
Accumulated amortisation		
At 1 January	2,854	2,540
Charge for the year	497	326
Write off	-	(12)
At 31 December	3,351	2,854
Net carrying amount	1,782	1,435

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

6. INVESTMENT SECURITIES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Malaysian Government Papers	5,568	15,161	-	-
Debt securities	239,663	147,937	4,791	4,533
Commercial Papers	2,478	4,451	-	-
Equity securities	72,498	61,967	72,498	61,967
Unit trust funds	40,997	84,031	289,228	290,196
Deposits with financial institutions	274,780	275,820	270,273	232,803
	635,984	589,367	636,790	589,499

The Group's and the Company's investment securities are summarised by categories as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Available-for-sale financial assets ("AFS")	361,204	313,547	366,517	356,696
Loans and receivables ("LAR")	274,780	275,820	270,273	232,803
	635,984	589,367	636,790	589,499

6. INVESTMENT SECURITIES (CONT'D.)

(a) Available-for-sale ("AFS") securities

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
At fair value				
Equity securities				
Quoted in Malaysia	69,619	58,963	69,619	58,963
Quoted outside Malaysia	5,798	5,768	5,798	5,768
Allowance for impairment	(2,919)	(2,764)	(2,919)	(2,764)
	72,498	61,967	72,498	61,967
Malaysian Government Papers				
Malaysian Government Securities	5,568	15,161	-	-
Debt securities				
Unquoted in Malaysia	239,663	147,937	4,791	4,533
Commercial Papers				
Short Term Commercial Papers	2,478	4,451	-	-
Unit trust funds				
Quoted in Malaysia	40,997	84,031	40,997	84,031
Unquoted in Malaysia	-	-	248,231	206,165
	40,997	84,031	289,228	290,196
	361,204	313,547	366,517	356,696

(b) Loan and receivables ("LAR")

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Amortised cost				
Fixed and call deposits with licensed financial institutions	274,780	275,820	270,273	232,803

The carrying amounts of fixed and call deposits approximate fair values due to the relatively short-term nature of these balances and insignificant risk of changes in value.

6. INVESTMENT SECURITIES (CONT'D.)

(c) Investment in a subsidiary

As at 31 December 2013, the Company owns 99.51% of the Fund with the remaining of 0.49% held by a related investor. Accordingly, in compliance with MFRS 10, the Group's financial statements now comprise the Fund which has been consolidated with the Company.

	Company	
	2013	2012
	RM'000	RM'000
Unit trust fund in Malaysia, at fair value	248,231	206,165

The cost of investment in the subsidiary approximated the fair value on acquisition date and at the reporting date.

The subsidiary of the Company, which is established in Malaysia and held directly by the Company, is as follows:

	Company's effective interest		Principal activities
	2013	2012	
	%	%	
Opus Institutional Income Fund 2	99.51	99.43	Fund management

7. LOANS

Group and Company	2013	2012
	RM'000	RM'000
Staff housing loans, secured	17	38
Receivable after 12 months	14	17

The weighted effective interest rate for staff loans as at 31 December 2013 was 5% (2012: 5%) per annum.

The fair value of loans were determined to approximate the carrying amount as these are immaterial in the context of the financial statements.

8 REINSURANCE ASSETS

Group and Company	2013 RM'000	2012 RM'000
Reinsurance of insurance contracts		
Claim liabilities (Note 14)	304,125	295,402
Premium liabilities (Note 14)	107,404	63,325
	411,529	358,727

9 INSURANCE RECEIVABLES

Group and Company	2013 RM'000	2012 RM'000
Due premiums including agent/brokers and co-insurers balances	107,976	87,776
Due from reinsurers and cedants	36,585	21,423
Due from related companies *	1,313	1,399
Advance commission	-	704
	145,874	111,302
Allowance for impairment		
- Individual	(6,587)	(3,070)
- Collective	(331)	(331)
	138,956	107,901

* The amounts due from related companies are unsecured, non interest bearing and subject to normal credit term.

10. OTHER RECEIVABLES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Share of net assets of Malaysian Motor Insurance Pool ("MMIP")	42,380	18,255	42,380	18,255
Income due and accrued	10,498	3,465	8,409	2,101
Deposits and prepayments	1,376	1,025	1,376	1,025
Amount due from holding company	-	483	-	483
Amount due from related parties	-	29	-	29
Amount due from stock broker	2	593	2	593
Other receivables	4,199	5,431	4,199	5,431
	58,455	29,281	56,366	27,917

The carrying amounts of other receivables approximate fair values due to the relatively short-term maturity of these balances.

10. OTHER RECEIVABLES (cont'd)

The share of net assets of MMIP (excluding share of insurance contract liabilities of MMIP which is included in Note 14) includes the Company's cash contribution of RM17.9 million made to MMIP, pursuant to cash calls made by MMIP during the current financial year. The cash contributions were made in respect of the Company's share of MMIP's accumulated losses as at 31 December 2012.

11. CASH AND BANK BALANCES

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	8,738	8,477	8,713	8,456

The carrying amounts of cash and bank balances approximate fair values due to the relatively short-term nature of these balances.

12. SHARE CAPITAL

	Number of ordinary shares of RM1 each		Amount	
	2013	2012	2013	2012
	'000	'000	RM'000	RM'000
Authorised:				
At 1 January/31 December	100,000	100,000	100,000	100,000
Issued and fully paid up:				
At 1 January/31 December	100,000	100,000	100,000	100,000

13. RESERVES

(i) Retained earnings

Prior to year of assessment of 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the 108 balance to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 31 December 2012, the Company has sufficient credit in the 108 balance to pay franked dividends amounting to RM20,000,000 out of its entire retained earnings. The balance of the retained earnings as at 31 December 2012 and the entire retained earnings as at 31 December 2013 may be distributed as dividends under the single tier system.

(ii) Fair value reserves

The fair value reserve is in respect of unrealised gain on available-for-sale securities, net of deferred taxation.

14. INSURANCE CONTRACT LIABILITIES

Group and Company	2013 Gross RM'000	2013 Reinsurance RM'000	2013 Net RM'000	2012 Gross RM'000	2012 Reinsurance RM'000	2012 Net RM'000
Provision for claims reported by policyholders	453,189	(254,536)	198,653	409,547	(233,728)	175,819
Provision for IBNR	111,259	(49,589)	61,670	114,571	(61,674)	52,897
Claim liabilities	564,448	(304,125)	260,323	524,118	(295,402)	228,716
Premium liabilities	251,756	(107,404)	144,352	178,885	(63,325)	115,560
Insurance contract liabilities	816,204	(411,529)	404,675	703,003	(358,727)	344,276

(i) Claim Liabilities

	2013 Gross RM'000	2013 Reinsurance RM'000	2013 Net RM'000	2012 Gross RM'000	2012 Reinsurance RM'000	2012 Net RM'000
At 1 January	524,118	(295,402)	228,716	509,453	(309,093)	200,360
Claims incurred in current accident year	134,347	(65,937)	68,410	114,087	(52,084)	62,003
Claims incurred in prior accident year	16,496	(9,080)	7,416	13,842	(5,434)	8,408
Movement in PRAD of claim liabilities at 75% confidence level	2,578	(385)	2,193	(10,535)	12,471	1,936
Movement in claims handling expenses	770	-	770	(60)	-	(60)
Adjustment in IBNR	(3,312)	12,085	8,773	(12,483)	20,801	8,318
Other movements in claims incurred during the year	90,580	(10,326)	80,254	83,609	(16,266)	67,343
Claims paid during the year (Note 23)	(201,129)	64,920	(136,209)	(173,795)	54,203	(119,592)
At 31 December	564,448	(304,125)	260,323	524,118	(295,402)	228,716

(ii) Premium Liabilities

	2013 Gross RM'000	2013 Reinsurance RM'000	2013 Net RM'000	2012 Gross RM'000	2012 Reinsurance RM'000	2012 Net RM'000
At 1 January	178,885	(63,325)	115,560	147,774	(47,961)	99,813
Premiums written in the year (Note 18)	557,510	(248,818)	308,692	505,385	(242,419)	262,966
Premiums earned during the year (Note 18)	(484,639)	204,739	(279,900)	(474,274)	227,055	(247,219)
At 31 December	251,756	(107,404)	144,352	178,885	(63,325)	115,560

15. INSURANCE PAYABLES

Group and Company	2013 RM'000	2012 RM'000
Due to agents and intermediaries	5,374	6,675
Due to reinsurers and cedants	106,161	66,380
Due to related companies *	1,851	3,558
	113,386	76,613

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

* The amounts due to related companies are unsecured, non interest bearing and subject to normal credit term.

16. DEFERRED TAX LIABILITIES/(ASSETS)

Group and Company	2013 RM'000	2012 RM'000
At 1 January	3,387	1,141
Recognised in other comprehensive income	(314)	1,166
Recognised in the income statement	(282)	1,080
At 31 December	2,791	3,387

Presented after appropriate offsetting as follows:

	2013 RM'000	2012 RM'000
Deferred tax assets	(813)	(678)
Deferred tax liabilities	3,604	4,065
	2,791	3,387

	Unearned premium reserve RM'000	Fair value changes on investments RM'000	Accelerated capital allowances RM'000	Total RM'000
Deferred tax liabilities				
2013				
At 1 January	34	3,007	1,024	4,065
Recognised in:				
Other comprehensive income	-	(314)	-	(314)
Income statement	66	-	(213)	(147)
At 31 December	100	2,693	811	3,604

16. DEFERRED TAX LIABILITIES/(ASSETS) (cont'd.)

	Unearned premium reserve RM'000	Fair value changes on investments RM'000	Accelerated capital allowances RM'000	Total RM'000
Deferred tax liabilities				
2012				
At 1 January	(29)	1,841	306	2,118
Recognised in:				
Other comprehensive income	-	1,166	-	1,166
Income statement	63	-	718	781
At 31 December	34	3,007	1,024	4,065

	Allowance for impairment RM'000	Total RM'000
Deferred tax assets		
2013		
At 1 January	(678)	(678)
Recognised in income statement	(135)	(135)
At 31 December	(813)	(813)
2012		
At 1 January	(977)	(977)
Recognised in income statement	299	299
At 31 December	(678)	(678)

17. OTHER PAYABLES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Provisions and accruals	17,977	16,497	17,977	16,497
Amounts due to related parties: *				
Ultimate holding company	350	809	350	809
Other related companies	-	122	-	122
Other payables	17,876	31,116	17,784	31,039
	36,203	48,544	36,111	48,467

The carrying amounts of other payables approximate fair values due to the relatively short-term maturity of these balances.

* The amounts due to related parties are unsecured, non interest bearing and repayable on demand.

18. NET EARNED PREMIUM

Group and Company		2013 RM'000	2012 RM'000
(a)	Gross premium (Note 14(ii))	557,510	505,385
	Change in premium liabilities	(72,871)	(31,111)
	Gross earned premium	484,639	474,274
(b)	Gross premium ceded (Note 14(ii))	(248,818)	(242,419)
	Change in premium liabilities	44,079	15,364
	Premium ceded	(204,739)	(227,055)
	Net earned premiums	279,900	247,219

19. INVESTMENT INCOME

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
AFS financial assets				
Dividend income				
- equity securities quoted in Malaysia	3,741	2,402	3,741	2,402
- equity securities quoted outside Malaysia	3	22	3	22
Interest income	12,459	12,865	13,463	15,792
LAR interest	9,698	7,027	9,001	6,359
Rental income from investment properties	152	20	152	20
Amortisation of premium, net	(7)	(6)	(7)	(6)
	26,046	22,330	26,353	24,589

20. REALISED GAINS

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Realised gains for AFS financial assets:				
Equity securities quoted in Malaysia	6,109	7,170	6,109	7,170
Equity securities quoted outside Malaysia	1,050	41	1,050	41
Debt securities unquoted in Malaysia	600	2,532	-	-
Unit trust funds unquoted in Malaysia	729	34	729	34
	8,488	9,777	7,888	7,245

21. FEES AND COMMISSION INCOME

Group and Company	2013 RM'000	2012 RM'000
Reinsurance commission income	48,442	52,342

22. OTHER OPERATING REVENUE

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Realised gain / (loss) for property and equipment	120	(6)	120	(6)
Realised gain on disposal of investment properties	-	1,876	-	1,876
Property and equipment written off	(2,204)	-	(2,204)	-
Impairment losses on AFS financial assets	(280)	(266)	(155)	(266)
Service income earned from MMIP	12,139	11,953	12,139	11,953
Sundry income	1,469	941	1,448	654
	11,244	14,498	11,348	14,211

23. NET CLAIMS INCURRED

Group and Company	Note	2013 RM'000	2012 RM'000
Gross claims paid less salvage	14(i)	201,129	173,795
Reinsurance recoveries	14(i)	(64,920)	(54,203)
Net claims paid		136,209	119,592
Gross change in contract liabilities			
At 31 December		564,448	524,118
At 1 January	14(i)	(524,118)	(509,453)
		40,330	14,665
Change in contract liabilities ceded to reinsurers			
At 31 December		(304,125)	(295,402)
At 1 January	14(i)	295,402	309,093
		(8,723)	13,691
Net claims incurred		167,816	147,948

24. MANAGEMENT EXPENSES

		Group		Company	
		2013	2012	2013	2012
	Note	RM'000	RM'000	RM'000	RM'000
Employee benefits expense	24(a)	40,226	35,608	40,226	35,608
Directors' remuneration	24(b)	242	120	242	120
Auditors' remuneration					
- statutory audit		152	127	144	119
- audit-related services		31	31	31	31
Allowance/(write-back of) for impairment losses		3,517	(508)	3,517	(508)
Rental of properties		2,358	2,017	2,358	2,017
Depreciation of property and equipment	3	1,173	1,356	1,173	1,356
Depreciation of investment properties	4	50	-	50	-
Amortisation of intangible assets	5	497	326	497	326
Fund managers' expenses		906	952	1,022	1,022
Bad debts written off		7	741	7	741
Marketing expenses		9,785	7,903	9,785	7,903
Management fees		449	1,450	449	1,450
Bank charges		1,552	1,503	1,552	1,503
Computers maintenance		1,535	1,590	1,535	1,590
Printing and stationery		2,131	1,948	2,131	1,948
Other expenses		2,797	2,721	2,691	2,636
		67,408	57,885	67,410	57,862

(a) Employee benefits expense

Group and Company	2013 RM'000	2012 RM'000
Wages and salaries	23,991	21,489
Bonus	8,410	7,376
Social security contributions	220	204
Contributions to defined contribution plan, EPF	3,864	3,678
Other benefits	3,741	2,861
	40,226	35,608

24. MANAGEMENT EXPENSES (CONT'D.)

(b) Directors' remuneration

Group and Company

The details of remuneration received / receivable by directors during the year are as follow:

	2013 RM'000	2012 RM'000
Non-executive Directors:		
Fees	200	108
Emoluments	35	5
Benefits-in-kind	7	7
	242	120

The number of directors whose total remuneration received from the Group during the financial year that fall within the following bands is analysed as follow:

	Number of Directors 2013	2012
Non-executive Directors		
RM50,000 and below	5	5

(c) Chief Executive Officer's remuneration

The details of remuneration received by the Chief Executive Officer ("CEO") during the year are as follow:

	2013 RM'000	2012 RM'000
Salaries and other emoluments	630	600
Bonus	1,260	1,200
Contribution to defined contribution plan, EPF	117	114
Benefits-in-kind	31	30
Amount included in employee benefits expenses	2,038	1,944

25. TAXATION

Group and Company	2013 RM'000	2012 RM'000
Income tax:		
Malaysian income tax	6,648	12,889
Under/(Over) provision of tax expense in prior year	155	(949)
	6,803	11,940
Deferred tax:		
Relating to origination and reversal of temporary differences	(169)	327
(Over)/under provision of deferred tax in prior year	(113)	753
	(282)	1,080
Tax expense for the year	6,521	13,020

Domestic current income tax is calculated at the statutory tax rate of 25% (2012: 25%) of the estimated assessable profit for the year.

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Profit before taxation	58,736	60,553	58,545	60,016
Taxation at Malaysian statutory tax rate of 25%	14,684	15,138	14,636	15,004
Income not subject to tax	(5,136)	(4,038)	(5,088)	(3,904)
Effect of expenses not deductible for tax purposes	1,428	2,116	1,428	2,116
Additional deduction allowed in respect of cash contributions made to MMIP during the year*	(4,497)	-	(4,497)	-
(Over)/under provision of deferred tax in prior years	(113)	753	(113)	753
Under/(Over) provision of tax expense in prior years	155	(949)	155	(949)
Tax expense for the year	6,521	13,020	6,521	13,020

*In accordance with the P.U (A) 419 Income Tax (Deduction for contributions by Licensed Insurers to the Malaysian Motor Insurance Pool) Rules 2012, cash contributions made to MMIP via cash calls is allowed for additional deduction in the year when such cash is paid to the MMIP.

26. EARNINGS PER SHARE

The Group profit per ordinary share has been calculated based on the Group profit after taxation for the year 2013: RM52.2 million (2012: RM47.5 million) and the weighted average number of ordinary shares in issue of 100,000,000 (2012: 100,000,000) shares.

The Company profit per ordinary share has been calculated based on the Company profit after taxation for the year of RM52.0 million (2012: RM47.0 million) and the weighted average number of ordinary shares in issue of 100,000,000 (2012: 100,000,000) shares.

27. CAPITAL COMMITMENTS

Group and Company	2013 RM'000	2012 RM'000
Approved and contracted for:		
Computer software and hardware	1,275	908
Property and equipment	20	-
Investment properties	4,009	-
	5,304	908

28. OPERATING LEASE ARRANGEMENTS

(a) The Company as lessor

The Company has entered into operating lease agreements for the use of certain office premises. These leases have an average life of between 1 to 2 years with certain contracts carrying renewal options in the contracts. These contracts include fixed rentals over the tenure of the lease period.

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

	2013 RM'000	2012 RM'000
Future minimum rental payments receivables:		
Not later than 1 year	172	172
Later than 1 year and not later than 5 years	129	301
	301	473

28. OPERATING LEASE ARRANGEMENTS (cont'd.)

(b) The Company as lessee

The Company has entered into operating lease agreements for the use of certain office premises. These leases have an average life of between 2 to 6 years with certain contracts carrying renewal options in the contracts. These contracts include fixed rentals over the tenure of the lease period.

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

	2013 RM'000	2012 RM'000
Future minimum rental payments:		
Not later than 1 year	2,236	2,289
Later than 1 year and not later than 5 years	1,955	4,191
	4,191	6,480

29. SIGNIFICANT RELATED PARTY DISCLOSURES

For the purpose of these financial statements, parties are considered to be related to the Group if the Group 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 Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

(a) Related parties

Name	Relationship
MPHB Capital Berhad	Ultimate holding company
Multi-Purpose Capital Holdings Berhad	Holding company
Flamingo Management Sdn Bhd	Other related company
MP Solutions Sdn Bhd	Other related company
Magnum Berhad	Other related company
Magnum 4D Berhad	Other related company
Magnum Corporation Berhad	Other related company
Magnum Information Technology Sdn Bhd	Other related company
Magnum Leisure Sdn Bhd	Other related company
Sababumi (Sandakan) Sdn Bhd	Other related company
Syarikat Perniagaan Selangor Sdn Bhd	Other related company
Tune Insurance (Labuan) Ltd	Other related company
MWE Properties Sdn Bhd Ganda Persona Sdn Bhd	Company in which a director, Tan Sri Dato' Surin Upatkoon has financial interest

29. SIGNIFICANT RELATED PARTY DISCLOSURES (cont'd.)

(b) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following significant transactions and balances with related parties during the year:

Group and Company	2013 RM'000	2012 RM'000
Income/(expenses) :		
Ultimate holding company:		
Insurance premium received	-	122
Commission paid	-	(16)
Claim paid	-	(18)
Office rental paid	-	-
Management fees paid for service provided	-	(769)
Legal fees	(2)	-
Subsidiaries of the ultimate holding company:		
Insurance premium received	563	4,049
Insurance premium ceded	(152)	(17,818)
Commission paid	(62)	(664)
Commission received	47	5,481
Claim paid	(206)	(894)
Claim recovered	426	1,212
Office rental paid	-	(123)
IT management fees paid	(324)	(784)
Brokerage fees paid	-	(151)
Related company :		
Insurance premium received	2,012	-
Commission paid	(430)	-
Claim paid	(152)	-
Sponsorship received	49	-
Management fees paid	(288)	-

29. SIGNIFICANT RELATED PARTY DISCLOSURES (cont'd.)

(b) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following significant transactions and balances with related parties during the year (cont'd.):

Income/(expenses) :

	2013 RM'000	2012 RM'000
Directors' interest:		
Insurance premium received		
Commission paid		
Claims paid	1,189	1,564
Office rental paid	(158)	(212)
	(514)	(322)
	(21)	(60)
Amount due from / (due to)		
Amount due from former ultimate holding company:		
Magnum Berhad	-	483
Amount due from related companies:		
Ganda Persona Sdn Bhd		
Magnum 4D Berhad		
Magnum Corporation Bhd	358	240
Magnum Berhad	916	925
A.A.Anthony Securities Sdn Bhd		
(ceased to be a related party during the financial		-
year)	29	-
MWE Properties Sdn Bhd	10	-
	-	251
	-	12
	1,313	1,428
Amount due to ultimate holding company:		
MPHB Capital Berhad (become ultimate holding company on 29 March 2013)	350	-
Magnum Berhad (ceased to be ultimate holding company on 29 March 2013)	-	809
	350	809
Amount due to related companies:		
Ganda Persona Sdn Bhd	1	2
Magnum 4D Berhad	-	1
Magnum Corporation Bhd	-	7
MP Solutions Sdn Bhd	-	122
Flamingo Management Sdn Bhd	-	62
Syarikat Perniagaan Selangor Sdn Bhd	2	-
Tune Insurance (Labuan) Bhd	1,848	3,486
	1,851	3,680

29. SIGNIFICANT RELATED PARTY DISCLOSURES (cont'd.)

(b) The Directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

(c) Compensation of key management personnel

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

	2013 RM'000	2012 RM'000
Short term employee benefits	5,703	5,456
Other long-term benefits	902	571
	6,605	6,027

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 includes the Chief Executive Officer, Chief Operating Officer, General Managers and Assistant General Managers of the Company.

30. Dividend

	2013 Net dividend per share sen	2013 Amount of dividend, net of tax RM'000	2012 Net dividend per share sen	2012 Amount of dividend, net of tax RM'000
Interim dividend recognised in the year (in respect of the previous financial year)	0.2	20,000	-	-

Interim dividend of 0.2667 sen per share, less income tax at 25%, on 100,000,000 ordinary shares approved by the Board on 13 May 2013 and paid on 7 June 2013.

31. RISK MANAGEMENT FRAMEWORK

The Board, with the assistance of the Management, had implemented the risk management processes within the Company that sets out the overall business strategies and the general risk management philosophy. The major areas of risk that the activities of the Company are exposed to are operational risk, financial risk and general risk.

The Strategic Operations Management Committee ("SOMC"), headed by the Chief Executive Officer was established to identify on critical risks in terms of likelihood exposures and impact on the Company's business and the management action plans to manage these risks regularly.

The independent risk management and control functions under the Internal Audit Department provides the necessary support to the audit committee, and SOMC is responsible to ascertain that the risk policies are implemented and complied with.

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

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

The risk management policies are regularly reviewed to ensure that they remain applicable and effective in managing the associated risks due to changes in the market and regulatory environments.

Capital Management Plan

Pursuant to the RBC Framework for Insurers issued by Bank Negara Malaysia, the Board had approved and adopted a Capital Management Plan ("CMP") for the Company in line with the requirements set out in the RBC Framework with effect from 1 January 2009. The objective of the CMP is to optimise the efficient and effective use of resources in order to maximise the return on equity and provide an appropriate level of capital to protect the policyholders taking into account events that can impact directly or indirectly on the operations and financial resilience of the Company whilst complying with rules and regulations issued by the relevant authorities. The Company has met the minimum capital requirements as prescribed by the RBC Framework as at the end of the reporting date.

31. RISK MANAGEMENT FRAMEWORK (cont'd.)

The management of capital is guided by the CMP which is driven by the Company's business strategies and organisational requisites which take into account the business and regulatory environment in which the Company operates. In this respect, the Company sets capital targets for both Tier 1 and Tier 2 as defined under the RBC Framework that is above the minimum regulatory requirements.

The management committee responsible for the oversight of the Company's capital management is the SOMC. All proposals on any deviation from capital targets or capital raising exercise must be addressed to and approved by the SOMC prior to recommendation to the Board for approval and implementation.

Stress Test

The CMP also includes a Stress Policy which requires a stress test be conducted twice a year to systematically evaluate the extent by which the Company's capital could withstand market shocks and by which capital will be eroded by the principal risks identified due to exceptional but adverse plausible events and to determine the impact on the performance and financial conditions.

The stress tests results together with the countermeasures are tabled to the RMC for deliberation and recommendation to the Board for approval prior to the submission to Bank Negara Malaysia.

Asset Liability Management (ALM)

The primary objective of the Company's asset/liability management policy is to ensure that adequate liquid assets are held at all times and provide a satisfactory and consistent earnings on these assets.

The Company's ALM is integrated with the management of the financial risks associated with the Company's other financial assets and liabilities not directly associated with insurance. The Company's SOMC and Investment Committee are primarily responsible for the asset/liability management based on guidelines approved by the Board.

Risk Management of the subsidiary

The risks of the subsidiary is managed by the external fund manager and it is considered by the Board in its overall risk management activities.

32. INSURANCE RISK

The Company underwrites various general insurance contracts, which are mostly on an annual coverage and annual premium basis, with the exception of short term policies such as Marine Cargo which covers the duration in which the cargo is being transported.

The Company also underwrites some non-annual policies with coverage period more than one year such as Mortgage Reducing Personal Accident, Contractor's All Risk and Engineering, Bonds and Workmen Compensation. The majority of the insurance businesses written by the Company are Fire and Motor. Other major lines of business include Contractor's All Risk and Engineering, Workmen Compensation, Liabilities, Personal Accidents and other miscellaneous classes.

The Company's objectives of managing insurance risks are to enhance the long-term financial performance of the business to achieve sustainable growth in profitability, strong asset quality and to continually optimise shareholders' value. The Company seeks to write those risks that it understands and that provide a reasonable opportunity to earn an acceptable profit.

Insurance risk is the inherent uncertainty regarding the occurrence, amount or timing of insurance liabilities. Insurance contracts transfer risk to the Company by indemnifying the policyholders against adverse effects arising from the occurrence of specified uncertain future events. The principal risk the Company faces under insurance contracts is that the actual claims and benefits payments differ from expectations, the risks arise from the fluctuations in timing, frequency and severity of claims, as well as the adequacy of premiums and reserves.

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

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

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

32. INSURANCE RISK (cont'd.)

The table below sets out the concentration of the Group's and the Company's insurance contract liabilities by type of insurance product:

Group and Company	2013 Gross RM	2013 Reinsurance RM	2013 Net RM	2012 Gross RM'000	2012 Reinsurance RM'000	2012 Net RM'000
Claim Liabilities						
Motor	176,880	(5,806)	171,074	157,361	(11,916)	145,445
Fire	83,023	(62,834)	20,189	69,141	(46,772)	22,369
Marine, Aviation & Transit	144,427	(135,332)	9,095	147,879	(139,394)	8,485
Miscellaneous	160,118	(100,153)	59,965	149,737	(97,320)	52,417
	564,448	(304,125)	260,323	524,118	(295,402)	228,716
Premium Liabilities						
Motor	86,780	(10,068)	76,712	69,408	(11,273)	58,135
Fire	17,105	(6,709)	10,396	25,531	(13,120)	12,411
Marine, Aviation & Transit	52,380	(49,988)	2,392	16,799	(14,457)	2,342
Miscellaneous	95,491	(40,639)	54,852	67,147	(24,475)	42,672
	251,756	(107,404)	144,352	178,885	(63,325)	115,560

32. INSURANCE RISK (cont'd.)

Key Assumptions

The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claims costs, claims handling cost and claims numbers for each accident year.

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

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

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

Sensitivities

The Company has appointed an independent actuarial firm to evaluate its valuation models on various bases. An analysis of sensitivity around various scenarios provides an indication of the adequacy of the Company's estimation process in respect of its insurance contracts. The table presented below demonstrates the sensitivity of the insurance contract liabilities estimates to particular movements in assumptions used in the estimation process.

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

32. INSURANCE RISK (cont'd.)

Group and Company

	Change in assumption	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
2013					
Average claim cost	+10%	51,439	21,981	(21,981)	(16,486)
Average number of claims	+10%	41,302	19,555	(19,555)	(14,666)
Average claims settlement period	Increase by 6 months	7,913	4,922	(4,922)	(3,692)
2012					
Average claim cost	+10%	48,890	20,250	(20,250)	(15,188)
Average number of claims	+10%	36,051	21,607	(21,607)	(16,205)
Average claims settlement period	Increase by 6 months	7,649	4,560	(4,560)	(3,420)

* impact on equity reflects adjustments for tax, when applicable

Claim Development Table

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

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

The management of the Company believes that the estimate of total claims outstanding as of 31 December 2013 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.

Information in the claims development table below is provided to the extent available as the current actuary was only appointed in 2007.

32. INSURANCE RISK (cont'd.)

Claim Development Table (cont'd.)

Gross general insurance contract liabilities 2013

Accident year	Prior 2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	Total RM'000
At end of accident year	158,168	201,119	282,098	364,710	273,955	221,090	225,900	250,572	
One year later	158,168	201,119	282,098	283,469	297,469	196,534	218,491		
Two years later	158,168	201,119	232,193	276,209	283,844	185,601			
Three years later	158,168	197,027	227,013	273,541	281,178				
Four years later	160,274	195,365	226,850	268,800					
Five years later	155,270	194,270	227,255						
Six years later	154,456	191,780							
Seven years later	161,547								
Current estimate of cumulative claims incurred	161,547	191,780	227,255	268,800	281,178	185,601	218,491	250,572	
At end of accident year	(42,845)	(52,271)	(63,026)	(110,654)	(66,089)	(66,857)	(68,404)	(78,103)	
One year later	(85,871)	(98,334)	(145,216)	(196,934)	(145,219)	(132,063)	(140,189)		
Two years later	(97,434)	(165,102)	(175,215)	(225,951)	(164,223)	(152,569)			
Three years later	(137,545)	(178,272)	(194,030)	(233,745)	(182,266)				
Four years later	(146,123)	(180,874)	(198,157)	(237,111)					
Five years later	(148,695)	(182,046)	(200,310)						
Six years later	(149,743)	(182,460)							
Seven years later	(149,168)								
Cumulative payments to date	(149,168)	(182,460)	(200,310)	(237,111)	(182,266)	(152,569)	(140,189)	(78,103)	
Gross general insurance outstanding liabilities (direct and facultative)	12,379	9,320	26,945	31,689	98,912	33,032	78,302	172,469	463,048
Case reserves reconciliation difference between SMCD and G Forms									623
Gross general insurance outstanding liabilities (treaty inward)									45,131
Best estimate of claim liabilities									508,802
Claim handling expenses									3,589
Fund PRAD at 75% confidence interval									52,057
Gross general insurance contract liabilities per statement of financial position (Note 14)									564,448

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32. INSURANCE RISK (cont'd.)

Claim Development Table (cont'd.)

Net general insurance contract liabilities 2013

Accident year	Prior 2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	Total RM'000
At end of accident year	75,960	88,126	115,506	120,410	125,104	129,888	142,610	157,393	
One year later	78,383	90,454	113,749	118,098	122,605	123,352	137,867		
Two years later	79,602	91,988	114,565	119,218	120,211	121,022			
Three years later	79,334	91,075	113,794	118,971	117,792				
Four years later	79,511	90,489	113,196	119,025					
Five years later	78,925	90,095	113,010						
Six years later	78,471	88,503							
Seven years later	79,526								
Current estimate of cumulative claims incurred	79,526	88,503	113,010	119,025	117,792	121,022	137,867	157,393	
At end of accident year	(35,745)	(41,078)	(51,593)	(49,962)	(46,848)	(47,308)	(55,488)	(63,109)	
One year later	(63,467)	(71,976)	(86,076)	(87,688)	(85,718)	(85,415)	(98,085)		
Two years later	(68,782)	(77,332)	(96,674)	(100,243)	(96,694)	(98,114)			
Three years later	(71,356)	(83,181)	(103,078)	(107,283)	(102,441)				
Four years later	(73,940)	(84,819)	(104,786)	(109,870)					
Five years later	(75,169)	(85,729)	(106,111)						
Six years later	(75,750)	(85,969)							
Seven years later	(76,321)								
Cumulative payments to date	(76,321)	(85,969)	(106,111)	(109,870)	(102,441)	(98,114)	(98,085)	(63,109)	
Net general insurance outstanding liabilities (direct and facultative)	3,205	2,534	6,899	9,155	15,351	22,908	39,782	94,284	194,118

Case reserves reconciliation difference between SMCD and G Forms	623
Net general insurance outstanding liabilities (treaty inward)	45,131
Best estimate of claim liabilities	239,872
Claim handling expenses	3,589
Fund PRAD at 75% confidence interval	16,862
Net general insurance contract liabilities per statement of financial position (Note 14)	260,323

32. INSURANCE RISK (cont'd.)

Claim Development Table (cont'd.)

Gross general insurance contract liabilities 2012

Accident year	Prior 2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	Total RM'000
At end of accident year	130,622	158,168	201,119	282,098	364,710	273,955	221,090	225,900	
One year later	130,622	158,168	201,119	282,098	283,469	297,469	196,534		
Two years later	130,622	158,168	201,119	232,193	276,209	283,844			
Three years later	130,622	158,168	197,027	227,013	273,541				
Four years later	130,622	160,274	195,365	226,850					
Five years later	129,911	155,270	194,270						
Six years later	125,544	154,456							
Seven years later	134,299								
Current estimate of cumulative claims incurred	134,299	154,456	194,270	226,850	273,541	283,844	196,534	225,900	
At end of accident year	(47,579)	(42,845)	(52,271)	(63,026)	(110,654)	(66,089)	(66,857)	(68,404)	
One year later	(95,206)	(85,871)	(98,334)	(145,216)	(196,934)	(145,219)	(132,063)		
Two years later	(102,381)	(97,434)	(165,102)	(175,215)	(225,951)	(164,223)			
Three years later	(106,803)	(137,545)	(178,272)	(194,030)	(233,745)				
Four years later	(113,978)	(146,123)	(180,874)	(198,157)					
Five years later	(115,462)	(148,695)	(182,046)						
Six years later	(118,676)	(149,743)							
Seven years later	(121,904)								
Cumulative payments to date	(121,904)	(149,743)	(182,046)	(198,157)	(233,745)	(164,223)	(132,063)	(68,404)	
Gross general insurance outstanding liabilities (direct and facultative)	12,395	4,713	12,224	28,693	39,796	119,621	64,471	157,496	439,409
Case reserves reconciliation difference between SMCD and G Forms									1,099
Gross general insurance outstanding liabilities (treaty inward)									30,538
Best estimate of claim liabilities									471,046
Claim handling expenses									2,819
Fund PRAD at 75% confidence interval									50,253
Gross general insurance contract liabilities per statement of financial position (Note 14)									524,118

32. INSURANCE RISK (cont'd.)

Claim Development Table (cont'd.)

Net general insurance contract liabilities 2012

Accident year	Prior 2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	Total RM'000
At end of accident year	62,617	75,960	88,126	115,506	120,410	125,104	129,888	142,610	
One year later	72,147	78,383	90,454	113,749	118,098	122,605	123,352		
Two years later	71,912	79,602	91,988	114,565	119,218	120,211			
Three years later	72,419	79,334	91,075	113,794	118,971				
Four years later	72,481	79,511	90,489	113,196					
Five years later	72,000	78,925	90,095						
Six years later	70,446	78,471							
Seven years later	72,424								
Current estimate of cumulative claims incurred	72,424	78,471	90,095	113,196	118,971	120,211	123,352	142,610	
At end of accident year	(32,522)	(35,745)	(41,078)	(51,593)	(49,962)	(46,937)	(47,308)	(55,488)	
One year later	(57,172)	(63,467)	(71,976)	(86,076)	(88,065)	(85,718)	(85,415)		
Two years later	(61,437)	(68,782)	(77,332)	(97,262)	(100,243)	(96,694)			
Three years later	(63,415)	(71,356)	(83,181)	(103,078)	(107,282)				
Four years later	(65,455)	(73,940)	(84,819)	(104,786)					
Five years later	(66,691)	(75,169)	(85,729)						
Six years later	(68,281)	(75,750)							
Seven years later	(69,251)								
Cumulative payments to date	(69,251)	(75,750)	(85,729)	(104,786)	(107,282)	(96,694)	(85,415)	(55,488)	
Net general insurance outstanding liabilities (direct and facultative)	3,173	2,721	4,366	8,410	11,689	23,517	37,937	87,122	178,935

Case reserves reconciliation difference between SMCD and G Forms	1,098
Net general insurance outstanding liabilities (treaty inward)	30,538
Best estimate of claim liabilities	210,571
Claim handling expenses	2,819
Fund PRAD at 75% confidence interval	15,326
Net general insurance contract liabilities per statement of financial position (Note 14)	228,716

33. FINANCIAL RISKS

Group and Company

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.

Credit Risk

Credit risk is the risk of financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The major classes of financial assets of the Company are deposits with financial institutions, AFS securities, insurance receivables and other receivables.

Credit risk arises when the Group and the Company's cash assets are placed in interest-bearing instruments, mainly fixed and call deposits and repurchase agreements with licensed financial institutions. The Group and the Company manage this credit risk by spreading its deposits with a large group of financial institutions.

Trade receivables are monitored regularly and the Group and the Company adopt various control measures such as 60 Days Premium Warranty and Cash Before Cover to minimise its credit risk.

Credit exposure

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

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
LAR				
Fixed and call deposits	274,780	275,820	270,273	232,803
AFS securities				
Malaysian Government Papers	5,568	15,161	-	-
Debt securities	239,663	147,937	4,791	4,533
Commercial Papers	2,478	4,451	-	-
Unit trust funds	40,997	84,031	289,228	290,196
Reinsurance assets	411,529	358,727	411,529	358,727
Insurance receivables	138,956	107,901	138,956	107,901
Other receivables	58,455	29,281	56,366	27,917
Tax recoverable	1,733	-	1,733	-
Cash and bank balances	8,738	8,477	8,713	8,456
	1,182,897	1,031,786	1,181,589	1,030,533

33. FINANCIAL RISKS (cont'd.)

Credit exposure by credit rating

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

Group	Neither past-due nor impaired Investment grade RM'000	 Not Rated RM'000	Past-due but not impaired RM'000	Total RM'000
2013				
LAR				
Fixed and call deposits	248,273	26,507	-	274,780
AFS securities				
Malaysian Government Papers	-	5,568	-	5,568
Debt securities	234,406	5,257	-	239,663
Commercial Papers	-	2,478	-	2,478
Unit trust funds	-	40,997	-	40,997
Reinsurance assets	182,280	229,249	-	411,529
Insurance receivables	-	-	138,956	138,956
Other receivables	-	58,455	-	58,455
Tax recoverable	-	1,733	-	1,733
Cash and bank balances	8,668	70	-	8,738
	673,627	370,314	138,956	1,182,897
2012				
LAR				
Fixed and call deposits	193,045	82,775	-	275,820
AFS securities				
Malaysian Government Papers	-	15,161	-	15,161
Debt securities	118,699	29,238	-	147,937
Commercial Papers	-	4,451	-	4,451
Unit trust funds	-	84,031	-	84,031
Reinsurance assets	69,848	288,879	-	358,727
Insurance receivables	-	-	107,901	107,901
Other receivables	-	29,281	-	29,281
Cash and bank balances	8,380	97	-	8,477
	389,972	533,913	107,901	1,031,786

33. FINANCIAL RISKS (cont'd.)

Credit exposure by credit rating (cont'd.)

Company	Neither past-due nor impaired Investment grade RM'000	Not Rated RM'000	Past-due but not impaired RM'000	Total RM'000
2013				
LAR				
Fixed and call deposits	248,273	22,000	-	270,273
AFS securities				
Debt securities	4,791	-	-	4,791
Unit trust funds	-	289,228	-	289,228
Reinsurance assets	182,280	229,249	-	411,529
Insurance receivables	-	-	138,956	138,956
Other receivables	-	56,366	-	56,366
Tax recoverable	-	1,733	-	1,733
Cash and bank balances	8,668	45	-	8,713
	444,012	598,621	138,956	1,181,589
2012				
LAR				
Fixed and call deposits	193,045	39,758	-	232,803
AFS securities				
Debt securities	4,533	-	-	4,533
Unit trust funds	-	290,196	-	290,196
Reinsurance assets	69,848	288,879	-	358,727
Insurance receivables	-	-	107,901	107,901
Other receivables	-	27,917	-	27,917
Cash and bank balances	8,380	76	-	8,456
	275,806	646,826	107,901	1,030,533

33. FINANCIAL RISKS (cont'd.)

Credit exposure by credit rating (cont'd.)

The table below provides information regarding the credit risk exposure of the Group and the Company by classifying assets according to the Rating Agency of Malaysia's ("RAM"), Malaysian Rating Corporation Berhad ("MARC"), A.M. Best Company ("A.M. Best") and Standards & Poor's ('"S&P") credit ratings of counterparties. AAA is the highest possible rating.

Group	AAA RM'000	AA RM'000	A RM'000	BBB to B RM'000	Not rated RM'000	Total RM'000
2013						
LAR						
Fixed and call deposits	84,610	12,290	151,373	-	26,507	274,780
AFS financial assets:						
Malaysian Government Papers	-	-	-	-	5,568	5,568
Debt securities	22,179	199,514	12,713	-	5,257	239,663
Commercial Papers	-	-	-	-	2,478	2,478
Unit trust funds	-	-	-	-	40,997	40,997
Reinsurance assets	-	8,933	171,918	7,793	222,885	411,529
Insurance receivables	-	516	3,791	888	133,761	138,956
Other receivables	-	-	-	-	58,455	58,455
Tax recoverable	-	-	-	-	1,733	1,733
Cash and bank balances	2,947	270	5,450	-	71	8,738
	109,736	221,523	345,245	8,681	497,712	1,182,897

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33. FINANCIAL RISKS (cont'd.)

Credit exposure by credit rating (cont'd.)

Group	**AAA**	**AA**	**A**	**BBB to B**	**Not rated**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2012						
LAR						
Fixed and call deposits	44,628	175	148,242	-	82,775	275,820
AFS financial assets:						
Malaysian Government Papers	-	-	-	-	15,161	15,161
Debt securities	17,942	78,874	21,883	-	29,238	147,937
Commercial Papers					4,451	4,451
Unit trust funds	-	-	-	-	84,031	84,031
Reinsurance assets	899	5,695	59,857	3,397	288,879	358,727
Insurance receivables	-	435	2,641	603	104,222	107,901
Other receivables	-	-	-	-	29,281	29,281
Cash and bank balances	2,280	558	5,542	-	97	8,477
	65,749	85,737	238,165	4,000	638,135	1,031,786

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33. FINANCIAL RISKS (cont'd.)

Credit exposure by credit rating (cont'd.)

Company	AAA RM'000	AA RM'000	A RM'000	BBB to B RM'000	Not rated RM'000	Total RM'000
2013						
LAR						
Fixed and call deposits	84,610	12,290	151,373	-	22,000	270,273
AFS financial assets:						
Debt securities	4,791	-	-	-	-	4,791
Unit trust funds	-	-	-	-	289,228	289,228
Reinsurance assets	-	8,933	171,918	7,793	222,885	411,529
Insurance receivables	-	516	3,791	888	133,761	138,956
Other receivables	-	-	-	-	56,366	56,366
Tax recoverable	-	-	-	-	1,733	1,733
Cash and bank balances	2,947	270	5,450	-	46	8,713
	92,348	22,009	332,532	8,681	726,019	1,181,589

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33. FINANCIAL RISKS (cont'd.)

Credit exposure by credit rating (cont'd.)

Company	**AAA**	**AA**	**A**	**BBB to B**	**Not rated**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2012						
LAR						
Fixed and call deposits	44,628	175	148,242	-	39,758	232,803
AFS financial assets:						
Debt securities	4,533	-	-	-	-	4,533
Unit trust funds	-	-	-	-	290,196	290,196
Reinsurance assets	899	5,695	59,857	3,397	288,879	358,727
Insurance receivables	-	435	2,641	603	104,222	107,901
Other receivables	-	-	-	-	27,917	27,917
Cash and bank balances	2,280	558	5,542	-	76	8,456
	52,340	6,863	216,282	4,000	751,048	1,030,533

33. FINANCIAL RISKS (CONT'D.)

Credit exposure by credit rating (cont'd.)

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

During the year, no credit exposure limits were exceeded.

The Group and the Company actively manages its product mix to ensure that there is no significant concentration of credit risk.

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

	< 30 days RM'000	31 to 60 days RM'000	61 to 90 days RM'000	91 to 180 days RM'000	> 181 days RM'000	Total RM'000
2013						
Insurance receivables	87,608	23,815	16,047	8,983	2,503	138,956
2012						
Insurance receivables	58,683	19,814	14,467	13,440	1,497	107,901

At 31 December 2013, based on a combination of collective and individual assessment of receivables, there are impaired insurance receivables of RM6,918,096 (2012: RM3,400,519). For assets to be classified as "past-due and impaired", contractual payments must be in arrears for more than six (6) months. No collateral is held as security for any past due or impaired assets. The Group and the Company records impairment allowance for insurance receivables in separate allowance account. A reconciliation of the allowance for impairment losses for insurance receivables is as follows:

	2013 RM'000	2012 RM'000
At 1 January	3,401	3,909
Charge for the year	3,517	-
Write back for the year	-	(508)
At 31 December	6,918	3,401

33. FINANCIAL RISKS (CONT'D.)

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments. In respect of catastrophic events, there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries.

(i) A company-wide liquidity risk policy setting out the evaluation and determination of the components of liquidity risk for the Company. Compliance with the policy is monitored and reported monthly and exposures and breaches are reported to the Company's SOMC as soon as practicable. The policy is regularly reviewed for pertinence and for changes in the risk environment.

(ii) The Company has set the guidelines on asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding is available to meet

(iii) Setting up contingency funding plans which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.

(iv) The Company's treaty reinsurance contracts contains clauses permitting the Company to call for funding to meet claim payment should claim events exceed a specify amount.

Maturity profiles

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

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

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

33. FINANCIAL RISKS (cont'd.)

Maturity profiles (cont'd.)

Group	Carrying value RM'000	Up to a year RM'000	1-5 years RM'000	More than 5 years RM'000	No maturity date RM'000	Total RM'000
2013						
Investment securities:						
LAR	274,780	270,273	-	-	4,507	274,780
AFS financial assets	361,204	17,044	171,810	58,855	113,495	361,204
Loans	17	3	14	-	-	17
Reinsurance assets	304,125	152,126	133,104	18,895	-	304,125
Insurance receivables	138,956	138,956	-	-	-	138,956
Other receivables	58,455	58,455	-	-	-	58,455
Tax recoverable	1,733	1,733	-	-	-	1,733
Cash and bank balances	8,738	-	-	-	8,738	8,738
	1,148,008	638,590	304,928	77,750	126,740	1,148,008
Insurance contract liabilities	564,448	282,342	247,038	35,068	-	564,448
Insurance payables	113,386	113,386	-	-	-	113,386
Other payables	36,203	36,203	-	-	-	36,203
	714,037	431,931	247,038	35,068	-	714,037

33. FINANCIAL RISKS (cont'd.)

Maturity profiles (cont'd.)

Group	Carrying value RM'000	Up to a year RM'000	1-5 years RM'000	More than 5 years RM'000	No maturity date RM'000	Total RM'000
2012						
Investment securities:						
LAR	275,820	232,803	-	-	43,017	275,820
AFS financial assets	313,547	10,439	107,526	49,584	145,998	313,547
Loans	38	21	17	-	-	38
Reinsurance assets	295,402	149,183	126,695	19,524	-	295,402
Insurance receivables	107,901	107,901	-	-	-	107,901
Other receivables	29,281	29,281	-	-	-	29,281
Cash and bank balances	8,477	-	-	-	8,477	8,477
	1,030,466	529,628	234,238	69,108	197,492	1,030,466
Insurance contract liabilities	524,118	264,689	224,789	34,640	-	524,118
Insurance payables	76,613	76,613	-	-	-	76,613
Other payables	48,544	48,544	-	-	-	48,544
	649,275	389,846	224,789	34,640	-	649,275

33. FINANCIAL RISKS (cont'd.)

Maturity profiles (cont'd.)

Company	Carrying value RM'000	Up to a year RM'000	1-5 years RM'000	More than 5 years RM'000	No maturity date RM'000	Total RM'000
2013						
Investment securities:						
LAR	270,273	270,273	-	-	-	270,273
AFS financial assets	366,517	-	4,791	-	361,726	366,517
Loans	17	3	14	-	-	17
Reinsurance assets	304,125	152,126	133,104	18,895	-	304,125
Insurance receivables	138,956	138,956	-	-	-	138,956
Other receivables	56,366	56,366	-	-	-	56,366
Tax recoverable	1,733	1,733	-	-	-	1,733
Cash and bank balances	8,713	-	-	-	8,713	8,713
	1,146,700	619,457	137,909	18,895	370,439	1,146,700
Insurance contract liabilities	564,448	282,342	247,038	35,068	-	564,448
Insurance payables	113,386	113,386	-	-	-	113,386
Other payables	36,111	36,111	-	-	-	36,111
	713,945	431,839	247,038	35,068	-	713,945

33. FINANCIAL RISKS (cont'd.)

Maturity profiles (cont'd.)

Company	Carrying value RM'000	Up to a year RM'000	1-5 years RM'000	More than 5 years RM'000	No maturity date RM'000	Total RM'000
2012						
Investment securities:						
LAR	232,803	232,803	-	-	-	232,803
AFS financial assets	356,696	-	4,533	-	352,163	356,696
Loans	38	21	17	-	-	38
Reinsurance assets	295,402	149,183	126,695	19,524	-	295,402
Insurance receivables	107,901	107,901	-	-	-	107,901
Other receivables	27,917	27,917	-	-	-	27,917
Cash and bank balances	8,456	-	-	-	8,456	8,456
	1,029,213	517,825	131,245	19,524	360,619	1,029,213
Insurance contract liabilities	524,118	264,689	224,789	34,640	-	524,118
Insurance payables	76,613	76,613	-	-	-	76,613
Other payables	48,467	48,467	-	-	-	48,467
	649,198	389,769	224,789	34,640	-	649,198

33. FINANCIAL RISKS (cont'd.)

Maturity profiles (cont'd.)

The table below summarises the current and non current of the assets and liabilities presented in statements of financial position.

Group	Current RM'000	Non-current RM'000	Total RM'000
2013			
Property and equipment	-	6,458	6,458
Investment properties	-	6,509	6,509
Intangible assets	-	1,782	1,782
Investment securities			
LAR	274,780	-	274,780
AFS	-	361,204	361,204
Loans	-	17	17
Reinsurance assets	411,529	-	411,529
Insurance receivables	138,956	-	138,956
Other receivables	58,455	-	58,455
Tax recoverable	1,733	-	1,733
Cash and bank balances	8,738	-	8,738
Total assets	894,191	375,970	1,270,161
Insurance contract liabilities	534,098	282,106	816,204
Insurance payables	113,386	-	113,386
Deferred tax liabilities	-	2,791	2,791
Other payables	36,203	-	36,203
Total liabilities	683,687	284,897	968,584
2012			
Property and equipment	-	8,683	8,683
Investment properties	-	5,739	5,739
Intangible assets	-	1,435	1,435
Investment securities			
LAR	275,820	-	275,820
AFS	-	313,547	313,547
Loans	-	38	38
Reinsurance assets	358,727	-	358,727
Insurance receivables	107,901	-	107,901
Other receivables	29,281	-	29,281
Cash and bank balances	8,477	-	8,477
Total assets	780,206	329,442	1,109,648
Insurance contract liabilities	443,574	259,429	703,003
Insurance payables	76,613	-	76,613
Tax payable	4,540	-	4,540
Deferred tax liabilities	-	3,387	3,387
Other payables	48,544	-	48,544
Total liabilities	573,271	262,816	836,087

33. FINANCIAL RISKS (cont'd.)

Maturity profiles (cont'd.)

Company	Current RM'000	Non-current RM'000	Total RM'000
2013			
Property and equipment	-	6,458	6,458
Investment properties	-	6,509	6,509
Intangible assets	-	1,782	1,782
Investment securities			
LAR	270,273	-	270,273
AFS	-	366,517	366,517
Loans	-	17	17
Reinsurance assets	411,529	-	411,529
Insurance receivables	138,956	-	138,956
Other receivables	56,366	-	56,366
Tax recoverable	1,733	-	1,733
Cash and bank balances	8,713	-	8,713
Total assets	887,570	381,283	1,268,853
Insurance contract liabilities	534,098	282,106	816,204
Insurance payables	113,386	-	113,386
Deferred tax liabilities	-	2,791	2,791
Other payables	36,111	-	36,111
Total liabilities	683,595	284,897	968,492
2012			
Property and equipment	-	8,683	8,683
Investment properties	-	5,739	5,739
Intangible assets	-	1,435	1,435
Investment securities			
LAR	232,803	-	232,803
AFS	-	356,696	356,696
Loans	-	38	38
Reinsurance assets	212,508	146,219	358,727
Insurance receivables	107,901	-	107,901
Other receivables	27,917	-	27,917
Cash and bank balances	8,456	-	8,456
Total assets	589,585	518,810	1,108,395
Insurance contract liabilities	443,574	259,429	703,003
Insurance payables	76,613	-	76,613
Tax payable	4,540	-	4,540
Deferred tax liabilities	-	3,387	3,387
Other payables	48,467	-	48,467
Total liabilities	573,194	262,816	836,010

33. FINANCIAL RISKS (cont'd.)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three (3) types of risk – foreign exchange rates (Currency risk), market interest rates/profit yields (Interest Rate/Profit Yield risk) and market prices (Price risk).

The key features of the Company's market risk management practices and policies are as follows:

(i) A Company-wide market risk policy setting out the evaluation and determination of components of market risk for the Company. Compliance with the policy is monitored and reported fortnightly to the SOMC and exposure and breaches are reported as soon as practicable.

(ii) The Company's policies on asset allocation, portfolio limit structure and diversification benchmark have been set in line with the Company's risk management policy after taking cognisance of the regulatory requirements in respect of maintenance of assets and solvency.

The Company manages its subsidiary's market risk in the same manner with the above risk management practices and policies.

Currency risk

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

The Group and the Company's primary transactions are carried out in Ringgit Malaysia (RM) and its exposure to foreign exchange risk arises principally with respect to US Dollar (USD) and Singapore Dollar (SGD).

As the Group and the Company's businesses are conducted primarily in Malaysia, the Group and Company's financial assets are also primarily maintained in Malaysia as required under the Financial Services Act 2013, and hence, primarily denominated in the same currency (the local RM) as its insurance contract liabilities, the main foreign exchange risk from recognised assets and liabilities arises from transactions other than those in which insurance contract liabilities are expected to be settled.

The Group and the Company does not engage in derivative transaction.

As the Group and the Company's main foreign exchange risk from recognised assets and liabilities arises from reinsurance and investment transactions for which the balances are expected to be settled and realised in less than a year, the impact arising from sensitivity in foreign exchange rates is deemed minimal as the Group and the Company has no significant concentration of foreign currency risk.

33. FINANCIAL RISKS (cont'd.)

Interest rate/profit yield risk

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

The Group and the Company is exposed to interest rate risk primarily through its investments in fixed income securities and deposits placements. Interest rate risk is managed by the Group and the Company on an ongoing basis.

The Group and the Company has no significant concentration of interest rate/profit yield risk.

The sensitivity analysis of the Group's and the Company's fixed income securities is as follow:

	Change in basis points	Sensitivity of changes in investment income Increase/(decrease)		Sensitivity of changes in fair value investment securities Increase/(decrease)	
2013		**Group RM'000**	**Company RM'000**	**Group RM'000**	**Company RM'000**
Malaysian Government Papers	+25 / -25	-	-	(14)/14	-
Debt securities	+25 / -25	-	-	(599)/599	(12)/12
Commercial Papers	+25 / -25	-	-	(6)/6	-
Deposits with financial institutions	+25 / -25	687/(687)	676/(676)	687/(687)	676/(676)
2012					
Malaysian Government Papers	+25 / -25	-	-	(38)/38	-
Debt securities	+25 / -25	-	-	(370)/370	(11)/11
Commercial Papers	+25 / -25	-	-	(11)/11	-
Deposits with financial institutions	+25 / -25	690/(690)	582/(582)	690/(690)	582/(582)

33. FINANCIAL RISKS (cont'd.)

Price risk

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

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

The Group and the Company is exposed to equity price risk arising from investments held by the Group and the Company and classified in the statement of financial position as available-for-sale financial assets that comprises quoted equities and unit trusts.

The analysis below is performed for reasonably possible movements in equity price with all other variables held constant, showing the impact of statement of comprehensive income and equity (due to changes in fair value of available-for-sale financial assets).

	Changes in variable	Impact on equity*	
		2013	2012
Group and Company	%	RM'000	RM'000
Market indices:			
Bursa Malaysia	+10%	269	378
Bursa Malaysia	-10%	(269)	(378)

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

Operational risks

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.

The Group and the Company cannot expect to eliminate all operational risks but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Group and the Company is able to manage the risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff training and evaluation procedures, including the use of Internal Audit.

Business risks, such as, changes in environment, technology and the industry are monitored through the Group's and the Company's strategic planning and budgeting process.

33. FINANCIAL RISKS (cont'd.)

Fair value hierarchy

The table below analyses those financial instruments carried at fair value by their valuation methods. The different levels have been defined as follows:

(a) Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities.

(b) Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie. as prices) or indirectly (ie. derived from prices).

(c) Level 3 : Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2013				
Financial assets				
Property and equipment	-	4,453	-	4,453
Investment properties	-	7,820	-	7,820
Equity securities	72,498	-	-	72,498
Malaysian Government Papers	-	5,568	-	5,568
Debt securities	-	239,663	-	239,663
Commercial Papers	-	2,478	-	2,478
Unit trust funds	40,997	-	-	40,997

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2012				
Financial assets				
Property and equipment	-	2,935	-	2,935
Investment properties	-	5,739	-	5,739
Equity securities	61,967	-	-	61,967
Malaysian Government Papers	-	15,161	-	15,161
Debt securities	-	147,937	-	147,937
Commercial Papers	-	4,451	-	4,451
Unit trust funds	84,031	-	-	84,031

33. FINANCIAL RISKS (cont'd.)

Fair value hierarchy (cont'd.)

Company 2013	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Property and equipment	-	4,453	-	4,453
Investment properties	-	7,820	-	7,820
Equity securities	72,498	-	-	72,498
Debt securities	-	4,791	-	4,791
Unit trust funds	40,997	248,231	-	289,228

Company 2012	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Property and equipment	-	2,935	-	2,935
Investment properties	-	5,739	-	5,739
Equity securities	61,967	-	-	61,967
Debt securities	-	4,533	-	4,533
Unit trust funds	84,031	206,165	-	290,196

There were no significant transfer between the Level 1 and Level 2 fair value hierarchy during the financial year.

34. REGULATORY CAPITAL REQUIREMENTS

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

	Company 2013 RM'000	 2012 RM'000
Eligible Tier 1 Capital		
Share capital (paid up)	100,000	100,000
Share premium and retained earnings	192,284	160,259
	292,284	260,259

34. REGULATORY CAPITAL REQUIREMENTS (cont'd.)

	Company 2013 RM'000	2012 RM'000
Tier 2 Capital		
Available-for-sale reserves	8,077	12,126
Amount deducted from Capital		
Intangible assets	(1,782)	(1,435)
Deferred tax income	(282)	-
Total Capital Available	298,297	270,950

The Company is required to comply with the regulatory capital requirements prescribed in the RBC Framework which is imposed by the Ministry of Finance. Under the RBC Framework guidelines issued by Bank Negara Malaysia, insurance companies are required to satisfy a mininum capital adequacy ratio of 130%. As at year end, the Company has a capital adequacy ratio in excess of the minimum requirement.