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TUNE INSURANCE MALAYSIA BERHAD
(30686 K)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2013

30686 K

Tune Insurance Malaysia Berhad
(Incorporated in Malaysia)

Contents

Tune Insurance Malaysia Berhad
(Incorporated in Malaysia)

Directors' report

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

Principal activities

The Company is engaged principally in the underwriting of all classes of general insurance business. The principal activities of the subsidiaries are set out in Notes 6 and 7 to the financial statements.

There have been no significant changes in the nature of the principal activities of the Company and its subsidiaries during the financial year.

Results

	Group RM'000	Company RM'000
Net profit for the year	27,100	26,082

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

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

Dividends

No dividend has been declared or paid since the end of the previous financial year.

The directors recommend a final single tier dividend in respect of the financial year ended 31 December 2013 of 13 sen per ordinary share of RM1.00 on 100,013,218 ordinary shares, amounting to RM13,041,000 which is subject to the approval of the shareholders at the forthcoming Annual General Meeting ("AGM") of the Company.

Proposed dividend is not recognised as a liability as at 31 December 2013.

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Directors

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

Ng Soon Lai @ Ng Siek Chuan
Chee Siew Eng
Mohd Yusof Bin Hussian
Peter Dixon Miller
Lee Siang Korn @ Lee Siang Chin (appointed on 4 July 2013)
Ooi Say Teng (resigned on 13 June 2013)

Corporate governance

The directors confirmed that the Company has complied with all prescriptive requirements and adopts management practices that are consistent with the corporate governance principles set out in BNM/RH/GL/003-2: Prudential Framework of Corporate Governance for Insurers as follows:

(a) Responsibility of the Board of Directors

The Board of Directors ("the Board") is charged with the responsibility of providing direction on corporate objectives and business strategies, proper stewardship over Company resources, achievement of corporate objectives, and good corporate citizenship. The Board ensures that there is a sound decision making process and business operating environment, with proper risk management and internal control frameworks.

The Board ensures that it complies with the Financial Services Act 2013 ("the Act") and Bank Negara Malaysia ("BNM") minimum standards for Prudential Management of Insurers (BNM/RH/GL/003-1), other guidelines or directives issued by BNM, and other statutory and regulatory requirements. The Board had set up Board Committees to oversee and report on functional performances as part of its stewardship and oversight functions.

Corporate governance (cont'd.)

(b) Composition and meetings

The Board comprises one (1) Non-Independent Non-Executive Chairman, one (1) Non-Independent Non-Executive Director and three (3) Independent Non-Executive Directors. All appointments are in accordance with the Act and BNM guidelines.

The directors bring with them various skills, experience and knowledge in the insurance business to undertake stewardship and oversight of the Company.

The attendance for Directors is calculated based on their tenure of service in the Company during the financial year.

During the financial year the members of the Board met ten (10) times, with attendance recorded as follows:

	Attendance
Chairman:	
Ng Soon Lai @ Ng Siek Chuan	
Members:	
Chee Siew Eng	6/6
Mohd Yusof Bin Hussian	6/6
Peter Dixon Miller	6/6
Lee Siang Korn @ Lee Siang Chin (appointed on 4 July 2013)	3/3
Ooi Say Teng (resigned on 13 June 2013)	3/3

(c) Board Committees

The Board had set up and delegated certain responsibilities to the Board Committees to facilitate the execution of its duties and responsibilities. These committees have their respective terms of reference. The Chairman of the respective committees reports regularly to the Board.

Corporate governance (cont'd.)

(c) Board Committees (cont'd.)

(i) Risk Management Committee ("RMC")

The RMC comprises two (2) Independent Non-Executive Directors ("INED") and one (1) Non-Independent Non-Executive Director ("NINED") as follows:

	Attendance
Chairman:	
Chee Siew Eng (INED)	5/5
Members:	
Mohd Yusof Bin Hussian (INED)	5/5
Peter Dixon Miller (NINED)	5/5

The RMC oversees the risk management activities - ensures that an appropriate and effective risk framework is in place, deliberates risk management strategies and tolerance limits for the various business activities, reviewing and ensuring adequate reinsurance arrangements are in place for risks written and recommends policies to be adopted to contain Company wide risks.

The RMC met five (5) times during the financial year.

(ii) Audit Committee ("AC")

The AC comprises three (3) INED as follows:

	Attendance
Chairman:	
Mohd Yusof Bin Hussian (INED)	7/7
Members:	
Chee Siew Eng (INED)	7/7
Lee Siang Korn @ Lee Siang Chin (INED) (appointed on 4 July 2013)	3/3
Ooi Say Teng (NINED) (resigned on 13 June 2013)	2/4

Corporate governance (cont'd.)

(c) Board Committees (cont'd.)

(ii) Audit Committee ("AC") (cont'd.)

The AC's terms of reference include ensuring an independent, effective and appropriately resourced internal audit department is in place to provide reasonable assurance that the Company's internal control and risk frameworks are preserved, assets are safeguarded, and obligations are met. In addition, the Committee reviews and recommends the adoption of the annual financial statements, and reviews the disclosure of related party transactions. The AC also assesses the work of the external auditors and recommends their appointment/re-appointment.

The AC met seven (7) times during the financial year.

(iii) Nomination and Remuneration Committee ("NRC")

The NRC comprises three (3) INED and two (2) NINED as follows:

	Attendance
Chairman:	
Ng Soon Lai @ Ng Siek Chuan (NINED)	4/4
Members:	
Chee Siew Eng (INED)	4/4
Peter Dixon Miller (NINED)	4/4
Mohd Yusof Bin Hussian (INED)	4/4
Lee Siang Korn @ Lee Siang Chin (INED) (appointed on 4 July 2013)	2/2
Ooi Say Teng (NINED) (resigned on 13 June 2013)	1/2

Corporate governance (cont'd.)

(c) Board Committees (cont'd.)

(iii) Nomination and Remuneration Committee ("NRC") (cont'd.)

The NRC is empowered to evaluate the performance of individual directors and recommend the appointment of Chairman and members of the Board Committees. The NRC proposes first to the Board new directors followed by submission to BNM for appointment and existing directors for re-appointment or re-election. Suitability, competencies and contributions of directors are reviewed prior to any recommendation. The NRC also performs annual review to assess if the composition and size of the Board and skills of individual directors taken together will facilitate effective discharge of Board duties and oversight function. The NRC is responsible for reviewing and recommending remuneration packages for the Chief Executive Officer ("CEO") and senior management and changes to staff remuneration policies. The NRC is also charged with the responsibility of ensuring that the remuneration packages commensurate with industry practices, and address the need for retention and motivation of staff.

The NRC also evaluates and recommends appointment of the CEO and key senior officers of the Company.

The NRC met four (4) times during the financial year.

(iv) Investment Committee ("IC")

The IC members comprise two (2) INED and one (1) NINED as follows:

	Attendance
Chairman:	
Lee Siang Korn @ Lee Siang Chin (INED) (appointed on 4 July 2013)	3/3
Members:	
Ng Soon Lai @ Ng Siek Chuan (NINED)	5/5
Mohd Yusof Bin Hussian (INED)	5/5
Ooi Say Teng (NINED) (resigned on 13 June 2013)	1/2

Corporate governance (cont'd.)

(c) Board Committees (cont'd.)

(iv) Investment Committee ("IC") (cont'd.)

The terms of reference of this Committee is to monitor and manage the investment portfolio, review and recommend investment policies, and review and evaluate the performance of both the internal and external fund management function in view of optimisation of investment returns. This Committee is guided by the Company's Investment Guidelines, business strategies and market conditions and outlook.

The Committee is responsible for the appointment and retention of fund managers as well as evaluation of their performance.

The IC met five (5) times during the financial year.

Directors' benefits

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors from the company and related corporations, or the fixed salary of a full-time employee of the Company as shown in Note 24 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Directors' interests

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

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Directors' interests (cont'd.)

	No of ordinary shares of RM0.10 each			
	As at 1.1.2013 '000	Acquired '000	Disposed '000	As at 31.12.2013 '000
Holding company, Tune Ins Holdings Berhad:				
Direct interest:				
Ng Soon Lai @ Ng Siek Chuan	-	100	-	100
Chee Siew Eng	-	10	-	10
Mohd Yusof Bin Hussian	-	35	-	35
Peter Dixon Miller	-	1,655	-	1,655

Other than as disclosed above, the other directors in office at the end of the financial year did not have any interest in shares of the Company or its related corporations during the financial year.

Other statutory information

(a) Before the statements of financial position and statements of comprehensive income of the Group and of the Company were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowances had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

Other statutory information (cont'd.)

(b) At the date of this report, the directors are not aware of any circumstances which would render:

(i) the amount written off for bad debts or the amount of the allowances for doubtful debts of the Group and of the Company inadequate to any substantial extent; and

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

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

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

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

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

(ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

(i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due; and

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

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

Other statutory information (cont'd.)

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

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 24 March 2014.

Ng Soon Lai @ Ng Siek Chuan

Chee Siew Eng

Kuala Lumpur, Malaysia

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Tune Insurance Malaysia Berhad
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Statement by Directors
Pursuant to Section 169(15) of the Companies Act, 1965

We, Ng Soon Lai @ Ng Siek Chuan and Chee Siew Eng, being two of the directors of Tune Insurance Malaysia Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 15 to 114 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2013 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 24 March 2014.

Ng Soon Lai @ Ng Siek Chuan

Chee Siew Eng

Kuala Lumpur, Malaysia

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

I, Su Tieng Teck, being the officer primarily responsible for the financial management of Tune Insurance Malaysia Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 15 to 114 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 Su Tieng Teck at Kuala Lumpur in the Federal Territory on 24 March 2014)

Su Tieng Teck

Before me,

COMMISSIONER FOR OATHS
No. W 530
TAN SEOK KETT
MALAYSIA

Lot 350, 3rd Floor, Wisma MPL,
Jalan Raja Chulan,
50200 Kuala Lumpur.

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Independent auditors' report to the board of directors of Tune Insurance Malaysia Berhad (Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of Tune Insurance Malaysia Berhad, which comprise the statements of financial position as at 31 December 2013 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 15 to 114.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of 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 board of directors
Tune Insurance Malaysia Berhad (cont'd.)
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Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the 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 and its subsidiaries have been properly kept in accordance with the provisions of the Act.

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

(c) The auditors' reports on the financial statements of the subsidiary that have been audited 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 board of directors
Tune Insurance Malaysia Berhad (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
24 March 2014

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Tune Insurance Malaysia Berhad
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Statements of financial position
As at 31 December 2013

	Note	Group 2013 RM'000	Group 2012 RM'000 (Restated*)	Company 2013 RM'000	Company 2012 RM'000
Assets					
Property and equipment	3	2,329	10,273	2,329	10,273
Investment property	4	2,373	2,395	2,373	2,395
Intangible assets	5	945	157	945	157
Investment in subsidiary	6	-	-	-	**-
Investments	7	410,299	448,137	411,534	448,403
Reinsurance assets	8	251,754	163,585	251,754	163,585
Insurance receivables	9	65,795	60,524	65,795	60,524
Other receivables	10	69,426	31,420	68,171	31,160
Tax recoverable		9,312	-	9,312	-
Deferred tax assets	15	6	-	6	-
Cash and bank balances		9,169	2,235	9,164	2,215
Assets held for sale	11	8,580	-	8,580	-
Total assets		829,988	718,726	829,963	718,712
Equity					
Share capital	12	100,013	100,013	100,013	100,013
Share premium		3,335	3,335	3,335	3,335
Available-for-sale reserves		2,040	5,159	3,351	5,452
Retained earnings		107,461	80,361	106,150	80,068
Total equity		212,849	188,868	212,849	188,868
Liabilities					
Insurance contract liabilities	13	494,279	431,521	494,279	431,521
Retirement benefits	14	945	1,148	945	1,148
Provision for taxation		-	458	-	458
Deferred tax liabilities	15	-	508	-	508
Insurance payables	16	79,066	73,394	79,066	73,394
Other payables	17	42,849	22,829	42,824	22,815
Total liabilities		617,139	529,858	617,114	529,844
Total equity and liabilities		829,988	718,726	829,963	718,712

* *Certain amounts shown here do not correspond to the 2012 financial statements and reflect adjustments made, refer Note 2.4.*

** *Denotes cost of investment of RM2.00.*

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

Tune Insurance Malaysia Berhad
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Statements of comprehensive income
For the financial year ended 31 December 2013

		Group		Company	
	Note	2013 RM'000	2012 RM'000 (Restated*)	2013 RM'000	2012 RM'000
Operating revenue	18	329,115	279,454	327,909	279,135
Gross earned premiums	19(a)	311,476	261,727	311,476	261,727
Premiums ceded to reinsurers	19(b)	(168,730)	(112,641)	(168,730)	(112,641)
Net earned premiums		142,746	149,086	142,746	149,086
Investment income	20	17,639	17,727	16,433	17,408
Realised gains and losses	21	3,946	8,055	3,946	8,055
Fee and commission income		38,733	20,122	38,733	20,122
Other operating income	22	387	450	387	450
Other revenue		60,705	46,354	59,499	46,035
Gross claims paid	23(a)	(162,451)	(165,719)	(162,451)	(165,719)
Claims ceded to reinsurers	23(b)	48,066	72,109	48,066	72,109
Gross change to contract liabilities	23(c)	(33,968)	(9,007)	(33,968)	(9,007)
Change in contract liabilities ceded to reinsurers	23(d)	57,103	5,477	57,103	5,477
Net claims		(91,250)	(97,140)	(91,250)	(97,140)
Fee and commission expense		(46,112)	(30,292)	(46,112)	(30,292)
Management expenses	24	(35,650)	(28,923)	(35,462)	(28,897)
Other operating expenses		-	(255)	-	(255)
Other expenses		(81,762)	(59,470)	(81,574)	(59,444)
Profit before taxation		30,439	38,830	29,421	38,537
Taxation	25	(3,339)	(9,974)	(3,339)	(9,974)
Net profit for the year		27,100	28,856	26,082	28,563

* *Certain amounts shown here do not correspond to the 2012 financial statements and reflect adjustments made, refer Note 2.4.*

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Statements of comprehensive income
For the financial year ended 31 December 2013 (cont'd.)

	Note	Group 2013 RM'000	Group 2012 RM'000 (Restated*)	Company 2013 RM'000	Company 2012 RM'000
Other comprehensive income:					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Movements in available-for-sale fair value reserves:					
Gain on fair value changes of AFS investments		80	5,520	1,098	5,813
Realised gain transferred to profit or loss		(3,900)	(8,049)	(3,900)	(8,049)
Deferred tax relating to components of other comprehensive income		701	560	701	560
Net other comprehensive loss for the year		(3,119)	(1,969)	(2,101)	(1,676)
Total comprehensive income for the year		23,981	26,887	23,981	26,887
Earnings per share (sen)					
Basic	26	27.10	28.85		

* *Certain amounts shown here do not correspond to the 2012 financial statements and reflect adjustments made, refer Note 2.4.*

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

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Statements of changes in equity
For the financial year ended 31 December 2013

Group	Share capital RM'000 (Note 12)	Share premium RM'000	Available-for-sale reserves RM'000	Retained earnings RM'000	Total equity RM'000
	|-- Non-distributable	--|		Dis-tributable	
At 1 January 2013	100,013	3,335	5,159	80,361	188,868
Net profit for the year	-	-	-	27,100	27,100
Other comprehensive loss for the year	-	-	(3,119)	-	(3,119)
Total comprehensive income for the year	-	-	(3,119)	27,100	23,981
At 31 December 2013	100,013	3,335	2,040	107,461	212,849
At 1 January 2012	100,013	3,335	7,128	51,505	161,981
Net profit for the year	-	-	-	28,856	28,856
Other comprehensive loss for the year	-	-	(1,969)	-	(1,969)
Total comprehensive income for the year	-	-	(1,969)	28,856	26,887
At 31 December 2012	100,013	3,335	5,159	80,361	188,868

Company

At 1 January 2013	100,013	3,335	5,452	80,068	188,868
Net profit for the year	-	-	-	26,082	26,082
Other comprehensive loss for the year	-	-	(2,101)	-	(2,101)
Total comprehensive income for the year	-	-	(2,101)	26,082	23,981
At 31 December 2013	100,013	3,335	3,351	106,150	212,849
At 1 January 2012	100,013	3,335	7,128	51,505	161,981
Net profit for the year	-	-	-	28,563	28,563
Other comprehensive loss for the year	-	-	(1,676)	-	(1,676)
Total comprehensive income for the year	-	-	(1,676)	28,563	26,887
At 31 December 2012	100,013	3,335	5,452	80,068	188,868

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

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Tune Insurance Malaysia Berhad
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Statements of cash flows
For the financial year ended 31 December 2013

	Group		Company	
	2013 RM'000	2012 RM'000 (Restated*)	2013 RM'000	2012 RM'000
Profit before taxation	30,439	38,830	29,421	38,537
Investment income	(17,607)	(17,733)	(16,401)	(17,414)
Realised gain on disposal of investments	(3,900)	(8,049)	(3,900)	(8,049)
Purchases of AFS financial assets	(33,329)	(50,255)	(84,706)	(100,255)
Proceeds from maturity/disposal of AFS financial assets	48,974	67,941	48,974	67,941
Increase in LAR	19,889	22,747	19,889	22,747
Non-cash items				
Gain on disposal of property and equipment	(46)	(6)	(46)	(6)
Depreciation of property and equipment	617	409	617	409
Depreciation of investment property	22	22	22	22
Amortisation of intangible assets	354	80	354	80
Impairment loss of property and equipment	-	255	-	255
Net amortisation of premiums on investment	(32)	6	(32)	6
Reversal of allowance for impairment losses of insurance receivables	262	(1,934)	262	(1,934)
Changes in working capital:				
Reinsurance assets	(88,169)	(5,619)	(88,169)	(5,619)
Insurance receivables	(5,533)	(21,785)	(5,533)	(21,785)
Other receivables	(37,975)	(654)	(37,975)	(654)
Insurance contract liabilities	62,758	(2,296)	62,758	(2,296)
Insurance payables	5,672	22,341	5,672	22,341
Retirement benefits	80	89	80	89
Other payables	18,184	6,469	19,551	6,455
Cash generated from/(used in) operating activities	660	50,858	(49,162)	870
Net interest received	17,476	15,317	15,887	15,258
Net dividend received	403	1,320	403	1,320
Rental received	355	363	355	363
Retirement benefits paid	(283)	(277)	(283)	(277)
Income tax paid	(7,844)	(9,331)	(7,844)	(9,331)
Net cash flows generated from/ (used in) operating activities	10,767	58,250	(40,644)	8,203

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Statements of cash flows
For the financial year ended 31 December 2013 (cont'd.)

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM'000	**RM'000**	**RM'000**	**RM'000**
		(Restated*)		
Investing activities				
Proceeds from disposal of property and equipment	86	6	86	6
Purchase of property and equipment	(1,293)	(670)	(1,293)	(670)
Purchase of intangibles	(1,142)	(84)	(1,142)	(84)
Net cash flows used in investing activities	(2,349)	(748)	(2,349)	(748)
Net increase/(decrease) in cash and cash equivalents	8,418	57,502	(42,993)	7,455
Cash and cash equivalents at beginning of year	142,645	85,143	92,598	85,143
Cash and cash equivalents at end of year	151,063	142,645	49,605	92,598
Cash and cash equivalents comprise:				
Fixed and call deposits (with maturity of less than three months) with licensed financial institutions (Note 7(a))	141,894	140,410	40,441	90,383
Cash and bank balances	9,169	2,235	9,164	2,215
	151,063	142,645	49,605	92,598

* *Certain amounts shown here do not correspond to the 2012 financial statements and reflect adjustments made, refer Note 2.4.*

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

1. Corporate information

The Company is engaged principally in the underwriting of all classes of general insurance business. The principal activities of the subsidiaries are set out in Notes 6 and 7 to the financial statements.

There have been no significant changes in the nature of the principal activities of the Company and its subsidiaries during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The principal place of business of the Company is located at Bangunan Tune Insurance, 36, Jalan Ampang, 50450 Kuala Lumpur.

The holding company is Tune Ins Holdings Berhad ("TIH"), incorporated and domiciled in Malaysia. Tune Money Sdn Bhd ("TMSB"), a private limited liability company, incorporated and domiciled in Malaysia, has ceased to be the ultimate holding company with effect from 30 September 2013.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 24 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") as issued by the Malaysian Accounting Standards Board ("MASB") and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the requirements of the Companies Act, 1965 in Malaysia.

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

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

2. Significant accounting policies (cont'd.)

2.1 Basis of preparation (cont'd.)

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

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

2.2 Basis of consolidation

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2013. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

2. Significant accounting policies (cont'd.)

2.2 Basis of consolidation (cont'd.)

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

2. Significant accounting policies (cont'd.)

2.2 Basis of consolidation (cont'd.)

(b) Business combinations and goodwill

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. No reclassification of insurance contracts is required as part of the accounting for the business combination.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or a liability, will be recognised as measurement period adjustments in accordance with the applicable MFRS. If the contingent consideration is classified as equity, it will not be remeasured and its subsequent settlement will be accounted for within equity.

Goodwill is initially measured at cost, being the excess of the fair value of the consideration transferred over the Group's share in the net identifiable assets acquired and liabilities assumed and net of the fair value of any previously held equity interest in the acquiree. Fair values for general reinsurance contracts are derived by calculating the present value of claims reserves. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

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

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

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies

(a) Property and equipment

Property and equipment includes property occupied by the Group, renovations, furniture, fittings, office equipment, computers and motor vehicles. Freehold land is not depreciated and is carried at cost. Other property and equipment are stated at cost less accumulated depreciation and any impairment losses. Residual values, useful life and depreciation method are reviewed, and adjusted if appropriate, at each reporting date 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. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(f).

The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition for its intended use. Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is charged to profit or loss in the period in which it is incurred. Subsequent costs are included in the assets' 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 cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

Depreciation of property and equipment other than freehold land is provided for on a straight-line basis to write off the cost of each asset to its residual value over its estimated useful life at the following annual rates:

Buildings	2%
Renovations	10%
Motor vehicles	20%
Furniture, fittings and office equipment	12% - 17%
Computers	25%

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Upon the disposal of a property and equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in profit and loss.

(b) Assets held for sale

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

2. Significant accounting policies (cont'd.)

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

(c) Intangible assets

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

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

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

(d) Subsidiary

A subsidiary is an entity over which the Group has all the following:

(i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

(ii) Exposure, or rights, to variable returns from its investment with the investee; and

(iii) The ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries are carried at fair value. In the previous financial year, investments in subsidiaries were carried at cost less impairment losses. The change in accounting policy for the investment in subsidiaries did not give rise to any significant effects on the financial position and performance of the Company. On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is included in profit or loss.

2. Significant accounting policies (cont'd.)

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

(e) Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that are not significantly occupied by the Group, for use by, or in the operations of the Group, are classified as investment property. If an investment property becomes owner-occupied, it is reclassified to property and equipment at its carrying value on the date of transfer.

Investment property is initially measured at cost, including related transaction costs. Subsequent to initial recognition, the investment property is carried at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(f).

Depreciation is provided for on a straight-line basis over the estimated useful life of 50 years for the investment property. The residual values and useful lives of the investment property are reviewed, and adjusted if appropriate, at each reporting date.

Any gains or losses on the retirement or disposal of an investment property are recognised when it has been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

(f) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of 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.

2. Significant accounting policies (cont'd.)

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

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

An asset's recoverable amount is the higher of an asset's or CGU 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 is allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

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

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

(g) Investments and financial assets

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

Financial assets are classified as FVTPL where the Group's documented investment strategy is to manage financial assets on a fair value basis. The AFS and HTM categories are used when the relevant liability is passively managed and/or carried at amortised cost.

2. Significant accounting policies (cont'd.)

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

(g) Investments and financial assets (cont'd.)

All regular way purchases and sales of financial assets are recognised on the trade date which is the date that the Group 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.

Financial assets at FVTPL

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

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

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

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

HTM financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM when the Group 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 financial assets 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, as well as through the amortisation process.

2. Significant accounting policies (cont'd.)

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

(g) Investments and financial assets (cont'd.)

LAR

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

AFS financial assets

AFS financial assets are non-derivative financial assets that are designated as AFS or are not classified in any of the three preceding categories. These investments are initially recorded at fair value.

After initial measurement, AFS financial assets are measured at fair value. Fair value gains and losses of monetary and non-monetary securities are reported as a separate component of equity until the investment is derecognised or investment is determined to be impaired. Fair value gains and losses of monetary securities denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security.

The Company's investment in a collective investment scheme, which is a subsidiary, is classified as AFS financial assets.

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

(h) Fair value measurement

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

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

- In the principal market for the asset or liability, or

2. Significant accounting policies (cont'd.)

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

(h) Fair value measurement (cont'd.)

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

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

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

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

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

- Level 2 - Valuation techniques for which all input that is significant to the fair value measurement is directly or indirectly observable

- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

2. Significant accounting policies (cont'd.)

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

(h) Fair value measurement (cont'd.)

For investments in unit and property trusts and collective investment scheme, fair value is determined by reference to published bid values.

The fair values of floating rate over-night deposits with financial institutions is their carrying value. The carrying value is the cost of the deposit/placements.

The fair values of Malaysian Government Securities, Cagamas Papers and unquoted corporate bonds are determined by reference to Bond Pricing Agency Malaysia.

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 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.

(i) Impairment of financial assets

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

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

Assets carried at amortised cost

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

2. Significant accounting policies (cont'd.)

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

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

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

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

Assets carried at cost

If there is objective evidence that an impairment loss on an investment security carried at cost has been incurred, the amount of the loss is measured as the difference between the security carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for similar security. Such impairment losses are recognised in profit or loss and not reversed in subsequent periods.

AFS financial assets

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in other comprehensive income, is transferred from other comprehensive income to profit or loss. Reversals in respect of equity instruments classified as AFS are not recognised in profit or loss. 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 profit or loss.

2. Significant accounting policies (cont'd.)

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

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

Assets carried at cost (cont'd.)

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

(j) Derecognition of financial assets

A financial asset is derecognised when:

- the contractual right to receive cash flows from the financial asset has expired.
- the Group retains the contractual rights to receive cash flow from the asset but has assumed obligation to pay them in full without material delay to a third party.
- the Group has transferred its rights to receive cash flows from the asset and either:

  (a) has transferred substantially all the risks and rewards of the asset, or

  (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

2. Significant accounting policies (cont'd.)

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

(k) Equity instruments

Ordinary share capital

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

Dividends on ordinary shares

Final dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are approved by the directors.

Dividends for the period that are approved after the reporting date are dealt with as an event after the reporting date.

(l) Product classification

The Group currently only issues contracts that transfer insurance risk.

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

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

When insurance contracts contain both a financial risk component and a significant insurance risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same bases as insurance contracts and the remaining element is accounted for as a deposit through the statements of financial position similar to investment contracts.

Investment contracts are those contracts that do not transfer significant insurance risk.

2. Significant accounting policies (cont'd.)

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

(m) Reinsurance

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

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 when the contract is transferred to another party.

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

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 Group from its obligations to policyholders. Premiums and claims are presented on 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 is recognised when there is objective evidence as a result of an event that occurs after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in profit or loss.

2. Significant accounting policies (cont'd.)

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

(n) General insurance underwriting results

The general reinsurance underwriting results are determined after taking into account premiums, movements in premium liabilities and claims liabilities and commissions.

(i) Gross premiums

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

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 individual risks' inception dates.

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

(ii) Premium liabilities

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

Premium liabilities are reported at the higher of the aggregate of the unearned premium reserves ("UPR") for all lines of business or the best estimate value of the re/insurance subsidiary's unexpired risk reserves ("URR") at the end of the financial period and PRAD calculated at 75% confidence level at the overall level for the insurance subsidiary.

2. Significant accounting policies (cont'd.)

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

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

(ii) Premium liabilities (cont'd.)

(a) Unexpired risk reserves

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

URR is estimated via an actuarial valuation performed by a qualified actuary, using a mathematical method of estimation similar to incurred but not reported claims ("IBNR").

(b) Unearned premium reserves

UPR represents the portion of the net premiums of insurance policies written that relate to the unexpired periods of the policies at the end of the financial period.

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

- 25% method for marine, aviation cargo and transit business.
- 1/24th method for all other classes of Malaysian policies reduced by the corresponding percentage of accounted gross direct business commissions and agency-related expenses not exceeding the limits specified by BNM as follows:

Motor	10%
Fire, engineering, aviation and marine hull	15%
Medical and health	
- Standalone individuals	15%
- Group of 3 or more	10%
Workmen's compensation and employers' liability	
- Foreign workers	10%
- Other workers	25%
- Employers' Liability	25%
Other classes	25%

2. Significant accounting policies (cont'd.)

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

(n) General reinsurance underwriting results (cont'd.)

(ii) Premium liabilities (cont'd.)

(b) Unearned premium reserves (cont'd.)

- 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.

(iii) Claims 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. The value is the best estimate value of claim liabilities 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 the provision of risk margin for adverse deviation ("PRAD") at 75% confidence level calculated at the overall 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.

(iv) Liability adequacy test

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

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

2. Significant accounting policies (cont'd.)

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

(n) General reinsurance underwriting results (cont'd.)

(v) Acquisition cost

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

(o) Insurance receivables

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

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

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

(p) Insurance payables

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

Derecognition of insurance payables

Insurance payables are derecognised when the obligation under the liabilities is settled, cancelled or expired.

2. Significant accounting policies (cont'd.)

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

(q) Other revenue recognition

Other revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Rental income

Rental income is recognised on an accrual basis in accordance with the substance of the relevant agreements.

Interest income

Interest income is recognised using the effective interest method.

Dividend income

Dividend income represents gross dividends and is recognised on a declared basis when the shareholder's right to receive payment is established.

Realised gain and losses on investments

Realised gains and losses recorded in profit or loss on investments include gains and losses on financial assets. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original, revalued or amortised cost and are recorded on occurrence of the sale transaction.

Commission income

Commission income derived from reinsurers in the course of ceding of premiums to reinsurers are charged to profit or loss in the period in which they are incurred.

2. Significant accounting policies (cont'd.)

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

(r) Income tax

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

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

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

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

(s) Provisions

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

2. Significant accounting policies (cont'd.)

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

(t) Employee benefits

Short-term benefits

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

Defined contribution plans

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

Staff retirement benefits

Provision for retirement benefits is made for all eligible staff in the Group from the date of employment under an unfunded defined contribution plan. For eligible executive staff, gratuity is calculated based on the last drawn monthly salary of an employee multiplied by years of service up to a maximum of 15 years. For eligible clerical staff, an additional 3% over and above the Group's monthly statutory EPF contribution is provided. The staff will be entitled to this gratuity upon completion of 5 years of service in the Group.

Other staff are entitled to additional EPF contribution between 1% to 5% over the Group's monthly statutory EPF contribution rate after completion of 1 year of service. This benefit is charged to profit or loss as incurred.

2. Significant accounting policies (cont'd.)

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

(u) Foreign currencies

(i) Functional and presentation currency

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

(ii) Foreign currency transactions

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

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

(v) Other financial liabilities

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

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

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

2. Significant accounting policies (cont'd.)

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

(v) Other financial liabilities (cont'd.)

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

For other financial liabilities, gains and losses are recognised in 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.

(w) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, deposits held at call with financial institutions with original maturities of three months or less.

2.4 Changes in accounting policies

(a) New and revised MFRSs, amendments to MFRS and IC Interpretations

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

On 1 January 2013, the Group and the Company adopted the following new and amended MFRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 July 2012.

Description	Effective annual 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

2. Significant accounting policies (cont'd.)

2.4 Changes in accounting policies (cont'd.)

(a) New and revised MFRSs, amendments to MFRS and IC Interpretations (cont'd.)

Description	Effective annual beginning on or after
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
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.

2. Significant accounting policies (cont'd.)

2.4 Changes in accounting policies (cont'd.)

(a) New and revised MFRSs, amendments to MFRS and IC Interpretations (cont'd.)

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 Group's investment in a collective investment scheme, Libra MoneyEXTRA Fund II ("Libra Fund").

At the date of initial application of MFRS 10, the Group assessed that it controls Libra Fund based on the key requirements of MFRS 10.

The change in accounting policy of the Group's investment in Libra Fund have been applied in accordance with the relevant transitional provisions as set out in MFRS 10 as if the acquisitions of Libra Fund had been accounted for in accordance with MFRS 3 at the date of acquisition.

The above change in accounting policy has affected the amounts reported in the Group's consolidated financial statements, as shown in Note 2.4 (b) below.

MFRS 12 Disclosures of Interests in Other Entities

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

2. Significant accounting policies (cont'd.)

2.4 Changes in accounting policies (cont'd.)

(a) New and revised MFRSs, amendments to MFRS and IC Interpretations (cont'd.)

MFRS 13 Fair Value Measurement

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

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

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.

MFRS 127 Separate Financial Statements

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

2. Significant accounting policies (cont'd.)

2.4 Changes in accounting policies (cont'd.)

(b) Financial effects arising from changes in accounting policies and reclassification of comparatives

	As previously stated RM'000	Effects of adoption of MFRS 10 RM'000	As restated RM'000
Consolidated statement of financial position as at 31 December 2012			
Investments	448,403	(266)	448,137
Other receivables	31,160	260	31,420
Cash and bank balances	2,215	20	2,235
Available-for-sale reserves	5,452	(293)	5,159
Retained earnings	80,068	293	80,361
Other payables	22,815	14	22,829
Consolidated statement of comprehensive income for the year ended 31 December 2012			
Investment income	17,408	319	17,727
Management expenses	(28,897)	(26)	(28,923)
Profit before taxation	38,537	293	38,830
Net profit for the year	28,563	293	28,856
Other comprehensive loss	(1,676)	(293)	(1,969)

2. Significant accounting policies (cont'd.)

2.5 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group 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
Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21 Levies	1 January 2014
Amendments to MFRS 119: *Defined Benefit Plans:* Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010–2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011–2013 Cycle	1 July 2014
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 MFRSs and interpretations will have no material impact on the financial statements in the period of initial application except as discussed below:

2. Significant accounting policies (cont'd.)

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

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. This 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 Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

2.6 Significant accounting judgements, estimates and assumptions

(a) Critical judgements made in applying accounting policies

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

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

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

(i) Deferred tax assets (Note 15)

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

2. Significant accounting policies (cont'd.)

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

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

(ii) Income taxes (Note 25)

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

(iii) Property and equipment and investment property (Notes 3 and 4)

The Group is required to review of the residual value and remaining useful life of an item of property and equipment and investment property at least at each financial period end.

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

(iv) Consolidation of investment in a collective investment scheme, Libra Fund (Note 7)

Note 7(e) describes that Libra Fund is a subsidiary of the Group.

The directors of the Company assessed whether or not the Group has control over Libra Fund based on whether the Group has the power to direct relevant activities and has exposure or rights to variable returns of Libra Fund. In making their judgment, the directors considered the Group's absolute size of holding in Libra Fund and the power to convene a special meeting to remove the trustee or the fund manager without any specific reason.

(b) Key sources of estimation uncertainty and assumptions

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

(i) Valuation of general insurance contract liabilities (Note 13)

For general insurance contracts, estimates have to be made for both the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of IBNR claims.

2. Significant accounting policies (cont'd.)

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

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

(i) Valuation of general insurance contract liabilities (Note 13) (cont'd.)

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

The main assumption underlying these techniques is that the Group's and the Company's past claims development experience can be used to project future claims development and hence, ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier 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 ratios. 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 once-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, level of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

2. Significant accounting policies (cont'd.)

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

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

(ii) Uncertainty in accounting estimates for general insurance business (Note 13)

The principal uncertainty in the Group's and the Company's general insurance business arises from the technical provisions which include the premium liabilities and claim liabilities. The premium liabilities comprise unearned premium reserves, unexpired risk reserves and provision for risk margin for adverse deviation while claim liabilities comprise provision for outstanding claims, IBNR and direct and indirect claim-related expenses as well as the PRAD at 75% confidence level.

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

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

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

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

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

Tune Insurance Malaysia Berhad
(Incorporated in Malaysia)

3. Property and equipment

Group and Company	Properties: Freehold land RM'000	Properties: Leasehold land RM'000	Properties: Buildings on Freehold land RM'000	Properties: Buildings on Leasehold land RM'000	Renovation RM'000	Motor vehicles RM'000	Furniture, fittings, office equipment and computers RM'000	Total RM'000
Cost								
At 31 December 2011	9,263	567	3,536	168	2,213	955	17,250	33,952
Additions	-	-	-	-	176	-	494	670
Disposals	-	-	-	-	-	-	(927)	(927)
At 31 December 2012	9,263	567	3,536	168	2,389	955	16,817	33,695
Additions	-	-	-	-	171	102	1,020	1,293
Disposals	-	-	-	-	(2)	(590)	(140)	(732)
Transferred to assets held for sale (Note 11)	(9,263)	-	(3,536)	-	-	-	-	(12,799)
At 31 December 2013	-	567	-	168	2,558	467	17,697	21,457

Tune Insurance Malaysia Berhad
(Incorporated in Malaysia)

3. Property and equipment (cont'd.)

	Properties							
Group and Company	**Freehold land RM'000**	**Leasehold land RM'000**	**Buildings on Freehold land RM'000**	**Buildings on Leasehold land RM'000**	**Renovation RM'000**	**Motor vehicles RM'000**	**Furniture, fittings, office equipment and computers RM'000**	**Total RM'000**
Accumulated depreciation and impairment loss								
At 31 December 2011	2,150	148	1,743	44	2,017	892	16,691	23,685
Charge for the year	-	12	71	4	47	15	260	409
Disposals	-	-	-	-	-	-	(927)	(927)
Impairment loss during the year	255	-	-	-	-	-	-	255
At 31 December 2012	2,405	160	1,814	48	2,064	907	16,024	23,422
Charge for the year	-	70	-	15	63	38	431	617
Disposals	-	-	-	-	-	(590)	(102)	(692)
Transferred to assets held for sale (Note 11)	(2,405)	-	(1,814)	-	-	-	-	(4,219)
At 31 December 2013	-	230	-	63	2,127	355	16,353	19,128
Net carrying amount								
At 31 December 2012	6,858	407	1,722	120	325	48	793	10,273
At 31 December 2013	-	337	-	105	431	112	1,344	2,329

4. Investment property

Group and Company	2013 RM'000	2012 RM'000
Freehold land and building:		
Cost		
At 1 January / 31 December	2,665	2,665
Accumulated depreciation		
At 1 January	270	248
Charge for the year	22	22
At 31 December	292	270
Net carrying amount	2,373	2,395
Fair value	2,950	2,950

The fair value is determined based on the discounted cash flow of the expected rental income from the investment property, which has been estimated using a valuation technique based on certain assumptions of rental income and discount rate. Management believes the estimated fair value resulting from the valuation technique are reasonable and the most appropriate at the reporting date.

	2013 RM'000	2012 RM'000
Rental income derived from investment properties	374	379
Direct operating expenses (including repairs and maintenance) generating rental income	(20)	(15)
Profit arising from investment properties	354	364

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

Fair value hierarchy disclosures for investment properties have been provided in Note 35.

5. Intangible assets

Group and Company	2013 RM'000	2012 RM'000
Computer software		
Cost		
At 1 January	2,242	2,158
Additions	1,142	84
At 31 December	3,384	2,242
Accumulated amortisation		
At 1 January	2,085	2,005
Amortisation	354	80
At 31 December	2,439	2,085
Net carrying amount	945	157

6. Investment in subsidiary

Company	2013 RM'000	2012 RM'000
Unquoted shares	-	-*

** Denotes share capital of RM2.00.*

The subsidiary company, Capital OCA Berhad, is dormant and has been struck off and deemed dissolved following the publication of the notice of striking off company name pursuant to Section 308(4) of the Companies Act, 1965 in the Gazette on 30 October 2013.

The strike off exercise did not give rise to any significant effects on the financial position and performance of the Group and the Company.

7. Investments

	Group 2013 RM'000	Group 2012 RM'000 (Restated)	Company 2013 RM'000	Company 2012 RM'000
Debt securities	113,593	137,800	113,593	137,800
Equity securities	18,409	9,028	18,409	9,028
Collective investment scheme	-	-	102,688	50,293
Unit and property trust funds	14,246	18,853	14,246	18,853
Loans	547	682	547	682
Deposits with licensed financial institutions	263,504	281,774	162,051	231,747
	410,299	448,137	411,534	448,403

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

	Group 2013 RM'000	Group 2012 RM'000 (Restated)	Company 2013 RM'000	Company 2012 RM'000
LAR (Note (a))	264,051	282,456	162,598	232,429
AFS financial assets (Note (b))	146,248	165,681	248,936	215,974
	410,299	448,137	411,534	448,403

(a) LAR

	Group 2013 RM'000	Group 2012 RM'000 (Restated)	Company 2013 RM'000	Company 2012 RM'000
At amortised cost:				
Fixed and call deposits with licensed financial institutions	263,504	281,774	162,051	231,747
Loans receivable:				
Staff mortgage loans	536	636	536	636
Other staff loans:				
Secured	-	23	-	23
Unsecured	11	23	11	23
	547	682	547	682
	264,051	282,456	162,598	232,429

Included in fixed and call deposits with licensed financial institutions of the Group and the Company are short term deposits with maturity periods of less than 3 months amounting to RM141,894,000 (2012: RM140,410,000) and RM40,441,000 (2012: RM90,383,000), respectively, which have been classified as cash and cash equivalents for the purpose of the statements of cash flows.

7. Investments (cont'd.)

(a) LAR (cont'd.)

Also included in fixed and call deposits with licensed financial institutions of the Group are deposits amounting to RM101,453,000 (2012: RM50,027,000) managed through a collective investment scheme.

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

The carrying value of the staff mortgage loans and other staff loans are reasonable approximations of fair value due to the insignificant impact of discounting.

(b) AFS financial assets

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
At fair value:				
Equity securities:				
Quoted in Malaysia	18,409	8,889	18,409	8,889
Collective investment scheme				
Quoted in Malaysia	-	-	102,688	50,293
Unit and property trust funds:				
Quoted in Malaysia	14,246	18,853	14,246	18,853
Debt securities:				
Unquoted in Malaysia	113,593	137,800	113,593	137,800
	146,248	165,542	248,936	215,835
At cost less impairment:				
Equity securities:				
Unquoted in Malaysia	-	139	-	139
	146,248	165,681	248,936	215,974

(c) Carrying values of financial instruments

Group	LAR RM'000	AFS RM'000	Total RM'000
At 1 January 2012	244,784	185,902	430,686
Purchases	2,174,932	50,255	2,225,187
Maturities/disposals	(2,137,260)	(67,941)	(2,205,201)
Fair value gains recorded in other comprehensive income	-	5,520	5,520
Realised gain transferred to profit or loss	-	(8,049)	(8,049)
Amortisation of investments	-	(6)	(6)
At 31 December 2012	282,456	165,681	448,137

7. Investments (cont'd.)

(c) Carrying values of financial instruments (cont'd.)

Group	LAR RM'000	AFS RM'000	Total RM'000
At 1 January 2013	282,456	165,681	448,137
Purchases	1,756,505	33,329	1,789,834
Maturities/disposals	(1,774,910)	(48,974)	(1,823,884)
Fair value gains recorded in other comprehensive income	-	80	80
Realised gain transferred to profit or loss	-	(3,900)	(3,900)
Amortisation of investments	-	32	32
At 31 December 2013	264,051	146,248	410,299

Company	LAR RM'000	AFS RM'000	Total RM'000
At 1 January 2012	244,784	185,902	430,686
Purchases	2,124,905	100,255	2,225,160
Maturities/disposals	(2,137,260)	(67,941)	(2,205,201)
Fair value gains recorded in other comprehensive income	-	5,813	5,813
Realised gain transferred to profit or loss	-	(8,049)	(8,049)
Amortisation of investments	-	(6)	(6)
At 31 December 2012	232,429	215,974	448,403

Company	LAR RM'000	AFS RM'000	Total RM'000
At 1 January 2013	232,429	215,974	448,403
Purchases	1,705,079	84,706	1,789,785
Maturities/disposals	(1,774,910)	(48,974)	(1,823,884)
Fair value gains recorded in other comprehensive income	-	1,098	1,098
Realised gain transferred to profit or loss	-	(3,900)	(3,900)
Amortisation of investments	-	32	32
At 31 December 2013	162,598	248,936	411,534

7. Investments (cont'd.)

(d) Average effective interest rates

The average effective interest rates, at the earlier of the contractual re-pricing or maturity dates for each class of interest-bearing investment and placements with licensed financial institutions, are as below:

	Group		Company	
	2013	2012	2013	2012
	%	%	%	%
Debt securities	4.61	4.67	4.61	4.67
Loans	5.00	5.00	5.00	5.00
Deposits with licensed financial institutions	3.32	3.31	3.32	3.31

(e) Investment in collective investment scheme

	Company	
	2013	2012
	RM'000	RM'000
AFS financial assets:		
At fair value:		
Collective investment scheme		
Quoted in Malaysia	102,688	50,293

Details of investment in collective investment scheme are as follows:

Name of Company	Principal activities	Incorporation	% of ownership interest held by the Group 2013 %	2012 %
Libra MoneyEXTRA Fund II ("Libra Fund")	Investment in money market	Malaysia	100%	100%

8. Reinsurance assets

Group and Company	2013 RM'000	2012 RM'000
Claims liabilities (Note 13)	184,588	127,485
Premium liabilities (Note 13)	67,166	36,100
	251,754	163,585

9. Insurance receivables

Group and Company	2013 RM'000	2012 RM'000
Due premiums including agents, brokers and co-insurers balances	51,224	38,973
Due from reinsurers and cedants	33,793	40,979
	85,017	79,952
Accumulated impairment loss	(19,222)	(19,428)
	65,795	60,524

Movements in the provision for impairment of insurance receivables:

Group and Company	Individually impaired RM'000	Collectively impaired RM'000	Total RM'000
At 1 January 2012	-	23,005	23,005
Written off	-	(1,643)	(1,643)
Reversal of allowance for impairment losses	-	(1,934)	(1,934)
At 31 December 2012	-	19,428	19,428
At 1 January 2013	-	19,428	19,428
Written off	-	(468)	(468)
Allowance/(reversal of allowance) for impairment losses	1,408	(1,146)	262
At 31 December 2013	1,408	17,814	19,222

The carrying amounts of insurance receivables above approximate their respective fair values due to the relatively short-term maturity of these balances.

10. Other receivables

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Income due and accrued	4,727	3,970	3,472	3,710
Assets held under the Malaysian Motor Insurance Pool ("MMIP")	62,477	25,698	62,477	25,698
Malaysian Institute of Insurance ("MII") bonds	260	260	260	260
Other receivables	1,962	1,492	1,962	1,492
	69,426	31,420	68,171	31,160

The carrying amounts disclosed above approximate their fair values at the reporting date due to the relatively short-term maturity of these balances.

11. Assets held for sale

Group and Company	2013 RM'000	2012 RM'000
At beginning of year	-	-
Transferred from property and equipment (Note 3)	8,580	-
At end of year	8,580	-

On 2 July 2013, the Company had entered into a conditional Sale and Purchase Agreement for the proposed disposal of two properties located at Jalan Ampang, Kuala Lumpur at a total cash consideration of RM12.8 million. The disposals have not been completed as at 31 December 2013.

12. Share capital

Company	Number of ordinary shares of RM1 each 2013 RM'000	2012 RM'000	Amount 2013 RM'000	2012 RM'000
Authorised:				
At beginning and end of year	200,000	200,000	200,000	200,000
Issued and fully paid:				
At beginning and end of year	100,013	100,013	100,013	100,013

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

Tune Insurance Malaysia Berhad
(Incorporated in Malaysia)

13. Insurance contract liabilities

Group and Company	Note	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		284,060	(146,184)	137,876	255,672	(106,799)	148,873
Provision for IBNR claims and PRAD		76,753	(38,404)	38,349	71,173	(20,686)	50,487
Claims liabilities	(i)	360,813	(184,588)	176,225	326,845	(127,485)	199,360
Premium liabilities	(ii)	133,466	(67,166)	66,300	104,676	(36,100)	68,576
		494,279	(251,754)	242,525	431,521	(163,585)	267,936
(i) Claims liabilities							
At 1 January		326,845	(127,485)	199,360	317,838	(122,008)	195,830
Claims incurred in the current accident year		211,818	(90,820)	120,998	244,137	(109,761)	134,376
Adjustment to claims incurred in prior accident years due to changes in assumptions		(15,399)	(14,349)	(29,748)	(69,411)	32,175	(37,236)
Claims paid during the year (Note 23)		(162,451)	48,066	(114,385)	(165,719)	72,109	(93,610)
At 31 December		360,813	(184,588)	176,225	326,845	(127,485)	199,360
(ii) Premium liabilities							
At 1 January		104,676	(36,100)	68,576	115,979	(35,958)	80,021
Premiums written in the year (Note 19)		340,266	(199,796)	140,470	250,424	(112,783)	137,641
Premiums earned during the year		(311,476)	168,730	(142,746)	(261,727)	112,641	(149,086)
At 31 December		133,466	(67,166)	66,300	104,676	(36,100)	68,576

14. Retirement benefits

Group and Company	2013 RM'000	2012 RM'000
At 1 January	1,148	1,336
Provision for the year	80	89
	1,228	1,425
Payments during the year	(283)	(277)
At 31 December	945	1,148
Amount payable after 12 months	805	1,075

15. Deferred tax assets/(liabilities)

Group and Company	2013 RM'000	2012 RM'000
At 1 January	(508)	(1,266)
Recognised in:		
Profit or loss (Note 25)	(187)	198
Other comprehensive income	701	560
At 31 December	6	(508)

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

Group and Company	2013 RM'000	2012 RM'000
Presented after appropriate offsetting as follows:		
Deferred tax assets	682	537
Deferred tax liabilities	(676)	(1,045)
	6	(508)

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

15. Deferred tax assets/(liabilities) (cont'd.)

Deferred tax assets

Group and Company	Premium liabilities RM'000	Provisions RM'000	Total RM'000
At 1 January 2012	311	1	312
Recognised in:			
Profit or loss	(49)	274	225
At 31 December 2012	262	275	537
Recognised in:			
Profit or loss	100	45	145
At 31 December 2013	362	320	682

Deferred tax liabilities

Group and Company	Accelerated capital allowance on property and equipment RM'000	Fair value of AFS financial assets RM'000	Total RM'000
At 1 January 2012	(87)	(1,491)	(1,578)
Recognised in:			
Profit or loss	(27)	-	(27)
Other comprehensive income	-	560	560
At 31 December 2012	(114)	(931)	(1,045)
Recognised in:			
Profit or loss	(332)	-	(332)
Other comprehensive income	-	701	701
At 31 December 2013	(446)	(230)	(676)

16. Insurance payables

Group and Company	2013 RM'000	2012 RM'000
Due to agents, brokers, co-insurers and insureds	21,857	12,385
Due to reinsurers and cedants	57,209	61,009
	79,066	73,394

The carrying amounts disclosed above approximate their fair values at the reporting date due to the relatively short-term maturity of these balances.

17. Other payables

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Financial liabilities:				
Claims payable	3,982	6,304	3,982	6,304
Reinsurance deposits	5,290	3,721	5,290	3,721
Others	25,967	7,208	25,967	7,208
	35,239	17,233	35,239	17,233
Non-financial liabilities:				
Accrued expenses	7,610	5,596	7,585	5,582
	42,849	22,829	42,824	22,815

The carrying amounts disclosed above approximate their fair values at the reporting date due to the relatively short-term maturity of these balances.

18. Operating revenue

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Gross earned premiums (Note 19)	311,476	261,727	311,476	261,727
Investment income (Note 20)	17,639	17,727	16,433	17,408
	329,115	279,454	327,909	279,135

19. Net earned premiums

Group and Company	2013 RM'000	2012 RM'000
(a) Gross earned premiums		
Gross written premiums	340,266	250,424
Change in premium liabilities	(28,790)	11,303
	311,476	261,727
(b) Premiums ceded to reinsurers		
Gross premiums ceded to reinsurers	199,796	112,783
Change in premium liabilities	(31,066)	(142)
	168,730	112,641
Net earned premiums	142,746	149,086

20. Investment income

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Rental income from investment property	355	363	355	363
Interest income:				
- AFS financial assets	5,888	6,027	5,888	6,027
- LAR	9,287	8,762	6,703	8,443
- Others	1,348	959	1,348	959
Dividend income:				
- Equity securities	417	1,273	417	1,273
- Collective investment scheme	-	-	1,378	-
- Unit and property trust funds	312	349	312	349
	17,607	17,733	16,401	17,414
Net accretion of discounts/ (amortisation of premiums) on investments	32	(6)	32	(6)
	17,639	17,727	16,433	17,408

21. Realised gains and losses

Group and Company	2013 RM'000	2012 RM'000
Property and equipment:		
Realised gain on disposal of property and equipment	46	6
AFS financial assets:		
Realised gains:		
Equity securities		
- quoted in Malaysia	4,387	8,605
Debts securities		
- unquoted in Malaysia	48	275
Realised losses:		
Equity securities		
- quoted in Malaysia	(396)	(831)
Debts securities		
- unquoted in Malaysia	(139)	-
Total realised gains for AFS financial assets	3,900	8,049
Total realised gains	3,946	8,055

22. Other operating income/(expense)

Group and Company	2013 RM'000	2012 RM'000
Other operating income:		
Sundry income	387	450
Other operating expenses:		
Impairment loss of property and equipment	-	(255)

23. Net claims

Group and Company	2013 RM'000	2012 RM'000
(a) **Gross claims paid**	(162,451)	(165,719)
(b) **Claims ceded to reinsurers**	48,066	72,109
Net claims paid (a)	(114,385)	(93,610)
(c) **Gross change in contract liabilities**	(33,968)	(9,007)
(d) **Change in contract liabilities ceded to reinsurers**	57,103	5,477
Net change in contract liabilities (b)	23,135	(3,530)
Net claims (a) + (b)	(91,250)	(97,140)

24. Management expenses

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Employee benefits expense (Note 24(a))	23,642	18,470	23,642	18,470
Directors' remuneration (Note 24(b))	394	452	394	452
Auditors' remuneration:				
Audit fees	188	171	184	171
Regulatory related fees	56	44	56	44
Non-audit fees	16	15	16	15
Depreciation of property and equipment	617	409	617	409
Depreciation of investment property	22	22	22	22
Amortisation of intangible assets	354	80	354	80
Allowance for/(Reversal of) impairment losses on insurance receivables	262	(1,934)	262	(1,934)
Provision for Takaful and Insurance Benefits Protection System ("TIPS")	263	205	263	205
Rental of premises	757	828	757	828
Printing charges	758	585	758	585
Publicity expenses	1,468	1,582	1,468	1,582
Communication expenses	682	710	682	710
Computer expenses	919	1,063	919	1,063
Administration and general expenses	5,252	6,221	5,068	6,195
	35,650	28,923	35,462	28,897

(a) Employee benefits expense

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Wages and salaries	19,430	15,315	19,430	15,315
Social security contributions	167	148	167	148
Contributions to defined contribution plan-EPF	2,519	1,937	2,519	1,937
Other benefits	1,526	1,070	1,526	1,070
	23,642	18,470	23,642	18,470

Included in employee benefits expense is Chief Executive Officer's ("CEO") remuneration of RM1,118,000 (2012: RM740,000) as detailed out in Note 24(c).

24. Management expenses (cont'd.)

(b) Directors' remuneration

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

Group and Company	2013 RM'000	2012 RM'000
Non-executive directors:		
Fees	307	358
Allowances and other emoluments	87	94
	394	452

The number of non-executive directors of the Group whose remuneration during the financial year fell within the following bands is analysed below:

Group	Number of directors 2013	2012
Non-executive directors:		
RM0 - RM50,000	2	4
RM50,001 - RM100,000	3	4
RM100,001 - RM150,000	1	-

(c) CEO's remuneration

The details of remuneration received by the CEO during the year are as follows:

Group and Company	2013 RM'000	2012 RM'000
Salary	539	524
EPF	123	76
Bonus	456	140
Total remuneration excluding the benefits-in-kind (Note 24(a))	1,118	740
Estimated money value of benefits-in-kind	5	14
Total remuneration	1,123	754

25. Taxation

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Current income tax:				
Malaysian income tax	3,384	10,284	3,384	10,284
Overprovision in prior year	(232)	(112)	(232)	(112)
	3,152	10,172	3,152	10,172
Deferred tax (Note 15):				
Relating to origination and reversal of temporary differences	(71)	(192)	(71)	(192)
Under/(Over) provision in prior year	258	(6)	258	(6)
	187	(198)	187	(198)
	3,339	9,974	3,339	9,974

The income tax is based on the tax rate of 25% (2012: 25%) of the estimated assessable profit for the financial year.

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

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Profit before taxation	30,439	38,830	29,421	38,537
Taxation at Malaysian statutory tax rate of 25%	7,610	9,708	7,355	9,634
Additional tax deduction in respect of contribution to MMIP*	(4,497)	-	(4,497)	-
Non taxable income	(255)	(73)	-	-
Expenses not deductible for tax purposes	455	458	455	458
Overprovision of taxation in prior year	(232)	(112)	(232)	(112)
Under/(Over) provision of deferred taxation in prior year	258	(6)	258	(6)
Tax expense for the year	3,339	9,974	3,339	9,974

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

26. Earnings per share

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

	Group	
	2013	**2012**
	RM'000	**RM'000**
Profit attributable to ordinary equity holders	27,100	28,856
Number/weighted average number of ordinary shares in issue during the year ('000)	100,013	100,013
Basic earnings per share (sen)	27.10	28.85

There were no dilutive potential ordinary shares as at the end of the relevant reporting dates. There have been no other transactions involving ordinary shares between the reporting date and the date of these financial statements.

27. Operating lease arrangements

(a) The Company as lessee

The Company has entered into a lease agreement for rental of office premises.

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

Future minimum rental payments:

	2013	**2012**
Group and Company	**RM'000**	**RM'000**
Rental of office premises:		
Payable within one year	664	557
Payable after one year	-	186
	664	743

(b) The Company as lessor

The Company has entered into a non-cancellable operating lease arrangement on its investment property. The lease have remaining non-cancellable lease term of 3 years.

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

27. Operating lease arrangements (cont'd.)

(b) The Company as lessor (cont'd.)

Group and Company	2013 RM'000	2012 RM'000
Receivable within one year	574	338
Receivable after one year	435	196
	1,009	534

Rental income on investment property recognised in profit or loss during the relevant financial years is disclosed in Note 20.

28. Capital commitment

The commitments of the Group as at the reporting date are as follows:

Group and Company	2013 RM'000	2012 RM'000
Capital expenditure:		
Approved but not contracted for:		
Property and equipment	2,100	10,000
	2,100	10,000

29. Related party disclosures

(a) Significant related party transactions

The Company had the following significant transactions with related parties during the year:

	2013 RM'000	2012 RM'000
Shareholder of the holding company, AirAsia Berhad:		
Fee and commission expense	(2,556)	(3,152)
Fellow subsidiary:		
Tune Genre Ltd.		
Premiums ceded to reinsurers	(45,300)	(12,728)
Fee and commission income	11,242	3,182
Claims paid	746	77
Other income	(788)	8

29. Related party disclosures (cont'd.)

(a) Significant related party transactions (cont'd.)

The Company had the following significant transactions with related parties during the year (cont'd.):

	2013 RM'000	2012 RM'000
Related companies:		
Tune Talk Sdn Bhd		
Gross written premium	1,428	1,070
Air Asia X Berhad		
Fee and commission expense	(432)	(599)

(b) Compensation of key management personnel

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

Group and Company	2013 RM'000	2012 RM'000
Non-executive directors' remuneration (Note 24(b))	394	452
CEO's remuneration (Note 24(c))	1,123	754
Other key management personnel:		
Short term employee benefits	-	1,288
EPF expenses	-	155
Gratuity	-	16
Benefits-in-kind	-	28
	1,517	2,693

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group and Company. The key management personnel of the Group includes the Directors and Chief Executive Officer. In the previous year, the key management personnel of the Group includes, Chief Financial Officer, Senior General Manager, General Manager and Assistant General Managers.

30. Regulatory capital requirement

The Company has met the minimum capital adequacy requirements as prescribed by the RBC Framework at end of the financial year.

The capital structure of the Company as at the reporting date, as prescribed under the Risk-Based Capital Framework ("RBC Framework'"), is provided as below:

	2013 RM'000	2012 RM'000
Company		
Eligible Tier 1 capital		
Share capital (paid-up)	100,013	100,013
Reserves, including retained earnings	109,485	83,403
	209,498	183,416
Tier 2 capital		
Eligible reserves	3,351	5,452
Amount deducted from capital	1,126	365
Total capital available	211,723	188,503

31. Risk management framework

As a general insurance company, the Company is in the business of absorbing the risk of financial loss on behalf of its clients.

In meeting these requirements, the Board of Directors ("Board") of the Company, which has the ultimate responsibility for ensuring an adequate system of risk management, has established a Risk Management Committee ("RMC") of 3 members, comprising two Independent Non-Executive Directors, one Non-Independent Non-Executive Director, the Chief Executive Officer and other members of staff. The Committee is responsible for regularly identifying risks, ensuring that adequate risk management policies and procedures are in place, and monitoring compliance with policies and procedures.

The Committee has worked with the Management to develop these policies and both Management and Board have agreed to adopt these policies to govern the running of the business.

Risk appetite

The Company's risk appetite has been established as 3% of shareholders funds i.e. approximately RM4 million on any one event or series of events arising from a single cause.

Overview of risk management policies

The key risks facing the Company are well categorised and are covered by the following policies. However, recognising new risks requires constant vigilance.

A. Underwriting

i. Risk

Acceptance of poor insurance risks, risks with low profit margins and inadequate reinsurance arrangements contribute to low profitability and inadequate capital growth. Insurance risk is also the risk of outstanding insurance contract liabilities being greater than estimated.

ii. Policy

The following outlines the Company's policies to safeguard against these risks:

(a) Underwrite only classes of risks which have been approved by the Board;

(b) Accept risks within the approved classes only according to comprehensive underwriting guidelines and within limits of delegated authority;

31. Risk management framework (cont'd.)

Overview of risk management policies (cont'd.)

A. Underwriting (cont'd.)

ii. Policy (cont'd.)

(c) Expand into new lines only where there is adequate experience within the Company and after management has obtained appropriate Board authority;

(d) Price risks with sufficient margin to ensure ongoing viability of the business, and maintaining a professional approach to this function;

(e) Retain risks according to guidelines on maximum risks to be retained;

(f) Mitigate foreign currency risks on reinsurance by all significant reinsurance arrangements being entered into in Malaysian Ringgit;

(g) Ensure compliance with treaty arrangements in accepting risks;

(h) Maintain a balanced portfolio to yield a reasonable level of profits; and

(i) Review on a regular basis the reserves for unearned premiums and IBNR.

The Company does not accept risks of an economic or political nature or those that have a long gestation period.

B. Reinsurance

Maintain prudent reinsurance arrangements with reputable reinsurers to safeguard the ongoing viability of the business including its capacity to meet obligations to policyholders and shareholders.

Assess the credit worthiness of reinsurance counterparties and their ability to service their claims obligations.

C. Claims

i. Risk

Exposure to unexpected or excessive losses, fraudulent claims and inadequate provisions for outstanding claims could affect the Company's profitability, financial position, capital and reputation.

31. Risk management framework (cont'd.)

Overview of risk management policies (cont'd.)

C. Claims (cont'd.)

ii. Policy

The Company's policies to guard against these risks are:

(a) Identify claims exposures and properly assess them, and routinely review them upon advent of further information and at least once a year.

(b) Maintain good claims administration and settlement processes to ensure prudent claims estimation and appropriate loss adjustment.

(c) Make adequate provisions for all claims liabilities, especially for long-tail liabilities and the effect of superimposed inflation and adverse foreign exchange movements on such liabilities.

(d) Assess exposure to fraud periodically and employ measures to minimise potential losses through accepting claims outside contractual obligations for fraudulent reasons and for detecting fraudulent claims.

(e) Ensure that losses are mitigated and potential recovery action is followed up in a professional and timely fashion.

D. Investments

i. Risk

Investment risk is the risk of inadequate investment returns from poor investment strategies and adverse movements in the value of investments. Investment risk is derived from market risk, credit risk, investment concentration risk, liquidity risk, and asset/liability mismatch risk.

ii. Policy

Returns from investment of premium income are an important source of income to the Company and maintenance of the market value of the investments is essential for the financial stability of the Company. Absence of prudent investment strategies and investment decision framework could result in poor investment return which would affect the Company's profitability and competitiveness and also result in the Company not being able to meet its obligations as they fall due. It is the Company's policy to:

31. Risk management framework (cont'd.)

Overview of risk management policies (cont'd.)

D. Investments (cont'd.)

ii. Policy (cont'd.)

(a) Implement an investment strategy to ensure appropriate asset allocation, concentration of investments and matching of asset and liability portfolios.

(b) Ensure that investments are held in different classes within limits specified by the Investment Committee.

(c) Undertake a thorough analysis before making an investment to minimise market risk and continuously monitor the performance and risk of the investment.

(d) Manage disposal of investments to optimise the returns on realisation.

(e) Limit exposure to interest rate risk by investing in term deposits, corporate bonds and government securities on a long and short-term basis at competitive rates.

(f) Ensure liquidity by maintaining sufficient cash float at any time and regularly matching expected duration of liabilities and investment; and uncertainties arising from timing and amount of cash flows.

(g) Minimise credit risk and investment concentration risk by investing with institutions that have a minimum rating of "B" within specific overall limits for each institution.

(h) Monitor investment portfolio and performance weekly or at other shorter intervals and report investment exposure and performance to the Board monthly.

The Company does not use derivatives.

E. Credit Quality

i. Risk

Risk associated with credit exposure that increase the risk profile of the Company and can adversely affect the Company's viability. The risk arises mainly from default of premiums due and large exposures.

31. Risk management framework (cont'd.)

Overview of risk management policies (cont'd.)

E. Credit Quality (cont'd.)

ii. Policy

Policies to limit credit risks include the following:

(a) Maintain credit control in accordance with appropriate policies and procedures which governs the extension of credit to brokers, agents and reinsurance partners and specifies guidelines for setting limits on credit.

(b) Limit exposure to single parties or groups of related entities to 30% of the Company's capital base. However, specific Board approval is required to sanction exposures including facultative reinsurance placements which exceed 30% of the Company's capital base as well as exposure arrangements made in exception cases.

(c) Monitor compliance with such established credit limits.

(d) Collect amounts due in accordance with agreed credit terms, enforce prompt collection of overdue amounts in the case of premiums due, consider the cancellation of insurance policies at the expiry of credit terms.

F. Operations

i. Risk

Non-financial or operational risks the Company faces include technology risk, risk to reputation, fraud, compliance, legal risk, physical damage to property, poor outsourcing arrangements, threat to business continuity, and key person risk.

ii. Policy

The policies to monitor and minimise these risks are as follows:

(a) Undertake annual risk audits to identify material operations risks to which the Company is exposed.

(b) Effect appropriate insurance cover for all identified operations risks which can be cost-effectively insured.

(c) Maintain a business continuity plan for events that may lead to a disruption in business including a computer disaster, together with appropriate insurance.

31. Risk management framework (cont'd.)

Overview of risk management policies (cont'd.)

F. Operations (cont'd.)

ii. Policy (cont'd.)

(d) Maintain an IT security management policy that identifies the rules and procedures that all person accessing computer resources must adhere to in order to ensure confidentiality, integrity and availability of data resources and protects the data resources from viruses.

(e) Closely monitor the external relationships.

(f) Retain records in accordance with an approved document retention policy and safeguard such documents from accidental damage or destruction.

(g) Ensure at all times that compliance with regulatory requirements and fulfilment of material obligations under the total legislative framework that applies is maintained.

(h) Maintain an ethics and personal conduct policy to conduct the affairs of the Company in a manner that would avoid any action by the Company or its officers that would bring disrepute to the Company.

(i) Implement adequate security procedures to prevent unauthorised access, damage, loss to assets and facilities and harm to employees and undertake staff training in relation to those procedures.

(j) Ensure that division and responsibility is clear and mutually understood where any part of the Company's business is outsourced to third parties whilst ultimate control over the outsourced operations is retained by the Company.

(k) Identify the types of fraud the Company is exposed to and develop and maintain effective controls to prevent them and to take appropriate and prompt action if fraud occurs.

G. Regulatory compliance and corporate governance

The Management is responsible to follow a systematic approach to the business and effectively manage the risks. The key risks that have been identified are monitored and their status communicated as appropriate throughout all levels of the organisation and also incorporated in the Company's performance management reporting.

31. Risk management framework (cont'd.)

Overview of risk management policies (cont'd.)

G. Regulatory compliance and corporate governance (cont'd.)

The Company maintains a register of risks and follows a project management approach toward mitigation of risk.

The Internal Audit Department, which reports independently to the Board, undertakes a wide ranging programme of work designed to keep the Board fully informed on the compliance of the business with agreed risk management policies, controls and procedures.

Regular reports are submitted to the Board with Key Performance Indicators covering the Company's performance and the key risks identified.

A Compliance Department is formed to ensure regulatory compliance. The department is under the responsibility of the Manager - Quality Audit/Compliance who shall monitor compliance to regulatory requirements.

The Manager – Quality Audit/Compliance shall take responsibility to ensure regulatory compliance is adhered to and any changes to policy and practices are communicated appropriately to all parties concerned.

H. Regulations of risk management

In accordance with these policies a procedural framework for management of these risks has been developed for the effective management of risk.

Effective and efficient operation of the organisation would be ensured through:

(a) Providing a framework for an organisation that enables activities to be undertaken in a consistent and controlled manner.

(b) A management structure that clearly identifies the roles and responsibilities of the staff at all levels.

(c) Development of procedures to ensure that the risk management strategies are implemented.

(d) Retention of a well-qualified level of staff through appropriate recruitment, training and staff development systems and procedures.

(e) Improving motivation of staff through a suitable communication, review, feed back and reward systems.

(f) Prompt and comprehensive management reporting systems to assess performance and progress of the business and the utilisation of its resources.

32. Financial instruments and insurance assets and liabilities

2013	AFS RM'000	LAR RM'000	Assets under MFRS 4 RM'000	Total RM'000
Group				
Assets				
Investments	146,248	264,051	-	410,299
Reinsurance assets	-	-	251,754	251,754
Insurance receivables	-	65,795	-	65,795
Other receivables	-	69,426	-	69,426
Cash and bank balances	-	9,169	-	9,169
Total assets	146,248	408,441	251,754	806,443

	Other financial liabilities RM'000	Liabilities under MFRS 4 RM'000	Total RM'000
Liabilities			
Insurance contract liabilities	-	494,279	494,279
Insurance payables	79,066	-	79,066
Other payables	35,239	-	35,239
Total liabilities	114,305	494,279	608,584

32. Financial instruments and insurance assets and liabilities (cont'd.)

2012	AFS RM'000	LAR RM'000	Assets under MFRS 4 RM'000	Total RM'000
Group				
Assets				
Investments	165,681	282,456	-	448,137
Reinsurance assets	-	-	163,585	163,585
Insurance receivables	-	60,524	-	60,524
Other receivables	-	31,420	-	31,420
Cash and bank balances	-	2,235	-	2,235
Total assets	165,681	376,635	163,585	705,901

	Other financial liabilities RM'000	Liabilities under MFRS 4 RM'000	Total RM'000
Liabilities			
Insurance contract liabilities	-	431,521	431,521
Insurance payables	73,394	-	73,394
Other payables	17,233	-	17,233
Total liabilities	90,627	431,521	522,148

32. Financial instruments and insurance assets and liabilities (cont'd.)

2013	AFS RM'000	LAR RM'000	Assets under MFRS 4 RM'000	Total RM'000
Company				
Assets				
Investments	248,936	162,598	-	411,534
Reinsurance assets	-	-	251,754	251,754
Insurance receivables	-	65,795	-	65,795
Other receivables	-	68,171	-	68,171
Cash and bank balances	-	9,164	-	9,164
Total assets	248,936	305,728	251,754	806,418

	Other financial liabilities RM'000	Liabilities under MFRS 4 RM'000	Total RM'000
Liabilities			
Insurance contract liabilities	-	494,279	494,279
Insurance payables	79,066	-	79,066
Other payables	35,239	-	35,239
Total liabilities	114,305	494,279	608,584

32. Financial instruments and insurance assets and liabilities (cont'd.)

2012	AFS RM'000	LAR RM'000	Assets under MFRS 4 RM'000	Total RM'000
Company				
Assets				
Property and equipment	-	-	-	-
Investment property	-	-	-	-
Intangible assets	-	-	-	-
Investments	215,974	232,429	-	448,403
Reinsurance assets	-	-	163,585	163,585
Insurance receivables	-	60,524	-	60,524
Other receivables	-	31,160	-	31,160
Cash and bank balances	-	2,215	-	2,215
Total assets	215,974	326,328	163,585	705,887

	Other financial liabilities RM'000	Liabilities under MFRS 4 RM'000	Total RM'000
Liabilities			
Insurance contract liabilities	-	431,521	431,521
Retirement benefits	-	-	-
Provision for taxation	-	-	-
Deferred tax liabilities	-	-	-
Insurance payables	73,394	-	73,394
Other payables	17,233	-	17,233
Total liabilities	90,627	431,521	522,148

33. Insurance risk

The Company has in place comprehensive underwriting guidelines and limits of authority to ensure that risks are accepted in accordance with the authorised limits. The retention of risks is protected by proportional and non-proportional treaties with reputable reinsurers and brokers, and premised on the risk appetite of the Company.

33. Insurance risk (cont'd.)

(a) Concentration of risks by class of business

The table below shows the concentration of premium liabilities by class of business:

Group and Company	Gross premium liabilities RM'000	Re-insurance premium liabilities RM'000	Net premium liabilities RM'000
2013			
Motor	57,692	(13,640)	44,052
Fire	12,084	(6,804)	5,280
Marine, Aviation and Transit ("MAT")	31,425	(29,226)	2,199
Others	32,265	(17,496)	14,769
	133,466	(67,166)	66,300
2012			
Motor	64,514	(10,974)	53,540
Fire	7,615	(3,025)	4,590
Marine, Aviation and Transit ("MAT")	18,734	(16,639)	2,095
Others	13,813	(5,462)	8,351
	104,676	(36,100)	68,576

Group and Company	Gross claim liabilities RM'000	Re-insurance claim liabilities RM'000	Net claim liabilities RM'000
2013			
Motor	152,862	(25,176)	127,686
Fire	37,125	(27,693)	9,432
Marine, Aviation and Transit ("MAT")	94,438	(82,178)	12,260
Others	76,388	(49,541)	26,847
	360,813	(184,588)	176,225
2012			
Motor	161,139	(6,502)	154,637
Fire	23,869	(17,617)	6,252
Marine, Aviation and Transit ("MAT")	91,058	(75,954)	15,104
Others	50,779	(27,412)	23,367
	326,845	(127,485)	199,360

33. Insurance risk (cont'd.)

(b) Sensitivity analysis

Key assumptions

The principal assumptions underlying the estimation of liabilities is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes key assumptions such as the adopted Ultimate Loss Ratios ("ULR"), risk margin percentages (i.e. Provision of Risk Margin for Adverse Deviation ("PRAD")) and provision for claims handling costs and other overheads expenses.

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

Sensitivities

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

- Adopted ULR;
- PRAD; and
- Provision for expenses (which includes claims handling cost and other overheads).

The analysis below is performed for reasonably possible movements in key assumptions (i.e. a 10% increase) 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.

33. Insurance risk (cont'd.)

(b) Sensitivity analysis (cont'd.)

Group and Company	Changes in variable	Increase/(decrease) Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before taxation RM'000	Impact on equity RM'000
2013					
Loss ratio	+10%	138,798	68,196	(68,196)	(51,147)
PRAD	+10%	2,250	1,093	(1,093)	(820)
Provision for expenses	+10%	431	431	(431)	(323)
2012					
Loss ratio	+10%	143,119	71,037	(71,037)	(53,278)
PRAD	+10%	1,834	1,274	(1,274)	(956)
Provision for expenses	+10%	495	495	(495)	(371)

33. Insurance risk (cont'd.)

(c) Claims development table

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

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

Group and Company

Gross general insurance contract liabilities for 2013:

Accident year	**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	171,487	168,880	231,999	174,026	170,544	164,136	243,986	211,818	
One year later	189,062	158,065	251,136	128,814	168,597	156,123	247,637		
Two years later	238,023	161,822	211,179	117,799	146,125	139,573			
Three years later	190,600	157,899	206,783	106,592	149,468				
Four years later	192,144	152,896	201,353	106,058					
Five years later	190,249	153,684	199,700						
Six years later	186,940	152,620							
Seven years later	197,637								
Current estimate of cumulative claims incurred	197,637	152,620	199,700	106,058	149,468	139,573	247,637	211,818	1,404,511
At end of accident year	(39,651)	(52,065)	(43,395)	(39,747)	(38,182)	(30,815)	(76,857)	(47,381)	
One year later	(111,344)	(97,631)	(146,308)	(73,127)	(95,372)	(75,244)	(132,823)		
Two years later	(131,382)	(120,035)	(173,375)	(88,940)	(110,466)	(109,790)			
Three years later	(172,851)	(133,779)	(188,104)	(100,378)	(127,828)				
Four years later	(177,927)	(140,857)	(193,255)	(103,762)					
Five years later	(178,884)	(145,024)	(194,800)						
Six years later	(180,024)	(146,193)							
Seven years later	(181,121)								
Cumulative payments to-date	(181,121)	(146,193)	(194,800)	(103,762)	(127,828)	(109,790)	(132,823)	(47,381)	(1,043,698)
Gross general insurance contract liabilities per statements of financial position	16,516	6,427	4,900	2,296	21,640	29,783	114,814	164,437	360,813

33. Insurance risk (cont'd.)

(c) Claims development table (cont'd.)

Group and Company (cont'd.)

Net general insurance contract liabilities for 2013:

Accident year	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	93,390	90,326	102,392	100,098	114,029	134,687	134,376	120,998	
One year later	96,896	85,079	96,959	88,388	106,956	121,263	128,136		
Two years later	87,560	84,387	89,334	87,742	98,737	108,850			
Three years later	85,438	84,684	85,705	82,173	94,709				
Four years later	86,228	80,836	83,684	80,220					
Five years later	84,087	79,412	82,969						
Six years later	81,511	78,472							
Seven years later	82,662								
Current estimate of cumulative claims incurred	82,662	78,472	82,969	80,220	94,709	108,850	128,136	120,998	777,016
At end of accident year	(34,194)	(32,810)	(34,131)	(36,105)	(34,592)	(28,737)	(34,057)	(35,220)	
One year later	(64,307)	(60,380)	(63,502)	(62,444)	(67,182)	(66,529)	(76,815)		
Two years later	(70,765)	(66,712)	(71,614)	(70,711)	(77,525)	(90,298)			
Three years later	(74,012)	(71,819)	(75,894)	(75,656)	(86,020)				
Four years later	(77,293)	(74,337)	(78,497)	(77,693)					
Five years later	(77,821)	(75,595)	(79,452)						
Six years later	(78,546)	(76,072)							
Seven years later	(79,221)								
Cumulative payments to-date	(79,221)	(76,072)	(79,452)	(77,693)	(86,020)	(90,298)	(76,815)	(35,220)	(600,791)
Net general insurance contract liabilities per statements of financial position	3,441	2,400	3,517	2,527	8,689	18,552	51,321	85,778	176,225

Tune Insurance Malaysia Berhad
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33. Insurance risk (cont'd.)

(c) Claims development table (cont'd.)

Group and Company (cont'd.)

Gross general insurance contract liabilities for 2012

Accident year	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	215,703	171,487	168,880	231,999	174,026	170,544	164,136	244,139	
One year later	206,489	189,062	158,065	251,136	124,814	168,597	150,123		
Two years later	199,753	238,023	161,822	211,179	117,799	146,125			
Three years later	185,568	190,660	157,899	206,783	106,592				
Four years later	185,137	192,144	152,896	201,353					
Five years later	190,674	190,249	153,684						
Six years later	186,659	186,940							
Seven years later	199,609								
Current estimate of cumulative claims incurred	199,609	186,940	153,684	201,353	106,592	146,125	150,123	244,139	1,388,565
At end of accident year	(56,005)	(39,651)	(52,065)	(43,395)	(39,747)	(38,182)	(30,815)	(76,857)	
One year later	(108,271)	(111,344)	(97,631)	(146,308)	(73,127)	(95,372)	(75,244)		
Two years later	(147,832)	(131,382)	(120,035)	(173,375)	(88,940)	(110,466)			
Three years later	(158,615)	(172,851)	(133,779)	(188,104)	(100,378)				
Four years later	(166,057)	(177,927)	(140,857)	(193,255)					
Five years later	(170,840)	(178,884)	(145,024)						
Six years later	(173,027)	(180,024)							
Seven years later	(180,472)								
Cumulative payments to-date	(180,472)	(180,024)	(145,024)	(193,255)	(100,378)	(110,466)	(75,244)	(76,857)	(1,061,720)
Gross general insurance contract liabilities per statements of financial position	19,137	6,916	8,660	8,098	6,214	35,659	74,879	167,282	326,845

Tune Insurance Malaysia Berhad
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33. Insurance risk (cont'd.)

(c) Claims development table (cont'd.)

Group and Company (cont'd.)

Net general insurance contract liabilities for 2012:

Accident year	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	86,749	93,390	90,326	102,392	100,098	114,029	134,687	134,376	
One year later	90,534	96,896	85,079	96,959	88,388	106,956	121,263		
Two years later	88,846	87,560	84,387	89,334	87,742	98,737			
Three years later	79,869	85,438	84,684	85,705	82,173				
Four years later	79,430	86,228	80,836	83,684					
Five years later	80,828	84,087	79,412						
Six years later	77,700	81,511							
Seven years later	80,204								
Current estimate of cumulative claims incurred	80,204	81,511	79,412	83,684	82,173	98,737	121,263	134,376	761,360
At end of accident year	(27,106)	(34,194)	(32,810)	(34,131)	(36,105)	(34,592)	(28,737)	(34,057)	
One year later	(57,734)	(64,307)	(60,380)	(63,502)	(62,444)	(67,182)	(66,529)		
Two years later	(65,144)	(70,765)	(66,712)	(71,614)	(70,711)	(77,525)			
Three years later	(68,029)	(74,012)	(71,819)	(75,894)	(75,656)				
Four years later	(70,604)	(77,293)	(74,337)	(78,497)					
Five years later	(72,926)	(77,821)	(75,595)						
Six years later	(73,708)	(78,546)							
Seven years later	(75,595)								
Cumulative payments to-date	(75,595)	(78,546)	(75,595)	(78,497)	(75,656)	(77,525)	(66,529)	(34,057)	(562,000)
Net general insurance contract liabilities per statements of financial position	4,609	2,965	3,817	5,187	6,517	21,212	54,734	100,319	199,360

34. Financial risks

(b) Credit risk

Treaty reinsurers and brokers credit ratings are evaluated prior to entering into treaty arrangements. The Group observe the Bank Negara Malaysia Guidelines and internal Group policies in assessing the credit ratings of reinsurers and brokers.

The settlement risks are also mitigated through prompt reconciliations of records and recovery actions, avoiding at all times delays in collection from reinsurers and entering into commutations for run off reinsurers. The Group have tightened the credit collection and recovery policies to expedite collections. The Group are unable to avoid any deterioration in credit ratings of reinsurers after inception of treaties.

Credit exposure

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

		Group		Company	
	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
LAR:					
Fixed and call deposits with licensed financial institutions	7(a)	263,504	281,774	162,051	231,747
Loans receivable:					
Staff mortgage loans	7(a)	536	636	536	636
Other staff loans:					
Secured	7(a)	-	23	-	23
Unsecured	7(a)	11	23	11	23
AFS financial assets:					
Debt securities	7(b)	113,593	137,800	113,593	137,800
Reinsurance assets	8	251,754	163,585	251,754	163,585
Insurance receivables	9	65,795	60,524	65,795	60,524
Other receivables	10	69,426	31,420	68,171	31,160
Cash and bank balances		9,169	2,235	9,164	2,215
		773,788	678,020	671,075	627,713

34. Financial risks (cont'd.)

(b) Credit risk (cont'd.)

Credit exposure by credit rating

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

	Neither impaired nor past-due						
Group	**AAA RM'000**	**AA RM'000**	**A RM'000**	**BBB and lower RM'000**	**Not rated RM'000**	**Past-due but not impaired RM'000**	**Total RM'000**
2013							
LAR:							
Fixed and call deposits with licensed financial institutions	84,340	20,675	99,049	-	59,440	-	263,504
Loans receivable:							
Staff mortgage loans	-	-	-	-	536	-	536
Other staff loans:							
Unsecured	-	-	-	-	11	-	11
AFS financial assets:							
Debt securities	55,069	50,300	1,056	-	7,168	-	113,593
Reinsurance assets	-	9,547	97,758	1,439	143,010	-	251,754
Insurance receivables	-	-	15,089	194	5,832	44,680	65,795
Other receivables	1,439	571	1,221	-	66,195	-	69,426
Cash and bank balances	(1,326)	2,741	1,857	-	5,897	-	9,169
	139,522	83,834	216,030	1,633	288,089	44,680	773,788

34. Financial risks (cont'd.)

(b) Credit risk (cont'd.)

Credit exposure by credit rating (cont'd.)

The table below provides information regarding the credit risk exposures of the Group and the Company by classifying assets according to the Group's and the Company's credit ratings of counterparties. (cont'd.)

	Neither impaired nor past-due						
Group (cont'd.)	**AAA RM'000**	**AA RM'000**	**A RM'000**	**BBB and lower RM'000**	**Not rated RM'000**	**Past-due but not impaired RM'000**	**Total RM'000**
2012							
LAR:							
Fixed and call deposits with licensed financial institutions	83,205	31,410	50,028	-	117,131	-	281,774
Loans receivable:							
Staff mortgage loans	-	-	-	-	636	-	636
Other staff loans:							
Secured	-	-	-	-	23	-	23
Unsecured	-	-	-	-	23	-	23
AFS financial assets:							
Debt securities	60,664	68,813	1,038	-	7,285	-	137,800
Reinsurance assets	-	215	74,467	6,473	82,430	-	163,585
Insurance receivables	-	19	11,420	207	13,405	35,473	60,524
Other receivables	1,400	862	600	-	28,558	-	31,420
Cash and bank balances	(320)	1,370	1,524	-	(339)	-	2,235
	144,949	102,689	139,077	6,680	249,152	35,473	678,020

34. Financial risks (cont'd.)

(b) Credit risk (cont'd.)

Credit exposure by credit rating (cont'd.)

The table below provides information regarding the credit risk exposures of the Group and the Company by classifying assets according to the Group's and the Company's credit ratings of counterparties. (cont'd.)

	Neither impaired nor past-due						
Company	**AAA RM'000**	**AA RM'000**	**A RM'000**	**BBB and lower RM'000**	**Not rated RM'000**	**Past-due but not impaired RM'000**	**Total RM'000**
2013							
LAR:							
Fixed and call deposits with licensed financial institutions	64,089	20,345	53,177	-	24,440	-	162,051
Loans receivable:							
Staff mortgage loans	-	-	-	-	536	-	536
Other staff loans:							
Unsecured	-	-	-	-	11	-	11
AFS financial assets:							
Debt securities	55,069	50,300	1,056	-	7,168	-	113,593
Reinsurance assets	-	9,547	97,758	1,439	143,010	-	251,754
Insurance receivables	-	-	15,089	194	5,832	44,680	65,795
Other receivables	1,270	570	805	-	65,526	-	68,171
Cash and bank balances	(1,326)	2,741	1,857	-	5,892	-	9,164
	119,102	83,503	169,742	1,633	252,415	44,680	671,075

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34. Financial risks (cont'd.)

(b) Credit risk (cont'd.)

Credit exposure by credit rating (cont'd.)

The table below provides information regarding the credit risk exposures of the Group and the Company by classifying assets according to the Group's and the Company's credit ratings of counterparties. (cont'd.)

	Neither impaired nor past-due						
Company (cont'd.)	**AAA RM'000**	**AA RM'000**	**A RM'000**	**BBB and lower RM'000**	**Not rated RM'000**	**Past-due but not impaired RM'000**	**Total RM'000**
2012							
LAR:							
Fixed and call deposits with licensed financial institutions	83,205	31,410	50,028	-	67,104	-	231,747
Loans receivable:							
Staff mortgage loans	-	-	-	-	636	-	636
Other staff loans:							
Secured	-	-	-	-	23	-	23
Unsecured	-	-	-	-	23	-	23
AFS financial assets:							
Debt securities	60,664	68,813	1,038	-	7,285	-	137,800
Reinsurance assets	-	215	74,467	6,473	82,430	-	163,585
Insurance receivables	-	19	11,420	207	13,405	35,473	60,524
Other receivables	1,400	862	600	-	28,298	-	31,160
Cash and bank balances	(320)	1,370	1,524	-	(359)	-	2,215
	144,949	102,689	139,077	6,680	198,845	35,473	627,713

34. Financial risks (cont'd.)

(b) Credit risk (cont'd.)

Age analysis of financial assets past-due but not impaired

Group and Company	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	More than 180 days RM'000	Total RM'000
2013						
Insurance receivables:						
Due premium including agents, brokers and co-insurers balances	12,255	8,632	5,680	4,886	3,667	35,120
Due from reinsurers and cedants	2,225	307	311	1,254	5,463	9,560
	14,480	8,939	5,991	6,140	9,130	44,680
2012						
Insurance receivables:						
Due premium including agents, brokers and co-insurers balances	3,808	11,659	1,516	2,183	3,730	22,896
Due from reinsurers and cedants	3,488	271	(2)	365	8,455	12,577
	7,296	11,930	1,514	2,548	12,185	35,473

As at 31 December 2013 based on the assessment of the receivables, there were impaired insurance receivable of RM19,222,000 (2012: RM19,428,000). A reconciliation of the allowance for the impairment losses for the insurance receivables is disclosed in Note 9.

34. Financial risks (cont'd.)

(c) Liquidity risk

Liquidity risk is the risk where the Group are unable to meet its obligations in a timely manner at a reasonable cost at any time. The Group maintains a large tranche of liquid asset instruments, primarily bank deposits and Malaysian Government Securities, to ensure high liquidity.

Maturity profiles

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

Group	Carrying value RM'000	Less than 1 year RM'000	Over 1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
2013						
LAR:						
Fixed and call deposits with licensed financial institutions	263,504	263,504	-	-	-	263,504
Loans receivable:						
Staff mortgage loans	536	-	29	507	-	536
Other staff loans:						
Secured	-	-	-	-	-	-
Unsecured	11	11	-	-	-	11
AFS financial assets:						
Equity securities	18,409	-	-	-	18,409	18,409
Unit and property trust funds	14,246	-	-	-	14,246	14,246
Debt securities	113,593	38,336	69,951	16,059	-	124,346
Reinsurance assets	251,754	78,659	87,444	18,485	67,166	251,754
Insurance receivables	65,795	65,795	-	-	-	65,795
Other receivables	69,426	3,752	-	-	65,674	69,426
Cash and bank balances	9,169	9,169	-	-	-	9,169
	806,443	459,226	157,424	35,051	165,495	817,196

34. Financial risks (cont'd.)

(c) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)

Group (cont'd.)	Carrying value RM'000	Less than 1 year RM'000	Over 1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
2013						
Insurance contract liabilities	494,279	164,437	168,533	27,843	133,466	494,279
Insurance payables	79,066	79,066	-	-	-	79,066
Other payables	35,239	9,703	526	-	25,010	35,239
	608,584	253,206	169,059	27,843	158,476	608,584
2012						
LAR:						
Fixed and call deposits with licensed financial institutions	281,774	281,774	-	-	-	281,774
Loans receivable:						
Staff mortgage loans	636	32	33	571	-	636
Other staff loans:						
Secured	23	4	19	-	-	23
Unsecured	23	23	-	-	-	23
AFS financial assets:						
Equity securities	9,028	-	-	-	9,028	9,028
Unit and property trust funds	18,853	-	-	-	18,853	18,853
Debt securities	137,800	32,482	102,565	16,671	-	151,718
Reinsurance assets	163,585	66,963	37,200	23,322	36,100	163,585
Insurance receivables	60,524	60,524	-	-	-	60,524
Other receivables	31,420	3,843	-	-	27,577	31,420
Cash and bank balances	2,235	2,235	-	-	-	2,235
	705,901	447,880	139,817	40,564	91,558	719,819
Insurance contract liabilities	431,521	167,282	124,850	34,713	104,676	431,521
Insurance payables	73,394	73,394	-	-	-	73,394
Other payables	17,233	9,649	574	-	7,010	17,233
	522,148	250,325	125,424	34,713	111,686	522,148

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34. Financial risks (cont'd.)

(c) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)

Company	Carrying value RM'000	Less than 1 year RM'000	Over 1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
2013						
LAR:						
Fixed and call deposits with licensed financial institutions	162,051	162,051	-	-	-	162,051
Loans receivable:						
Staff mortgage loans	536	-	29	507	-	536
Other staff loans:						
Secured	-					-
Unsecured	11	11	-	-	-	11
AFS financial assets:						
Equity securities	18,409	-	-	-	18,409	18,409
Collective investment scheme	102,688	-	-	-	102,688	102,688
Unit and property trust funds	14,246	-	-	-	14,246	14,246
Debt securities	113,593	38,336	69,951	16,059	-	124,346
Reinsurance assets	251,754	78,659	87,444	18,485	67,166	251,754
Insurance receivables	65,795	65,795	-	-	-	65,795
Other receivables	68,171	3,752	-	-	64,419	68,171
Cash and bank balances	9,164	9,164	-	-	-	9,164
	806,418	357,768	157,424	35,051	266,928	817,171

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34. Financial risks (cont'd.)

(c) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)

Company (cont'd.)	**Carrying value RM'000**	**Less than 1 year RM'000**	**Over 1-5 years RM'000**	**Over 5 years RM'000**	**No maturity date RM'000**	**Total RM'000**
2013						
Insurance contract liabilities	494,279	164,437	168,533	27,843	133,466	494,279
Insurance payables	79,066	79,066	-	-	-	79,066
Other payables	35,239	9,703	526	-	25,010	35,239
	608,584	253,206	169,059	27,843	158,476	608,584
2012						
LAR:						
Fixed and call deposits with licensed financial institutions	231,747	231,747	-	-	-	231,747
Loans receivable:						
Staff mortgage loans	636	32	33	571	-	636
Other staff loans:						
Secured	23	4	19	-	-	23
Unsecured	23	23	-	-	-	23
AFS financial assets:						
Equity securities	9,028	-	-	-	9,028	9,028
Collective investment scheme	50,293	-	-	-	50,293	50,293
Unit and property trust funds	18,853	-	-	-	18,853	18,853
Debt securities	137,800	32,482	102,565	16,671	-	151,718
Reinsurance assets	163,585	66,963	37,200	23,322	36,100	163,585
Insurance receivables	60,524	60,524	-	-	-	60,524
Other receivables	31,160	3,843	-	-	27,317	31,160
Cash and bank balances	2,215	2,215	-	-	-	2,215
	705,887	397,833	139,817	40,564	141,591	719,805
Insurance contract liabilities	431,521	167,282	124,850	34,713	104,676	431,521
Insurance payables	73,394	73,394	-	-	-	73,394
Other payables	17,233	9,649	574	-	7,010	17,233
	522,148	250,325	125,424	34,713	111,686	522,148

34. Financial risks (cont'd.)

(c) Liquidity risk (cont'd.)

The table below summarises the expected utilisation or settlement of assets

	Group			Company		
	Current* RM'000	Non-current RM'000	Total RM'000	Current* RM'000	Non-current RM'000	Total RM'000
2013						
Assets						
Property and equipment	-	2,329	2,329	-	2,329	2,329
Investment property	-	2,373	2,373	-	2,373	2,373
Intangible assets	-	945	945	-	945	945
Investments	291,098	119,201	410,299	189,645	221,889	411,534
Reinsurance assets	78,659	173,095	251,754	78,659	173,095	251,754
Insurance receivables	65,795	-	65,795	65,795	-	65,795
Other receivables	3,752	65,674	69,426	3,752	64,419	68,171
Tax recoverable	9,312	-	9,312	9,312	-	9,312
Deferred tax assets	6	-	6	6	-	6
Cash and bank balances	9,169	-	9,169	9,164	-	9,164
Assets held for sale	8,580	-	8,580	8,580	-	8,580
Total assets	466,371	363,617	829,988	364,913	465,050	829,963
Liabilities						
Insurance contract liabilities	164,437	329,842	494,279	164,437	329,842	494,279
Retirement benefits	140	805	945	140	805	945
Insurance payables	79,066	-	79,066	79,066	-	79,066
Other payables	17,313	25,536	42,849	17,288	25,536	42,824
Total liabilities	260,956	356,183	617,139	260,931	356,183	617,114

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34. Financial risks (cont'd.)

(c) Liquidity risk (cont'd.)

The table below summarises the expected utilisation or settlement of assets (cont'd.)

	Group			Company		
	Current* RM'000	Non-current RM'000	Total RM'000	Current* RM'000	Non-current RM'000	Total RM'000
2012						
Assets						
Property and equipment	-	10,273	10,273	-	10,273	10,273
Investment property	-	2,395	2,395	-	2,395	2,395
Intangible assets	-	157	157	-	157	157
Investment in subsidiary	-	-	-	-	**-	**-
Investments	300,397	147,740	448,137	250,370	198,033	448,403
Reinsurance assets	66,963	96,622	163,585	66,963	96,622	163,585
Insurance receivables	60,524	-	60,524	60,524	-	60,524
Other receivables	3,843	27,577	31,420	3,843	27,317	31,160
Cash and bank balances	2,235	-	2,235	2,215	-	2,215
Total assets	433,962	284,764	718,726	383,915	334,797	718,712
Liabilities						
Insurance contract liabilities	167,282	264,239	431,521	167,282	264,239	431,521
Retirement benefits	73	1,075	1,148	73	1,075	1,148
Provision for taxation	458	-	458	458	-	458
Deferred tax liabilities	508	-	508	508	-	508
Insurance payables	73,394	-	73,394	73,394	-	73,394
Other payables	15,245	7,584	22,829	15,231	7,584	22,815
Total liabilities	256,960	272,898	529,858	256,946	272,898	529,844

* *Expected utilisation or settlement within 12 months from the reporting date.*
** *Denotes cost of investment of RM2.00.*

34. Financial risks (cont'd.)

(d) Market risk

Market risk arises with changes in equity and bond prices. This risk is mitigated through proper initial and continuous credit evaluation of bonds and shares respectively, purchase of high grade shares and bonds, and constant watch on investment portfolio for adverse changes and opportunities.

Credit risk, especially settlement risk is mitigated with proper credit monitoring of bonds held.

Fund managers' performance are monitored constantly, parameters are prescribed to fund managers according to the Group's risk appetite on purchase of equity, bonds and unit trusts, and by placing limits on categories of purchase.

Holding of unquoted shares is progressively reduced, with an emphasis on risk and return.

Equity price risk

Management's best estimate of the effect on the net income for the year and equity due to a reasonably possible change in the FTSE Bursa Malaysia KLCI Index ("FBMKLCI") with all other variables held constant is indicated in the table below:

	Group	|---- Increase/(decrease) ---|		Company	|---- Increase/(decrease) ---|	
	Change in FBMKLCI %	**Effect on net income for the year RM'000**	**Effect on equity RM'000**	**Change in FBMKLCI %**	**Effect on net income for the year RM'000**	**Effect on equity RM'000**
2013						
Market indices:						
FBMKLCI	+10	-	2,449	+10	-	2,449
FBMKLCI	-10	-	(2,449)	-10	-	(2,449)
2012						
Market indices:						
FBMKLCI	+10	-	2,081	+10	-	2,081
FBMKLCI	-10	-	(2,081)	-10	-	(2,081)

34. Financial risks (cont'd.)

(d) Market risk (cont'd.)

Interest rate risk

The Group have no borrowings, hence limiting its exposure to interest risk to holdings in term deposits, corporate bonds and government securities. The interest and capital value of the latter may be affected by changes in the interest yield curve. The Group has an investment policy that investments are made at competitive interest rates.

Sensitivity analysis:

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on income or loss and impact on equity. The correlation of variables will have a significant effect in determining the ultimate impact on interest rate yield risk but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

	Group	|---- Increase/(decrease) ---|		Company	|---- Increase/(decrease) ---|	
	Changes in basis points	Effect on net income for the year RM'000	Effect on equity RM'000	Changes in basis points	Effect on net income for the year RM'000	Effect on equity RM'000
2013						
Interest rates	+ 100 bps	(1,976)	(4,423)	+ 100 bps	(1,215)	(3,662)
Interest rates	- 100 bps	1,976	4,325	- 100 bps	1,215	3,564
2012						
Interest rates	+ 100 bps	(1,738)	(5,284)	+ 100 bps	(1,738)	(5,284)
Interest rates	- 100 bps	1,738	4,943	- 100 bps	1,738	4,943

(e) Operational Risk

Good internal control framework, compliance to regulatory guidelines and observance to best practices enable the Group to mitigate its operational risks. Internal audit plan and risk based audits coupled with periodic reviews on compliance to policies and procedures provide assurance that the Group has the best processes in a controlled environment.

35. Fair values of financial assets and liabilities

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

		Valuation technique using			
Group	**Date of valuation**	**Quoted market price (Level 1) RM'000**	**Observable inputs (Level 2) RM'000**	**Un-observable inputs (Level 3) RM'000**	**Total RM'000**
Assets measured at fair value:					
AFS financial assets:					
2013					
Equity securities:					
Quoted in Malaysia	31 December 2013	18,409	-	-	18,409
Unit and property trust funds:					
Quoted in Malaysia	31 December 2013	14,246	-	-	14,246
Debt securities:					
Unquoted in Malaysia	31 December 2013	-	113,593	-	113,593
		32,655	113,593	-	146,248
2012					
Equity securities:					
Quoted in Malaysia	31 December 2013	8,889	-	-	8,889
Unit and property trust funds:					
Quoted in Malaysia	31 December 2013	18,853	-	-	18,853
Debt securities:					
Unquoted in Malaysia	31 December 2013	-	137,800	-	137,800
		27,742	137,800	-	165,542

35. Fair values of financial assets and liabilities (cont'd.)

	Date of valuation	Quoted market price (Level 1) RM'000	Observable inputs (Level 2) RM'000	Un-observable inputs (Level 3) RM'000	Total RM'000
		|---------- Valuation technique using		--------|	
Group (cont'd.)					
Assets for which fair values are disclosed					
2013					
Investment property	31 December 2013	-	2,950	-	2,950
Assets held for sale	31 December 2013	-	12,800	-	12,800
		-	15,750	-	15,750
2012					
Investment property	31 December 2013	-	2,950	-	2,950
		-	2,950	-	2,950
Company					
Assets measured at fair value:					
AFS financial assets:					
2013					
Equity securities:					
Quoted in Malaysia	31 December 2013	18,409	-	-	18,409
Collective investment scheme:					
Quoted in Malaysia	31 December 2013	102,688	-	-	102,688
Unit and property trust funds:					
Quoted in Malaysia	31 December 2013	14,246	-	-	14,246
Debt securities:					
Unquoted in Malaysia	31 December 2013	-	113,593	-	113,593
		135,343	113,593	-	248,936

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35. Fair values of financial assets and liabilities (cont'd.)

		|---------- Valuation technique using --------|			
Company (cont'd.)	**Date of valuation**	**Quoted market price (Level 1) RM'000**	**Observable inputs (Level 2) RM'000**	**Un-observable inputs (Level 3) RM'000**	**Total RM'000**
Assets measured at fair value (cont'd.):					
2012					
Equity securities:					
Quoted in Malaysia	31 December 2013	8,889	-	-	8,889
Collective investment scheme:					
Quoted in Malaysia	31 December 2013	50,293	-	-	50,293
Unit and property trust funds:					
Quoted in Malaysia	31 December 2013	18,853	-	-	18,853
Debt securities:					
Unquoted in Malaysia	31 December 2013	-	137,800	-	137,800
		78,035	137,800	-	215,835
Assets for which fair values are disclosed					
2013					
Investment property	31 December 2013	-	2,950	-	2,950
Assets held for sale	31 December 2013	-	12,800	-	12,800
		-	15,750	-	15,750
2012					
Investment property	31 December 2013	-	2,950	-	2,950
		-	2,950	-	2,950

35. Fair values of financial assets and liabilities (cont'd.)

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

Financial instruments measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are instruments for which pricing is obtained via pricing services.

For the Group and Company's unquoted equity securities, 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 investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.