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Oriental Capital Assurance Berhad
(Incorporated in Malaysia)

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Oriental Capital Assurance 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 2011.

Principal activities

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

The subsidiary company is dormant.

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

Results

	Group and Company RM'000
Net profit for the year	26,253

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

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:

Albert Saychuan Cheok
Mohan a/l Ramalingam
Datuk Kunasingam a/l V. Sittampalam (appointed on 5 April 2011)
Ng Soon Lai @ Ng Siek Chuan (appointed on 5 April 2011)
Dato' Vijaya Kumar a/l T. Chornalingam (resigned 7 April 2011)
Kirupalani a/l Chelliah (resigned 1 May 2011)

Corporate governance

The directors confirmed that the Company has complied with all prescriptive requirements except for the composition of the Board and Nomination Committee arising from resignation, 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 Insurance Act, 1996 ("the Act"), Insurance Regulations, 1996 ("the Regulations") 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.

(b) Composition and meetings

The Board comprises one (1) Non-Independent Non-Executive Chairman, one (1) Non-Independent Non-Executive Director and two (2) 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.

Corporate governance (cont'd.)

(b) Composition and meetings (cont'd.)

During the financial year the members of the Board met seven (7) times, with attendance recorded as follows:

	Attendance
Chairman:	
Ng Soon Lai @ Ng Siek Chuan (appointed on 5 April 2011)	6/6
Members:	
Albert Saychuan Cheok	6/7
Mohan a/l Ramalingam	7/7
Datuk Kunasingam a/l V. Sittampalam (appointed on 5 April 2011)	5/6
Dato' Vijaya Kumar a/l T. Chornalingam (resigned on 7 April 2011)	2/2
Kirupalani a/l Chelliah (resigned on 1 May 2011)	2/2

(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.

(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:	
Mohan a/l Ramalingam (INED)	3/3
Members:	
Albert Saychuan Cheok (INED)	3/3
Ng Soon Lai @ Ng Siek Chuan (NINED) (appointed on 5 April 2011)	3/3

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 three (3) times during the financial year.

Corporate governance (cont'd.)

(c) Board Committees (cont'd.)

(ii) Audit Committee ("AC")

The AC comprises two (2) INED and one (1) NINED as follows:

	Attendance
<u>Chairman:</u>	
Albert Saychuan Cheok (INED)	6/6
<u>Members:</u>	
Mohan a/l Ramalingam (INED)	4/4
Ng Soon Lai @ Ng Siek Chuan (NINED) (appointed on 5 April 2011)	4/4
Dato' Vijaya Kumar a/l T. Chornalingam (NINED) (resigned on 7 April 2011)	2/2
Kirupalani a/l Chelliah (INED) (resigned on 1 May 2011)	2/2

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 six (6) times during the financial year.

(iii) Nomination Committee ("NC")

The NC comprises one (1) INED and two (2) NINED as follows:

	Attendance
<u>Chairman:</u>	
Albert Saychuan Cheok (INED)	3/3
<u>Members:</u>	
Ng Soon Lai @ Ng Siek Chuan (NINED) (appointed on 5 April 2011)	1/1
Datuk Kunasingam a/l V. Sittampalam (NINED) (appointed on 5 April 2011)	0/1
Dato' Vijaya Kumar a/l T. Chornalingam (NINED) (resigned on 7 April 2011)	2/2
Kirupalani a/l Chelliah (INED) (resigned on 1 May 2011)	2/2

Corporate governance (cont'd.)

(c) Board Committees (cont'd.)

(iii) Nomination Committee ("NC") (cont'd.)

The NC is empowered to evaluate the performance of individual directors and recommend the appointment of Chairman and members of the Board Committees. The NC 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 NC 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 NC also evaluates and recommends appointment of the Chief Executive Officer ("CEO") and key senior officers of the Company.

The NC and RC were merged to form the Nomination and Remuneration Committee (NRC) on 1 August 2011.

The NC met three (3) times during the financial year.

(iv) Remuneration Committee ("RC")

The RC comprises one (1) INED and one (1) NINED as follows:

	Attendance
Chairman:	
Albert Saychuan Cheok (INED)	2/2
Members:	
Ng Soon Lai @ Ng Siek Chuan (NINED) (appointed on 5 April 2011)	1/1
Kirupalani a/l Chelliah (INED) (resigned 1 May 2011)	1/1

The RC is responsible for reviewing and recommending remuneration packages for the CEO and senior management and changes to staff remuneration policies. The RC 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 NC and RC were merged to form the Nomination and Remuneration Committee (NRC) on 1 August 2011.

The RC met two (2) times during the financial year.

Corporate governance (cont'd.)

(c) Board Committees (cont'd.)

(v) Investment Committee ("IC")

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

	Attendance
<u>Chairman:</u>	
Albert Saychuan Cheok (INED)	6/6
<u>Members:</u>	
Mohan a/l Ramalingam (INED)	4/4
Ng Soon Lai @ Ng Siek Chuan (NINED) (appointed on 5 April 2011)	4/4
Dato' Vijaya Kumar a/l T. Chornalingam (NINED) (resigned on 7 April 2011)	2/2
Kirupalani a/l Chelliah (INED) (resigned on 1 May 2011)	2/2

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 six (6) times during the financial year.

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

The Board resolved that the Nomination Committee and the Remuneration Committee be merged to form the Nomination and Remuneration Committee and was approved by BNM on 1 August 2011.

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

	Attendance
<u>Chairman:</u>	
Mohan a/l Ramalingam (INED)	1/1

Corporate governance (cont'd.)

(c) Board Committees (cont'd.)

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

	Attendance
<u>Members:</u>	
Datuk Kunasingam a/l V. Sittampalam (NINED) (appointed on 5 April 2011)	1/1
Ng Soon Lai @ Ng Siek Chuan (NINED) (appointed on 5 April 2011)	1/1

The NRC met one (1) time during the financial year.

(vii) Advisory Committee

The Advisory Committee was an Ad-Hoc Committee established on 1 June 2009 for an initial term of six months up to 31 December 2009. The term of the Advisory Committee was extended for another six months period until 30 June 2010. The Board had on 29 June 2010 further extended the term of the Advisory Committee until the completion of the take over offer exercise by G Team Resources & Holdings Sdn Bhd on the minority interest in the Company. The Advisory Committee was dissolved with effect from 30 June 2011. The Advisory Committee comprised the following:

	Attendance
Albert Saychuan Cheok (INED)	2/2
Mohan a/l Ramalingam (INED)	2/2
Dato' Vijaya Kumar a/l T. Chornalingam (NINED) (resigned 7 April 2011)	2/2
Kirupalani a/l Chelliah (INED) (resigned 1 May 2011)	2/2

The terms of reference of this committee was to advise the CEO to take appropriate measures to deal with problems such as the deterioration of the underwriting results, to review monthly business performance of the Company, review branches performances, study the impact of the stress test result on the Company's Capital Adequacy Ratio ("CAR") and take appropriate steps to be in compliance with the targeted CAR, to monitor monthly claims statistics and review the provision for outstanding claims, review monthly reports on the trade receivables, to provide strategic direction to the management to develop new business and retention of profitable business, appraise the CEO and senior management and other relevant action that may deem necessary to protect the interests of the Company.

The Advisory Committee met two (2) times during the financial year.

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby 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 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, none of the directors in office at the end of the financial year had any interest in shares in the Company or its related companies during the financial year.

Other statutory information

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

  (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no known bad debts and that adequate allowance had been made for doubtful debts; and

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

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

  (i) require any amount to be written off as bad debts or render the amount of the allowance for doubtful debts of the Group and of the Company inadequate to any substantial extent; and

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

Other statutory information (cont'd.)

(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 or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

  (ii) any contingent liability 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 or of the Company to meet their obligations when they fall due; and

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

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

(g) Before the statements of financial position, income statements and statements of comprehensive income of the 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.

Oriental Capital Assurance Berhad
(Incorporated in Malaysia)

Auditors

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 26 March 2012.

Ng Soon Lai @ Ng Siek Chuan

Mohan a/l Ramalingam

Kuala Lumpur, Malaysia

Oriental Capital Assurance Berhad
(Incorporated in Malaysia)

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

We, Ng Soon Lai @ Ng Siek Chuan and Mohan a/l Ramalingam, being two of the directors of Oriental Capital Assurance Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 14 to 90 are drawn up in accordance with Financial Reporting Standards and 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 2011 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 26 March 2012.

Ng Soon Lai @ Ng Siek Chuan　　　　Mohan a/l Ramalingam

Kuala Lumpur, Malaysia

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

I, Lai Poong Shen, being the officer primarily responsible for the financial management of Oriental Capital Assurance Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 14 to 90 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 Lai Poong Shen at)
Kuala Lumpur in the Federal Territory)
on 26 March 2012)　　Lai Poong Shen

Before me,

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Independent auditors' report to the members of Oriental Capital Assurance Berhad (Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of Oriental Capital Assurance Berhad, which comprise the statements of financial position a 2011 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in e statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policie explanatory notes, as set out on pages 14 to 90.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the directors determine are necessary 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 v standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit 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 selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a t in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on th the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonabler 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.

Independent auditors' report to the members of Oriental Capital Assurance Berhad (Cont'd.) (Incorporated in Malaysia)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Con 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 2011 an performance and cash flows for the year then ended.

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 su 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 th form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we satisfactory information and explanations required by us for those purposes.

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

Other matters

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

Ernst & Young
AF: 0039
Chartered Accountants

Abdul Rauf bin Rashi
No. 2305/05/12(J)
Chartered Accountan

Kuala Lumpur, Malaysia
26 March 2012

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Oriental Capital Assurance Berhad
(Incorporated in Malaysia)

Statements of financial position
As at 31 December 2011

	Note	Group and Company 2011 RM'000	2010 RM'000
Assets			
Property and equipment	3	10,267	12,433
Investment property	4	2,417	2,439
Intangible assets	5	153	115
Investments	6	430,686	384,157
Investment in subsidiary	7	-	-
Reinsurance assets	8	157,966	183,333
Insurance receivables	9	36,805	36,630
Other receivables	10	22,825	17,346
Deferred tax assets	14	-	39
Cash and bank balances		5,152	3,142
Total assets		666,271	639,634
Equity			
Share capital	11	100,013	100,013
Share premium		3,335	3,335
Available-for-sale reserves		7,128	6,690
Retained earnings	12	51,505	25,252
Total equity		161,981	135,290
Liabilities			
Insurance contract liabilities	13	433,817	429,724
Deferred tax liabilities	14	1,266	-
Insurance payables	15	51,053	49,305
Other payables	16	16,818	23,767
Retirement benefits	17	1,336	1,548
Total liabilities		504,290	504,344
Total equity and liabilities		666,271	639,634

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

Oriental Capital Assurance Berhad
(Incorporated in Malaysia)

Income statements
For the financial year ended 31 December 2011

	Note	Group and Company 2011 RM'000	2010 RM'000
Operating revenue	18	263,461	257,266
Gross earned premiums	19(a)	245,770	244,146
Premiums ceded to reinsurers	19(b)	(89,345)	(121,484)
Net earned premiums		156,425	122,662
Investment income	20	17,691	13,120
Realised gains and losses	21	6,060	3,144
Fee and commission income		13,551	15,747
Other operating income	22	130	373
Other revenue		37,432	32,384
Gross claims paid	23(a)	(137,170)	(129,574)
Claims ceded to reinsurers	23(b)	55,849	47,533
Gross change to contract liabilities	23(c)	11,821	47,995
Change in contract liabilities ceded to reinsurers	23(d)	(38,444)	(58,084)
Net claims		(107,944)	(92,130)
Fee and commission expense		(26,010)	(23,831)
Management expenses	24	(22,782)	(23,229)
Other operating expenses	22	(2,150)	-
Other expenses		(50,942)	(47,060)
Profit before taxation		34,971	15,856
Taxation	25	(8,718)	(5,665)
Net profit for the year		26,253	10,191
Earnings per share (sen)			
Basic and diluted	26	26.2	10.2

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

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Oriental Capital Assurance Berhad
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Statements of comprehensive income
For the financial year ended 31 December 2011

	Group and Company	
	2011	**2010**
	RM'000	**RM'000**
Net profit for the year	26,253	10,191
Other comprehensive income:		
Available-for-sale fair value reserves:		
Gain on fair value changes of AFS investments	6,616	7,233
Realised gain transferred to income statement	(6,032)	(3,089)
Deferred tax relating to components of other comprehensive income	(146)	(1,036)
Other comprehensive income for the year, net of taxation	438	3,108
Total comprehensive income for the year	26,691	13,299

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

Oriental Capital Assurance Berhad
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Statements of changes in equity
For the financial year ended 31 December 2011

Group and Company	Share capital RM'000	|--- Non-distributable ---| Share premium RM'000	Available-for-sale reserves RM'000	Dis-tributable Retained earnings RM'000	Total equity RM'000
At 1 January 2010	100,013	3,335	3,582	15,061	121,991
Total comprehensive income for the year	-	-	3,108	10,191	13,299
At 31 December 2010	100,013	3,335	6,690	25,252	135,290
Total comprehensive income for the year	-	-	438	26,253	26,691
At 31 December 2011	100,013	3,335	7,128	51,505	161,981

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

Oriental Capital Assurance Berhad
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Statements of cash flows
For the financial year ended 31 December 2011

	Note	Group and Company 2011 RM'000	2010 RM'000
Operating activities			
Cash used in operating activities	27	(4,285)	(21,776)
Net interest received		15,159	10,831
Net dividend received		1,858	908
Rental received		346	356
Retirement benefits paid		(297)	(774)
Income tax paid		(3,419)	(2,648)
Net cash flows generated from/(used in) operating activities		9,362	(13,103)
Investing activities			
Proceeds from disposal of property and equipment		29	631
Purchase of property and equipment		(489)	(227)
Purchase of intangibles		(186)	-
Net cash flows (used in)/generated from investing activities		(646)	404
Net increase/(decrease) in cash and cash equivalents		8,716	(12,699)
Cash and cash equivalents at beginning of year		76,427	89,126
Cash and cash equivalents at end of year		85,143	76,427
Cash and cash equivalents comprise:			
Fixed and call deposits (with maturity of less than three months) with licensed financial institutions		79,991	73,285
Cash and bank balances		5,152	3,142
		85,143	76,427

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

Notes to the financial statements
For the financial year ended 31 December 2011

1. Corporate information

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

The subsidiary company is dormant.

There has been no significant change in the nature of the principal activity 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 Oriental Capital, 36, Jalan Ampang, 50450 Kuala Lumpur.

The immediate holding company is Maika Holdings Berhad, a public limited liability company, incorporated and domiciled in Malaysia.

The ultimate holding company is G Team Resources & Holdings Sdn. Bhd., a private limited liability company, incorporated and domiciled in Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 26 March 2012.

2. Significant accounting policies

2.1 Basis of Preparation

The financial statements comply with the Financial Reporting Standards ("FRS") and the Companies Act, 1965, in Malaysia, the Insurance Act, 1996 and Guidelines/Circulars issued by BNM.

At the beginning of the current financial year, the Company had adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2011, as described fully in Note 2.4.

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

2. Significant accounting policies (cont'd.)

2.1 Basis of preparation (cont'd.)

The Company has met the minimum capital adequacy requirements as prescribed by the Risk-Based Capital Framework ("RBC Framework"') as at the reporting date.

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

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at the reporting date. The financial statements of the subsidiary are prepared for the same reporting date as the Company.

The subsidiary is consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases. In preparing the consolidated financial statements, intra-group balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisition of the subsidiary is accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill on consolidation.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the acquisition is recognised immediately in profit or loss.

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(e).

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 asset's carrying amount, or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

Depreciation of property and equipment 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%
Furniture, fittings and office equipment	12% - 17%
Computers	25%
Motor vehicles	20%

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.

2. Significant accounting policies (cont'd.)

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

(b) Intangible assets

Intangible assets of the Group consist of computer software. These 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.

Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least once annually at each reporting date.

(c) Investment in subsidiary

A subsidiary is an entity over which the Group has the ability to control the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investment in a subsidiary is stated at cost less any accumulated impairment losses.

On disposal of such investment, the difference between net disposal proceeds and its carrying amount is included in profit or loss.

(d) Investment property

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not significantly occupied by companies in 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.

Investment properties are initially measured at cost, including related transaction costs. Subsequent to initial recognition, the investment properties are 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(e).

2. Significant accounting policies (cont'd.)

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

(d) Investment property (cont'd.)

Depreciation is provided for on a straight-line basis over the estimated useful life of 50 years for the investment properties. The residual values and useful lives of the investment properties 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 of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

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

(e) Impairment of non-financial assets

The carrying amounts of assets other than investment properties and deferred tax 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 goodwill, the recoverable amount is estimated at each reporting date or more frequently when indicators of impairment are identified.

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

An asset’s recoverable amount is the higher of an asset’s or CGU 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.

2. Significant accounting policies (cont'd.)

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

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

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.

Impairment loss on goodwill is not reversed in a subsequent period. 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.

(f) Investments and financial assets

The Group classifies 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.

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

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

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

2. Significant accounting policies (cont'd.)

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

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

Fair value through profit and loss financial assets ("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 has the positive intention and ability to hold until maturity. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. After initial measurement, HTM financial assets are measured at amortised cost, using the effective yield method, less 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.

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.

2. Significant accounting policies (cont'd.)

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

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

AFS financial assets

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

After initial measurement, AFS are measured at fair value. 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 translation differences on monetary securities are recognised in profit and loss; translation differences on non-monetary securities are reported as a separate component of equity until the investment is derecognised.

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

Quoted and unquoted shares, corporate bonds, cagamas paper and unit trusts are classified as AFS.

(g) Fair value of financial assets

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.

For investments in unit and real estate trusts, 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.

2. Significant accounting policies (cont'd.)

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

(g) Fair value of financial assets (cont'd.)

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.

(h) 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.)

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

Assets carried at amortised cost (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.

Asset 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.)

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

AFS financial assets (cont'd.)

When assessing the impairment of an equity instrument, the Company considers, in addition to observable data about loss events, whether there is significant and 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.

(i) Derecognition of financial assets

A financial asset is derecognised when:

- the contractual right to receive cash flows from the financial asset 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.)

(j) Equity instruments

Ordinary share capital

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

Dividend on ordinary share capital

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

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

(k) Product Classification

The Company 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 Company (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 Company determines whether it has significant insurance risk, by comparing claims paid with claims payable if the insured event did not occur.

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

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.

2. Significant accounting policies (cont'd.)

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

(l) Reinsurance

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

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

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

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

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

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

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statements 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.

2. Significant accounting policies (cont'd.)

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

(m) General insurance underwriting results

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

Gross premiums

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

Reinsurance premiums

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

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

Claims and expenses

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

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

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

Acquisition costs

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

2. Significant accounting policies (cont'd.)

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

(n) Insurance Receivables

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

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

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

(o) General insurance contract liabilities

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

General insurance contract liabilities comprise claim liabilities and premium liabilities.

Claim liabilities

Claim liabilities are recognised as the obligation to make future payments in relation to all claims that have been incurred as at the end of the financial year. It is recognised in respect of both direct insurance and inward reinsurance. 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 Company level. These are based on an actuarial valuation by a qualified actuary, using a mathematical method of estimation based on, among others, actual claims development pattern.

2. Significant accounting policies (cont'd.)

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

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

Premium liabilities

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

(i) Unexpired Risk Reserve ("URR")

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

(ii) Unearned Premiums Reserves ("UPR")

UPR represent 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.)

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

(ii) Unearned Premiums Reserves ("UPR") (cont'd.)

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

(p) Other revenue recognition

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.

2. Significant accounting policies (cont'd.)

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

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

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.

(q) Income tax

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

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

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

Deferred tax is recognised as income or an expense and included in 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.

(r) 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. Provision 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.)

(s) Employee benefits

Short-term benefits

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

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the 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 of 12% 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 of 12% after completion of 1 year of service. This benefit is charged to profit or loss as incurred.

(t) Foreign currencies

Transaction in foreign currencies are initially converted into Ringgit Malaysia ("RM") at rates of exchange approximating those ruling at the transaction dates. At each reporting date, foreign currency monetary items are translated into RM at exchange rates ruling at that date. All exchange differences are taken to profit or loss.

2. Significant accounting policies (cont'd.)

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

(u) Other financial liabilities and insurance payables

Other financial liabilities and 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 yield method.

(v) 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

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

On 1 January 2011, the Company adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2011.

Description	Effective for annual periods beginning on or after
FRS 1: First-time Adoption of Financial Reporting Standards	1 July 2010
Amendments to FRS 2: Share-based Payment	1 July 2010
FRS 3 Business Combinations	1 July 2010
Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 127: Consolidated and Separate Financial Statements	1 July 2010
Amendments to FRS 138: Intangible Assets	1 July 2010
Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives	1 July 2010
IC Interpretation 12: Service Concession Arrangements	1 July 2010
IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation	1 July 2010

2. Significant accounting policies (cont'd.)

2.4 Changes in accounting policies (cont'd.)

Description	**Effective for annual periods beginning on or after**
IC Interpretation 17: Distributions of Non-cash Assets to Owners	1 July 2010
Amendments to FRS 132: Classification of Rights Issues	1 March 2010
IC Interpretation 18: Transfers of Assets from Customers	1 January 2011
Amendments to FRS 7: Improving Disclosures about Financial Instruments	1 January 2011
Amendments to FRS 1: Limited Exemptions for First-time Adopters	1 January 2011
Amendments to FRS 1: Additional Exemptions for First-time Adopters	1 January 2011
IC Interpretation 4: Determining Whether an Arrangement contains a Lease	1 January 2011
Improvements to FRS issued in 2010	1 January 2011

Adoption of the above standards and interpretations did not have any significant effect on the financial performance and position of the Company except for the additional disclosure requirements under the Amendments to FRS 7.

Amendments to FRS 7: Improving Disclosures about Financial Instruments

The amended standard requires enhanced disclosure about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy (Level 1, Level 2 and Level 3), by class, for all financial instruments recognised at fair value. A reconciliation between the beginning and ending balance for Level 3 fair value measurements is required. Any significant transfers between levels of the fair value hierarchy and the reasons for those transfers need to be disclosed. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in Note 34. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 33.

2. Significant accounting policies (cont'd.)

2.5 Transition to Malaysian Financial Reporting Standards Framework ("MFRS Framework")

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the MFRS Framework.

The Company will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2012.

The Directors are of the opinion that the financial performance and financial position as disclosed in these financial statements for the year ended 31 December 2011 would not be significantly different if prepared under the MFRS Framework.

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

(i) Deferred tax assets

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

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

(iii) Property and equipment

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

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

(b) Key sources of estimation uncertainty and assumptions

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

(i) Valuation of general insurance contract liabilities

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

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

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 (cont'd.)

The main assumption underlying these techniques is that a company's past claims development experience can be used to project future claims development and hence, ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical areas, as well as by significant business lines and claims type. Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected in order to reflect their future development. 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 one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, level of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

(ii) Pipeline premium

The general insurance fund has recognised pipeline contribution amounting to approximately RM799,152 (2010: RM956,513) at the end of the current financial year. Estimations made by management are based on actual risks underwritten and is as advised by the relevant agents or underwriters.

(iii) Uncertainty in accounting estimates for general insurance business

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

(iii) Uncertainty in accounting estimates for general insurance business (cont'd.)

Generally, premiums and claims 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 Company's projections.

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

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

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

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

The Company recognised potential reinstatement premium expense for unsettled claims under non-proportional treaty arrangements. The treaty is in force until a claims settlement is made and a reinstatement premium becomes payable, and provisions are made when this does not happen in the claims loss year.

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3. Property and equipment

Group and Company	Land and buildings RM'000	Renovation RM'000	Motor vehicles RM'000	Furniture, fittings, office equipment and computers RM'000	Total RM'000
Cost					
At 1 January 2010	13,534	2,072	1,613	16,861	34,080
Additions	-	3	-	224	227
Disposals	-	-	(576)	-	(576)
At 31 December 2010	13,534	2,075	1,037	17,085	33,731
Additions	-	138	78	273	489
Disposals	-	-	(160)	(108)	(268)
At 31 December 2011	13,534	2,213	955	17,250	33,952
Accumulated depreciation and impairment loss					
At 1 January 2010	1,764	1,901	1,612	16,082	21,359
Charge for year	84	78	-	353	515
Disposals	-	-	(576)	-	(576)
At 31 December 2010	1,848	1,979	1,036	16,435	21,298
Charge for year	87	38	16	363	504
Disposals	-	-	(160)	(107)	(267)
Impairment loss during the year	2,150	-	-	-	2,150
At 31 December 2011	4,085	2,017	892	16,691	23,685
Net carrying amount					
At 31 December 2010	11,686	96	1	650	12,433
At 31 December 2011	9,449	196	63	559	10,267

4. Investment property

Group and Company	2011 RM'000	2010 RM'000
Freehold land and building:		
Cost		
At 1 January	2,665	2,665
Less: Accumulated depreciation	(248)	(226)
At 31 December	2,417	2,439
Fair value	3,000	3,700

5. Intangible assets

Group and Company	2011 RM'000	2010 RM'000
Computer software		
Cost		
At 1 January	1,972	1,972
Additions	186	-
At 31 December	2,158	1,972
Accumulated amortisation		
At 1 January	1,857	1,756
Amortisation	148	101
At 31 December	2,005	1,857
Net carrying amount	153	115

6. Investments

Group and Company	2011 RM'000	2010 RM'000
Malaysian government securities	-	30,135
Debt securities	131,581	126,328
Equity securities	26,508	21,709
Unit and property trust funds	27,813	24,905
Loans	821	913
Deposits with financial institutions	243,963	180,167
	430,686	384,157

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

	2011 RM'000	2010 RM'000
HTM financial assets (Note (a))	-	30,135
LAR (Note (b))	244,784	181,080
AFS financial assets (Note (c))	185,902	172,942
	430,686	384,157

(a) HTM financial assets

	2011 RM'000	2010 RM'000
At amortised cost:		
Malaysian government securities	-	30,135
At fair value:		
Malaysian government securities	-	30,202

6. Investments (cont'd.)

Group and Company (cont'd.)	2011 RM'000	2010 RM'000
(b) LAR		
At amortised cost:		
Fixed and call deposits with licensed financial institutions	243,963	180,167
Loans receivable:		
Staff mortgage loans	759	829
Other staff loans:		
Secured	46	68
Unsecured	16	16
	821	913
	244,784	181,080
At fair value:		
Fixed and call deposits with licensed financial institutions	243,963	180,167
Loans receivable:		
Staff mortgage loans	759	829
Other staff loans:		
Secured	46	68
Unsecured	16	16
	821	913
	244,784	181,080

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

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

6. Investments (cont'd.)

Group and Company (cont'd.)	2011 RM'000	2010 RM'000
(c) AFS financial assets		
At fair value:		
Equity securities:		
Quoted in Malaysia	26,287	21,438
Unit and property trust funds:		
Quoted in Malaysia	27,813	24,905
Debt securities:		
Quoted in Malaysia	131,581	126,328
	185,681	172,671
At cost less impairment:		
Equity securities:		
Unquoted in Malaysia	221	271
	185,902	172,942

(d) Carrying values of financial instruments

Group and Company	HTM RM'000	LAR RM'000	AFS RM'000	FVTPL RM'000	Total RM'000
At 1 January 2010	35,385	146,494	128,000	26,539	336,418
Reclassification from FVTPL to AFS	-	-	26,539	(26,539)	-
Purchases	-	1,703,309	55,018	-	1,758,327
Maturities/ disposals	(5,000)	(1,668,723)	(43,925)	-	(1,717,648)
Fair value gains recorded in:					
Other comprehensive income	-	-	7,233	-	7,233
Amortisation of investments	(250)	-	77	-	(173)
At 31 December 2010	30,135	181,080	172,942	-	384,157

6. Investments (cont'd.)

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

Group and Company (cont'd.)	HTM RM'000	LAR RM'000	AFS RM'000	FVTPL RM'000	Total RM'000
At 1 January 2011	30,135	181,080	172,942	-	384,157
Purchases	-	2,024,400	52,225	-	2,076,625
Maturities/ disposals	(30,000)	(1,960,696)	(39,960)	-	(2,030,656)
Fair value gains recorded in:					
Other comprehensive income	-	-	6,616	-	6,616
Realised gain transferred to income statement	-	-	(6,032)	-	(6,032)
Amortisation of investments	(135)	-	111	-	(24)
At 31 December 2011	-	244,784	185,902	-	430,686

(e) Fair values of financial investments

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

Group and Company	AFS RM'000
2011	
Quoted market bid price	185,681
At cost less impairment	221
	185,902
2010	
Quoted market bid price	172,671
At cost less impairment	271
	172,942

6. Investments (cont'd.)

(e) Fair values of financial investments (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.

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.

Please refer to Note 34 for the fair value hierarchy disclosure.

(f) Range of effective interest rates

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

Group and Company	2011 %	2010 %
Malaysian government securities	-	4.22
Debt securities	4.64	4.66
Loans	5.00	5.00
Deposits with financial institutions	3.31	2.89

7. Investment in subsidiary

Company	2011 RM'000	2010 RM'000
Unquoted shares	-*	-*

** Denotes share capital of RM2*

The Company has a 100% interest (2010: 100%) in the subsidiary, Capital OCA Berhad, a company incorporated in Malaysia. The subsidiary company is dormant.

8. Reinsurance assets

Group and Company	2011 RM'000	2010 RM'000
Claims liabilities (Note 13)	122,008	160,452
Premium liabilities (Note 13)	35,958	22,881
	157,966	183,333

9. Insurance receivables

Group and Company	2011 RM'000	2010 RM'000
Due premiums including agents, brokers and co-insurers balances	21,323	22,034
Due from reinsurers and cedants	38,487	41,360
	59,810	63,394
Accumulated impairment loss	(23,005)	(26,764)
	36,805	36,630

Movement in allowance accounts:

At 1 January	26,764	27,275
Reversal of allowance for impairment losses	(3,759)	(511)
At 31 December	23,005	26,764

10. Other receivables

Group and Company	2011 RM'000	2010 RM'000
Financial assets:		
Income due and accrued	3,256	2,902
Net assets held under the Malaysian Motor Insurance Pool ("MMIP")	17,085	8,154
Malaysian Institute of Insurance ("MII") bonds	260	260
Other receivables	1,676	1,342
	22,277	12,658
Non-financial assets:		
Tax recoverable	548	4,688
	22,825	17,346

The carrying amounts of other receivable (excluding net assets held by MMIP) approximate fair values due to the relatively short-term maturity of these balances.

11. Share capital

	2011		2010	
Company	No. of Shares '000	Amount RM'000	No. of Shares '000	Amount RM'000
Authorised:				
Ordinary share of RM1.00 each				
At beginning and end of year	200,000	200,000	200,000	200,000
Issued and paid-up:				
Ordinary share of RM1.00 each				
At beginning and end of year	100,013	100,013	100,013	100,013

12. Retained earnings

Presently, Malaysian companies adopt the full imputation system. In accordance with the Finance Act, 2007, which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders ("single-tier system"). However, there is a transitional period of six years expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard their accumulated tax credits under Section 108 of the Income Tax Act, 1967 ("Section 108 balance") and opt to pay dividends under the single-tier system. The change in the tax legislation also provides for the Section 108 balance to be locked in as at 31 December 2007 in accordance with Section 39 of the Finance Act, 2007.

The Company did not elect for the irrevocable option to disregard the Section 108 balance. During the transitional period, the Company may utilise the credits in the Section 108 balance as at 31 December 2011 to distribute cash dividend payments to ordinary shareholder as defined under the Finance Act, 2007.

The Company has sufficient Section 108 balance to frank the payment of dividends out of its entire retained earnings as at 31 December 2011.

13. Insurance contract liabilities

Group and Company	Note	2011 Gross RM'000	2011 Re-insurance RM'000	2011 Net RM'000	2010 Gross RM'000	2010 Re-insurance RM'000	2010 Net RM'000
Provision for claims reported by policyholders		239,584	(90,000)	149,584	274,474	(130,211)	144,263
Provision for incurred but not reported claims ("IBNR") and provision for risk margin for adverse deviations ("PRAD")		78,254	(32,008)	46,246	55,185	(30,241)	24,944
Claims liabilities	(i)	317,838	(122,008)	195,830	329,659	(160,452)	169,207
Premium liabilities	(ii)	115,979	(35,958)	80,021	100,065	(22,881)	77,184
		433,817	(157,966)	275,851	429,724	(183,333)	246,391

(i) Claims liabilities

	2011 Gross RM'000	2011 Re-insurance RM'000	2011 Net RM'000	2010 Gross RM'000	2010 Re-insurance RM'000	2010 Net RM'000
At 1 January	329,659	(160,452)	169,207	377,653	(223,747)	153,906
Claims incurred in the current accident year	164,447	(29,449)	134,998	170,543	(56,515)	114,028
Adjustment to claims incurred in prior accident years due to changes in assumptions	(39,098)	12,044	(27,054)	(88,963)	72,277	(16,686)
Claims paid during the year	(137,170)	55,849	(81,321)	(129,574)	47,533	(82,041)
At 31 December	317,838	(122,008)	195,830	329,659	(160,452)	169,207

(ii) Premium liabilities

	2011 Gross RM'000	2011 Re-insurance RM'000	2011 Net RM'000	2010 Gross RM'000	2010 Re-insurance RM'000	2010 Net RM'000
At 1 January	100,065	(22,881)	77,184	126,845	(58,746)	68,099
Premiums written in the year	261,684	(102,422)	159,262	217,366	(85,619)	131,747
Premiums earned during the year	(245,770)	89,345	(156,425)	(244,146)	121,484	(122,662)
At 31 December	115,979	(35,958)	80,021	100,065	(22,881)	77,184

14. Deferred taxation

Group and Company	**2011 RM'000**	**2010 RM'000**
At 1 January	39	(901)
Recognised in:		
Income statement	(1,159)	1,976
Other comprehensive income	(146)	(1,036)
At 31 December	(1,266)	39

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.

	2011 RM'000	**2010 RM'000**
Presented after appropriate offsetting as follows:		
Deferred tax liabilities	(1,578)	(1,458)
Deferred tax assets	312	1,497
	(1,266)	39

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

	Accelerated capital allowance on property and equipment RM'000	**Fair value of AFS financial assets RM'000**	**Provisions RM'000**	**Total RM'000**
Deferred tax liabilities				
At 1 January 2010	(94)	(309)	(1,691)	(2,094)
Recognised in:				
Income statement	(19)	-	1,691	1,672
Other comprehensive income	-	(1,036)	-	(1,036)
At 31 December 2010	(113)	(1,345)	-	(1,458)
Recognised in:				
Income statement	26	-	-	26
Other comprehensive income	-	(146)	-	(146)
At 31 December 2011	(87)	(1,491)	-	(1,578)

14. Deferred taxation (cont'd.)

	Premium liabilities RM'000	Receivables RM'000	Provisions RM'000	Total RM'000
Deferred tax assets				
At 1 January 2010	-	1,193	-	1,193
Recognised in:				
Income statement	-	(463)	767	304
At 31 December 2010	-	730	767	1,497
Recognised in:				
Income statement	311	(730)	(766)	(1,185)
At 31 December 2011	311	-	1	312

15. Insurance payables

Group and Company	2011 RM'000	2010 RM'000
Due to agents, brokers, co-insurers and insureds	12,336	9,546
Due to reinsurers and cedants	38,717	39,759
	51,053	49,305

The carrying amount disclosed above approximate fair value at the reporting date.

16. Other payables

Group and Company	2011 RM'000	2010 RM'000
Financial liabilities:		
Claims payable	4,603	11,643
Reinsurance deposits	3,478	3,936
Others	4,658	3,321
	12,739	18,900
Non-financial liabilities:		
Accrued expenses	4,079	4,867
	16,818	23,767

The carrying amount disclosed above approximate fair value at the reporting date.

17. Retirement benefits

Group and Company	**2011 RM'000**	**2010 RM'000**
At beginning of year	1,548	2,120
Provision for the year	85	202
	1,633	2,322
Payments during the year	(297)	(774)
	1,336	1,548
Amount payable after 12 months	1,105	1,171

18. Operating revenue

Group and Company	**Note**	**2011 RM'000**	**2010 RM'000**
Gross earned premiums	19	245,770	244,146
Investment income	20	17,691	13,120
		263,461	257,266

19. Net earned premiums

Group and Company	**Note**	**2011 RM'000**	**2010 RM'000**
(a) Gross earned premiums			
General insurance contracts	13(ii)	261,684	217,366
Change in premium liabilities	13(ii)	(15,914)	26,780
		245,770	244,146
(b) Premiums ceded to reinsurers			
General insurance contracts	13(ii)	102,422	85,619
Change in premium liabilities	13(ii)	(13,077)	35,865
		89,345	121,484
Net earned premiums		156,425	122,662

20. Investment income

Group and Company	2011 RM'000	2010 RM'000
Rental income from investment property	346	354
Interest income:		
- HTM financial assets	638	1,297
- AFS financial assets	5,892	5,669
- LAR	6,456	4,242
- Others	2,561	761
Dividend income	1,823	970
	17,716	13,293
Net amortisation of premiums on investment	(25)	(173)
	17,691	13,120

21. Realised gains and losses

Group and Company	2011 RM'000	2010 RM'000
Property and equipment:		
Realised gain on disposal of property and equipment	28	55
AFS financial assets:		
Realised gains:		
Equity securities		
- quoted in Malaysia	5,976	3,857
Debts securities		
- quoted in Malaysia	760	164
Realised losses:		
Equity securities		
- quoted in Malaysia	(704)	(24)
Debts securities		
- quoted in Malaysia	-	(908)
Total realised gains for AFS financial assets	6,032	3,089
Total realised gains	6,060	3,144

22. Other operating income/(expense)

Group and Company	2011 RM'000	2010 RM'000
Other operating revenue:		
Sundry income	130	373
Other operating expense:		
Impairment loss of property and equipment	(2,150)	-

23. Net claims

Group and Company	Note	2011 RM'000	2010 RM'000
(a) Gross claims paid			
General insurance contracts	13	(137,170)	(129,574)
(b) Claims ceded to reinsurers			
General insurance contracts	13	55,849	47,533
Net claims paid (a)		(81,321)	(82,041)
(c) Gross change in contract liabilities			
General insurance contracts		11,821	47,995
(d) Change in contract liabilities ceded to reinsurers			
General insurance contracts		(38,444)	(58,084)
Net change in contract liabilities (b)		(26,623)	(10,089)
Net claims (a) + (b)		(107,944)	(92,130)

24. Management expenses

Group and Company	2011 RM'000	2010 RM'000
Employee benefits expense (Note 24(a))	14,607	12,460
Directors' remuneration (Note 24(b))	356	532
Auditors' remuneration:		
- statutory audits	163	173
- other services	42	137
Depreciation of property and equipment	504	515
Depreciation of investment property	22	21
Amortisation of intangible assets	148	101
Reversal of allowance for impairment losses on insurance receivables	(3,759)	(511)
Provision for Takaful and Insurance Benefits Protection System ("TIPS") (2010: Insurance Guarantee Scheme Fund ("IGSF")) levy	204	323
Rental of premises	746	617
Printing charges	796	1,040
Publicity expenses	2,278	1,768
Communication expenses	695	667
Computer expenses	1,249	1,152
Administration and general expenses	4,731	4,234
	22,782	23,229

Group and Company	2011 RM'000	2010 RM'000
(a) Employee benefits expense		
Wages and salaries	10,115	9,082
Social security contributions	136	127
Contributions to defined contribution plan EPF	1,493	1,345
Other benefits	2,863	1,906
	14,607	12,460

Included in employees benefits expense is CEO's remuneration of RM652,000 (2010: RM412,000) as detailed in Note 24(c).

24. Management expenses (cont'd.)

Group and Company	**2011 RM'000**	**2010 RM'000**

(b) Directors' remuneration

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

	2011 RM'000	2010 RM'000
Non-executive:		
Fees	109	138
Allowances and other emoluments	247	394
	356	532

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

	Number of directors	
	2011	**2010**
Non-executive directors:		
Below RM50,000	5	2
RM50,000 - RM150,000	1	3

Group and Company

(c) CEO's remuneration

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

	2011 RM'000	**2010 RM'000**
Salary	462	312
EPF	70	44
Bonus	120	56
Total remuneration excluding the benefits in kind (Note 24(a))	652	412
Estimated money value of benefits in kind	30	17
Total remuneration	682	429

25. Taxation

Group and Company	2011 RM'000	2010 RM'000
Current income tax:		
Malaysian income tax	8,964	4,327
(Over)/under provision in prior years	(1,405)	3,314
	7,559	7,641
Deferred tax (Note 14):		
Relating to origination and reversal of temporary differences	553	(33)
Under/(over) provision in prior years	606	(1,943)
	1,159	(1,976)
	8,718	5,665

The income tax is based on the tax rate of 25% (2010: 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 and Company	2011 RM'000	2010 RM'000
Profit before tax	34,971	15,856
Taxation at Malaysian statutory tax rate of 25%	8,743	3,964
Expenses not deductible for tax purposes	774	330
(Over)/under provision of taxation in prior years	(1,405)	3,314
Under/(over) provision of deferred taxation in prior years	606	(1,943)
Tax expense for the year	8,718	5,665

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 and Company	2011 RM'000	2010 RM'000
Profit attributable to ordinary equity holders	26,253	10,191
Weighted average number of shares in issue	100,013	100,013
Basic earnings per share (sen)	26.2	10.2

26. Earnings per share (cont'd.)

There were no dilutive potential ordinary shares as at the reporting date. There have been no other transactions involving ordinary shares between the reporting date and the date of completion of this financial statements.

27. Cash flows

Group and Company	Note	2011 RM'000	2010 RM'000
Profit before taxation		34,971	15,856
Investment income	20	(17,716)	(13,293)
Realised gain on disposal of investments	21	(6,032)	(3,089)
Gain on disposal of property and equipment	21	(28)	(55)
Purchases of AFS financial assets	6(d)	(52,225)	(54,317)
Proceeds from maturities/disposal of AFS financial assets	6(d)	39,960	47,014
Proceeds from maturities/disposal of HTM financial assets	6(d)	30,000	4,750
Increase in LAR		(56,998)	(42,520)
Non-cash items			
Depreciation of property and equipment	3	504	515
Depreciation of investment property	4	22	21
Amortisation of intangible assets	5	148	101
Impairment loss of property and equipment	22	2,150	-
Net amortisation of premiums on investment	20	25	173
Reversal of impairment losses of insurance receivables	24	(3,759)	(511)
Allowance for staff retirement gratuities	17	85	202
Changes in working capital:			
Reinsurance assets		25,367	93,949
Insurance receivables		3,584	1,156
Other receivables		(3,235)	2,098
Insurance contract liabilities		4,093	(74,775)
Insurance payables		1,748	9,372
Other payables		(6,949)	(8,423)
Cash used in operating activities		(4,285)	(21,776)

28. 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:

	2011 RM'000	2010 RM'000
Rental of office premises:		
Payable within one year	740	483
Payable after one year	520	176
	1,260	659

(b) The Company as lessor

The Company has entered into 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 non-cancellable operating leases contracted for as at the reporting date but not recognised as receivables, are as follows:

	2011 RM’000	2010 RM’000
Receivable within one year	338	198
Receivable after one year	532	-
	870	198

Rental income on investment properties recognised in the income statement during the financial year is disclosed in Note 20.

29. Related party disclosures

(a) Compensation of key management personnel

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

Group and Company	2011 RM'000	2010 RM'000
Non-executive directors' remuneration	356	532
CEO's remuneration	682	429
Other key management personnel:		
Short term employee benefits	747	760
EPF expenses	90	112
Gratuity	21	699
Benefits-in-kind	15	22
	1,911	2,554

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

30. Regulatory capital requirement

The capital structure of the Company as at 31 December 2011, as prescribed under the RBC Framework, is provided as below:

	2011 RM'000	2010 RM'000
Eligible Tier 1 capital		
Share capital (paid-up)	100,013	100,013
Reserves, including retained earnings	54,840	28,587
	154,853	128,600
Tier 2 capital		
Eligible reserves	7,128	6,690
Amount deducted from capital	344	115
Total capital available	161,637	135,175

31. Risk management framework

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

In meeting these requirements the Board, which has the ultimate responsibility for ensuring an adequate system of risk management, has established a Risk Management Committee of 3 members, comprising two Non-Executive Directors, 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 shareholder 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 premium 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.)

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.

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 underwriters 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 and reputation.

31. Risk management framework (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 one 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 strategy and adverse movements in the value of investments. Investment risk 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:

(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.

31. Risk management framework (cont'd.)

D. Investments (cont'd)

ii. Policy (cont'd)

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

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

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

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

(f) 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.

(g) 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;

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

(i) Monitor investment portfolio and performance weekly or at other shorter intervals and report investment exposure and performance tot he 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.)

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 of Directors 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 amounts 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.

31. Risk management framework (cont'd.)

F. Operations (cont'd.)

ii. Policy (cont'd)

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

(d) Maintain an IT security management policy that identifies the rules and procedures that all persons 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 fulfillment 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 unauthorized 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.

31. Risk management framework (cont'd.)

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.

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

The Internal Audit, which reports independently to the Board of Directors, 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 many 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 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 for 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.

31. Risk management framework (cont'd.)

H. Regulations of risk management (cont'd)

(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. 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.

(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
2011			
Motor	78,606	(10,009)	68,597
Fire	6,395	(3,832)	2,563
Marine, aviation and transit (MAT)	21,636	(18,983)	2,653
Others	9,342	(3,134)	6,208
	115,979	(35,958)	80,021
2010			
Motor	63,099	(1,117)	61,982
Fire	5,635	(2,497)	3,138
Marine, aviation and transit (MAT)	21,951	(16,990)	4,961
Others	9,380	(2,277)	7,103
	100,065	(22,881)	77,184

32. Insurance risk (cont'd)

(a) Concentration of risks by class of business (cont'd)

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

Group and Company	Gross claim liabilities RM'000	Re-insurance claim liabilities RM'000	Net claim liabilities RM'000
2011			
Motor	155,110	(7,617)	147,493
Fire	24,096	(18,304)	5,792
Marine, aviation and transit (MAT)	78,924	(60,076)	18,848
Others	59,708	(36,011)	23,697
	317,838	(122,008)	195,830
2010			
Motor	116,709	(7,608)	109,101
Fire	22,840	(16,240)	6,600
Marine, aviation and transit (MAT)	115,550	(88,511)	27,039
Others	74,560	(48,093)	26,467
	329,659	(160,452)	169,207

(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.

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.

32. Insurance risk (cont'd)

(b) Sensitivity analysis (cont'd)

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 ultimate loss ratio ("Loss ratio");
- Provision of Risk Margin for Adverse Deviation ("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.

	Chang in variable	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before taxation RM'000	Impact on equity RM'000
2011					
Loss ratio	+10%	57,635	36,159	36,159	27,119
PRAD	+10%	2,040	1,797	1,797	1,348
Provision for expenses	+10%	525	1,118	1,118	839
2010					
Loss ratio	+10%	21,367	16,632	16,632	12,474
PRAD	+10%	2,787	1,327	1,327	995
Provision for expenses	+10%	1,811	1,811	1,811	1,358

32. 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 Balance Sheet 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.

Gross general insurance contract liabilities for 2011:

Accident Year	Note	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	Total RM'000
At end of accident year		303,677	215,703	171,487	168,880	231,999	174,026	170,544	164,136	
One year later		315,814	206,489	189,062	158,065	251,136	124,814	168,597		
Two years later		303,539	199,753	238,023	161,822	211,179	117,799			
Three years later		310,463	185,568	190,600	157,899	206,783				
Four years later		298,651	185,137	192,144	152,896					
Five years later		283,421	190,674	190,249						
Six years later		286,545	186,659							
Seven years later		309,785								
Current estimate of cumulative claims incurred		309,785	186,659	190,249	152,896	206,783	117,799	168,597	164,136	1,496,904
At end of accident year		(75,031)	(56,005)	(39,651)	(52,065)	(43,395)	(39,747)	(38,182)	(30,815)	
One year later		(213,832)	(108,271)	(111,344)	(97,631)	(146,308)	(73,127)	(95,372)		
Two years later		(249,244)	(147,832)	(131,382)	(120,035)	(173,375)	(88,940)			
Three years later		(265,409)	(158,615)	(172,851)	(133,779)	(188,104)				
Four years later		(269,059)	(166,057)	(177,927)	(140,857)					
Five years later		(272,534)	(170,840)	(178,884)						
Six years later		(274,978)	(173,027)							
Seven years later		(283,067)								
Cumulative payments to-date		(283,067)	(173,027)	(178,884)	(140,857)	(188,104)	(88,940)	(95,372)	(30,815)	(1,179,066)
Gross general insurance contract liabilities per statement of financial position	13	26,718	13,632	11,365	12,039	18,679	28,859	73,225	133,321	317,838

32. Insurance risk (cont'd.)

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

Net general insurance contract liabilities for 2011:

Accident Year	Note	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	Total RM'000
At end of accident year		99,947	86,749	93,390	90,326	102,392	104,437	114,029	134,687	
One year later		99,776	90,534	96,896	85,079	92,619	88,388	106,956		
Two years later		101,532	88,846	87,560	84,387	89,334	87,742			
Three years later		102,721	79,869	85,438	84,684	85,705				
Four years later		93,982	79,430	86,228	80,836					
Five years later		91,252	80,828	84,087						
Six years later		93,194	77,700							
Seven years later		96,654								
Current estimate of cumulative claims incurred		96,654	77,700	84,087	80,836	85,705	87,742	106,956	134,687	754,367
At end of accident year		(39,398)	(27,106)	(34,194)	(32,810)	(34,131)	(36,105)	(34,592)	(28,737)	
One year later		(66,242)	(57,734)	(64,307)	(60,380)	(63,502)	(62,444)	(67,182)		
Two years later		(75,465)	(65,144)	(70,765)	(66,712)	(71,614)	(70,711)			
Three years later		(82,227)	(68,029)	(74,012)	(71,819)	(75,894)				
Four years later		(83,721)	(70,604)	(77,293)	(74,337)					
Five years later		(85,375)	(72,926)	(77,821)						
Six years later		(86,838)	(73,708)							
Seven years later		(90,147)								
Cumulative payments to-date		(90,147)	(73,708)	(77,821)	(74,337)	(75,894)	(70,711)	(67,182)	(28,737)	(558,537)
Net general insurance contract liabilities per statement of financial position	13	6,507	3,992	6,266	6,499	9,811	17,031	39,774	105,950	195,830

32. Insurance risk (cont'd.)

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

Gross general insurance contract liabilities for 2010:

Accident Year	Note	2003 RM'000	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	Total RM'000
At end of accident year		274,230	298,627	212,285	167,686	166,086	231,338	173,640	170,237	
One year later		252,462	308,207	200,053	183,227	154,839	250,131	124,133		
Two years later		273,148	295,351	192,945	232,048	158,509	209,999			
Three years later		275,965	302,121	178,676	184,539	154,492				
Four years later		279,967	290,270	178,194	186,016					
Five years later		276,344	274,991	183,709						
Six years later		264,309	278,062							
Seven years later		285,860	-							
Current estimate of cumulative claims incurred		285,860	278,062	183,709	186,016	154,492	209,999	124,133	170,237	1,592,508
At end of accident year		(49,691)	(69,981)	(52,586)	(35,851)	(49,271)	(42,734)	(39,361)	(37,877)	
One year later		(171,642)	(206,226)	(101,836)	(105,509)	(94,405)	(145,303)	(72,446)		
Two years later		(221,305)	(241,056)	(141,024)	(125,407)	(116,722)	(172,194)			
Three years later		(226,437)	(257,067)	(151,724)	(166,789)	(130,372)				
Four years later		(235,945)	(260,678)	(159,113)	(171,800)					
Five years later		(238,010)	(264,104)	(163,874)						
Six years later		(241,883)	(266,495)							
Seven years later		(247,791)								
Cumulative payments to-date		(247,791)	(266,495)	(163,874)	(171,800)	(130,372)	(172,194)	(72,446)	(37,877)	(1,262,849)
Gross general insurance contract liabilities per statement of financial position	13	38,069	11,567	19,835	14,216	24,120	37,805	51,687	132,360	329,659

32. Insurance risk (cont'd.)

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

Net general insurance contract liabilities for 2010:

Accident Year	Note	2003 RM'000	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	Total RM'000
At end of accident year		105,491	95,411	83,525	89,507	87,488	101,725	104,039	113,716	
One year later		101,642	92,614	84,403	90,969	81,750	91,616	87,675		
Two years later		98,891	93,819	82,385	81,533	80,953	88,173			
Three years later		99,713	94,852	73,352	79,346	81,155				
Four years later		101,386	86,073	72,853	80,061					
Five years later		97,931	83,295	74,222						
Six years later		96,289	85,197							
Seven years later		103,940								
Current estimate of cumulative claims incurred		103,940	85,197	74,222	80,061	81,155	88,173	87,675	113,716	714,139
At end of accident year		(36,424)	(34,863)	(23,882)	(30,311)	(29,972)	(33,463)	(35,706)	(34,281)	
One year later		(69,498)	(59,079)	(51,603)	(58,380)	(57,052)	(62,499)	(61,731)		
Two years later		(78,955)	(67,752)	(58,684)	(64,738)	(63,277)	(70,453)			
Three years later		(84,036)	(74,358)	(61,513)	(67,919)	(68,290)				
Four years later		(88,730)	(75,812)	(64,026)	(71,125)					
Five years later		(89,940)	(77,418)	(66,320)						
Six years later		(91,128)	(78,841)							
Seven years later		(93,891)								
Cumulative payments to-date		(93,891)	(78,841)	(66,320)	(71,125)	(68,290)	(70,453)	(61,731)	(34,281)	(544,932)
Net general insurance contract liabilities per statement of financial position	13	10,049	6,356	7,902	8,936	12,865	17,720	25,944	79,435	169,207

33. Financial risks

(a) Credit risk

Treaty reinsurers and brokers credit ratings are evaluated prior to entering into treaty arrangements. The Group observes 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 has tightened the credit collection and recovery policies to expedite collections. The Group is unable to avoid any deterioration in credit ratings of reinsurers after inception of treaties.

Credit exposure

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

Group and Company	Note	2011 RM'000	2010 RM'000
HTM financial assets:			
Malaysian government securities	6(a)	-	30,135
LAR:			
Fixed and call deposits with licensed financial institutions	6(b)	243,963	180,167
Loans receivable:			
Staff mortgage loans	6(b)	759	829
Other staff loans:			
Secured	6(b)	46	68
Unsecured	6(b)	16	16
AFS financial assets:			
Debt securities	6(c)	131,581	126,328
Reinsurance assets	8	157,966	183,333
Insurance receivables	9	36,805	36,630
Other receivables	10	22,825	17,346
Cash and bank balances		5,152	3,142
		599,113	577,994

33. Financial risks (cont'd.)

(a) Credit risk (cont'd.)

Credit exposure by credit rating

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

	Neither impaired nor past-due						
Group and 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**
2011							
LAR:							
Fixed and call deposits with licensed financial institutions	77,886	75,871	16,604	-	73,602	-	243,963
Loans receivable:							
Staff mortgage loans	-	-	-	-	759	-	759
Other staff loans:							
Secured	-	-	-	-	46	-	46
Unsecured	-	-	-	-	16	-	16
AFS financial assets:							
Debt securities	55,675	68,545	-	-	7,361	-	131,581
Reinsurance assets	-	934	47,040	8,757	101,235	-	157,966
Insurance receivables	1,416	1,080	6,076	578	(562)	28,217	36,805
Other receivables	1,357	1,285	112	-	20,071	-	22,825
Cash and bank balances	4,042	756	1,352	-	(998)	-	5,152
	140,376	148,471	71,184	9,335	201,530	28,217	599,113

33. Financial risks (cont'd.)

(a) Credit risk (cont'd.)

Credit exposure by credit rating (cont'd.)

	Neither impaired nor past-due						
Group and 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**
2010							
HTM financial assets :							
Malaysian government securities	-	-	-	-	30,135	-	30,135
LAR:							
Fixed and call deposits with licensed financial institutions	40,594	54,962	10,000	-	74,611	-	180,167
Loans receivable:							
Staff mortgage loans	-	-	-	-	829	-	829
Other staff loans:							
Secured	-	-	-	-	68	-	68
Unsecured	-	-	-	-	16	-	16
AFS financial assets:							
Debt securities	55,770	63,150	-	-	7,408	-	126,328
Reinsurance assets	3,637	18,808	43,698	14,286	102,904	-	183,333
Insurance receivables	783	(4)	7,804	225	2,751	25,071	36,630
Other receivables	1,025	981	39	-	15,301	-	17,346
Cash and bank balances	3,371	460	894	-	(1,583)	-	3,142
	105,180	138,357	62,435	14,511	232,440	25,071	577,994

33. Financial risks (cont'd.)

(a) Credit risk (cont'd.)

Age analysis of financial assets past-due but not impaired

Group and Company	< 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
	Past due but not impaired					
2011						
Insurance receivables:						
Due premium including agents, brokers and co-insurers balances	2,960	1,097	947	677	3,872	9,553
Due from reinsurers and cedants	6,805	113	1,027	1,809	8,910	18,664
	9,765	1,210	1,974	2,486	12,782	28,217
2010						
Insurance receivables:						
Due premium including agents, brokers and co-insurers balances	3,088	965	1,426	869	1,240	7,588
Due from reinsurers and cedants	3,251	68	237	4,395	9,532	17,483
	6,339	1,033	1,663	5,264	10,772	25,071

As at 31 December 2011 based on the assessment of the receivables, there are impaired insurance receivable of RM23,005,000 (2010: RM26,764,000). A reconciliation of the allowance for the impairment losses for the insurance receivables is disclosed in Note 9.

33. Financial risks (cont'd.)

(b) Liquidity risk

Liquidity risk is the risk where the Group is 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 assets and 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 and 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
2011						
LAR:						
Fixed and call deposits with licensed financial institutions	243,963	247,663	-	-	-	247,663
Loans receivable:						
Staff mortgage loans	759	-	25	734	-	759
Other staff loans:						
Secured	46	5	41	-	-	46
Unsecured	16	16	-	-	-	16
AFS financial assets:						
Equity securities	26,508	-	-	-	26,508	26,508
Unit and property trust funds	27,813	-	-	-	27,813	27,813
Debt securities	131,581	32,117	111,420	-	-	143,537
Reinsurance assets	157,966	89,989	66,505	1,472	-	157,966
Insurance receivables	36,805	36,805	-	-	-	36,805
Other receivables	22,825	3,472	2	-	19,351	22,825
Cash and bank balances	5,152	-	-	-	5,152	5,152
	653,434	410,067	177,993	2,206	78,824	669,090

33. Financial risks (cont'd.)

(b) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)

Group and 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
2011 (cont'd.)						
Insurance contract liabilities	433,817	171,530	140,771	5,537	115,979	433,817
Insurance payables	51,053	51,053	-	-	-	51,053
Other payables	16,818	10,162	437	-	6,219	16,818
Retirement benefits	1,336	231	676	429	-	1,336
	503,024	232,976	141,884	5,966	122,198	503,024
2010						
HTM financial assets :						
Malaysian government securities	30,135	30,202	-	-	-	30,202
LAR:						
Fixed and call deposits with licensed financial institutions	180,167	181,428	-	-	-	181,428
Loans receivable:						
Staff mortgage loans	829	12	23	794	-	829
Other staff loans:						
Secured	68	-	68	-	-	68
Unsecured	16	16	-	-	-	16
AFS financial assets:						
Equity securities	21,709	-	-	-	21,709	21,709
Unit and property trust funds	24,905	-	-	-	24,905	24,905
Debt securities	126,328	19,550	118,800	3,561	-	141,911
Reinsurance assets	183,333	84,038	71,356	5,058	22,881	183,333
Insurance receivables	36,630	36,630	-	-	-	36,630
Other receivables	17,346	2,894	2	-	14,450	17,346
Cash and bank balances	3,142	-	-	-	3,142	3,142
	624,608	354,770	190,249	9,413	87,087	641,519

33. Financial risks (cont'd.)

(b) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)

Group and 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
2010 (cont'd.)						
Insurance contract liabilities	429,724	166,388	150,622	12,649	100,065	429,724
Insurance payables	49,305	49,305	-	-	-	49,305
Other payables	23,767	15,964	568	-	7,235	23,767
Retirement benefits	1,548	377	740	431	-	1,548
	504,344	232,034	151,930	13,080	107,300	504,344

33. Financial risks (cont'd.)

(b) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)

The table below summarises the expected utilisation or settlement of assets.

Group and Company	Current* RM'000	Non-current RM'000	Total RM'000
2011			
Property and equipment	-	10,267	10,267
Investment property	-	2,417	2,417
Intangible assets	-	153	153
Investments			
LAR	243,984	800	244,784
AFS financial assets	28,023	157,879	185,902
Reinsurance assets	89,989	67,977	157,966
Insurance receivables	36,805	-	36,805
Other receivables	3,472	19,353	22,825
Cash and bank balances	5,152	-	5,152
	407,425	258,846	666,271
2010			
Property and equipment	-	12,433	12,433
Investment property	-	2,439	2,439
Intangible assets	-	115	115
Investments			
HTM financial assets	30,135	-	30,135
LAR	181,080	-	181,080
AFS financial assets	15,162	157,780	172,942
Reinsurance assets	96,022	87,311	183,333
Insurance receivables	36,630	-	36,630
Other receivables	2,894	14,452	17,346
Deferred tax assets	39	-	39
Cash and bank balances	3,142	-	3,142
	365,104	274,530	639,634

* *Expected utilisation or settlement within 12 months from the Statements of Financial Position date.*

33. Financial risks (cont'd.)

(c) 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 and Company	Change in FBMKLCI %	Effect on net income for the year RM'000	Effect on equity RM'000
2011			
Market indices:			
FBMKLCI	+10%	527	948
FBMKLCI	-10%	(527)	(948)
2010			
Market indices:			
FBMKLCI	+10%	197	510
FBMKLCI	-10%	(197)	(510)

33. Financial risks (cont'd.)

(c) Market risk

Interest rate risk

The Group has 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 and Company	Changes in basis points	Effect on net income for the year RM'000	Effect on equity RM'000
2011			
Interest rates	+ 100 bps	(1,830)	(4,539)
Interest rates	- 100 bps	1,830	4,446
2010			
Interest rates	+ 100 bps	(1,351)	(4,551)
Interest rates	- 100 bps	1,351	4,652

(d) 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.

34. Fair values of financial assets and liabilities

The Company 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 and Company	**Quoted market price (Level 1) RM'000**	**Observable inputs (Level 2) RM'000**	**Un-observable inputs (Level 3) RM'000**	**Total RM'000**
AFS financial assets:				
2011				
Equity securities:				
Quoted in Malaysia	26,287	-	-	26,287
Unit and property trust funds:				
Quoted in Malaysia	27,813	-	-	27,813
Debt securities:				
Quoted in Malaysia	131,581	-	-	131,581
	185,681	-	-	185,681
2010				
Equity securities:				
Quoted in Malaysia	21,438	-	-	21,438
Unit and property trust funds:				
Quoted in Malaysia	24,905	-	-	24,905
Debt securities:				
Quoted in Malaysia	126,328	-	-	126,328
	172,671	-	-	172,671