TUNE INSURANCE MALAYSIA BERHAD

(30686 K)

(Incorporated in Malaysia)

Directors’ Report and Audited Financial Statements

31 December 2018

30686 K

Tune Insurance Malaysia Berhad
(Incorporated in Malaysia)

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Tune Insurance Malaysia Berhad
(Incorporated in Malaysia)

Directors' report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

Principal activities

The Company is principally engaged in the underwriting of all classes of general insurance business. There have been no significant changes in the nature of this activity during the financial year. The principal activity of the subsidiary and other information relating to the subsidiary are set out in Note 6(e) to the financial statements.

Holding company

The immediate and ultimate holding company is Tune Protect Group Berhad ("TPG"), a company incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

Results

	Group RM'000	Company RM'000
Net profit for the year	21,099	21,086

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

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in Note 8 to the financial statements.

Dividends

The amount of dividend declared and paid by the Company since 31 December 2017 was as follows:

	RM'000
Final Single-Tier dividend of RM0.11 per ordinary share amounting to RM11,001,454 in respect of the financial year ended 31 December 2017 approved on 30 May 2018 and paid on 25 June 2018.	11,001

Tune Insurance Malaysia Berhad
(Incorporated in Malaysia)

Tune Protect Group Berhad Employees' Share Option Scheme ("ESOS")

On 18 March 2014, Tune Protect Group Berhad offered 15,715,000 ESOS shares to eligible employees of Tune Protect Group Berhad and its subsidiaries. The offer period was from 18 March 2014 to 17 April 2014. The ESOS will be exercisable over a period of 10 years from the grant date of 17 April 2014 at an exercise price of RM1.71 per ESOS share. There were no ESOS shares exercised during the year.

Board of Directors

The names of the directors of the Company in office since the beginning of the financial year to the date of this report are:

Mohd Yusof Bin Hussian
- Independent Non-Executive Director, Chairman

Chee Siew Eng
- Independent Non-Executive Director

Tan Ming-Li
- Independent Non-Executive Director

Lim Chong Beng
- Independent Non-Executive Director

Hong Kean Yong
- Independent Non-Executive Director

Razman Hafidz Bin Abu Zarim
- Non Independent Executive Director (resigned with effect from 31 December 2018)

Profile of Directors

The following are the profile of the Directors of the Company.

Mohd Yusof Bin Hussian
- Independent Non-Executive Director

Mohd Yusof bin Hussian, is the Independent Non-Executive Director of Tune Insurance Malaysia Berhad (hereinafter Tune Protect Malaysia). He was appointed to the Board on 23 May 2012 and is the Chairman of the Board and a member of the Risk, Investment, Nomination and Remuneration Committees. He was appointed as an Audit Committee Member on 16 November 2018.

Board of Directors (cont'd.)

Profile of Directors (cont'd.)

Mohd Yusof Bin Hussian (cont'd.)
- Independent Non-Executive Director

He is a graduate of Universiti Teknologi MARA, a fellow member of the Association of Chartered Certified Accountants (UK), a member of the Chartered Institute of Purchasing and Supply (UK) and a Chartered Accountant of the Malaysian Institute of Accountants. He is also a Certified Financial Planner. He was a member of the ACCA Malaysian Advisory Committee for 5 years.

He started his career with Coopers & Lybrand from 1971 to 1976 as an external auditor. Later he joined PTM Thompson Advertisings Sdn Bhd, an affiliate of J. Walter Thompson Group in USA, as the Finance and Administration Manager cum Company Secretary. He left the company and joined Shell Malaysia in 1986. During his tenure in Shell, he held various positions in the company and the refinery which included amongst others, Internal Auditor, Treasurer, Finance and Services Manager and Procurement Contract Manager. He resigned as a Special Project Manager from Shell in 1999 on an early retirement.

He is presently an Independent Non-Executive Director of Proton Commerce Sdn Bhd, an associate company of Proton Holdings Berhad, and an Associate Director of CG Board Asia Pacific Sdn Bhd while also holding a directorship role in Boilermech Holdings Berhad.

Chee Siew Eng
- Independent Non-Executive Director

Chee Siew Eng was appointed to the Board on 23 May 2012 as an Independent Non-Executive Director. He holds a Bachelor of Arts Degree in Economics from the University of Malaya. He has been a member of the Chartered Insurance Institute, U K (ACII) and the Malaysian Insurance Institute (MII).

He started his career in insurance with the office of the Director General of Insurance, Ministry of Finance as an insurance officer from 1977 to 1988. Subsequently, he joined Bank Negara Malaysia in May 1988 as a manager of the Insurance Regulatory Department. He was promoted to Deputy Director prior to his retirement in 2008. In 2010, he was engaged as a consultant to assist Perbadanan Insurans Deposit Malaysia (PIDM) in formulating a new framework and legislation for the Insurance Compensation Scheme in Malaysia.

He also sits on the Board of Malaysian Life Reinsurance Group Berhad.

Board of Directors (cont'd.)

Profile of Directors (cont'd.)

Tan Ming-Li
- Independent Non-Executive Director

Ms. Tan Ming-Li, was appointed as an Independent Non-Executive Director of the Company on 1 April 2014. She is the Chairman of the Nomination and Remuneration Committees and a member of the Risk Management and Audit Committees of the Company.

Ms. Tan is a graduate from the University of Melbourne, Australia with a double degree in Law (Hons) and Science.

She is currently a partner in the legal firm of Messrs Chooi & Company + Cheang & Ariff (formerly known as Cheang & Ariff) and has been in legal practice since 1994. She specialises in corporate and securities law where she is principally involved in advising on capital market transactions, mergers and acquisitions, corporate restructuring as well as corporate finance related work. Prior to joining Cheang & Ariff in 1997, she practiced law in the firm of Messrs Allen & Gledhill, Kuala Lumpur, in the areas of corporate and commercial litigation and intellectual property.

Lim Chong Beng
- Independent Non-Executive Director

Mr. Lim Chong Beng was appointed as an Independent Non-Executive Director of the Company on 1 September 2015.

He graduated from the University of Leeds, England with a Bachelor of Arts in Economics (Hons) and is currently a Fellow of the Institute of Chartered Accountants in England & Wales and an Associate of the Malaysian Institute of Accountants.

Mr. Lim completed his articleship with a chartered accounting firm in London, England. Upon obtaining his professional qualification and return to Malaysia, Mr. Lim joined Price Waterhouse for several years, attaining the position of Senior Audit Manager before leaving to join the insurance industry.

Mr. Lim has 29 years of experience in the general insurance industry having worked as the Vice President, Finance in British American Life & General Insurance Berhad (now known as Manulife Insurance Malaysia Berhad) and General Manager of Finance and IT in Berjaya Sompo Insurance Berhad and Tokio Marine Insurance Malaysia Berhad. His work experience covered all areas of Financial Accounting and he also served as the Compliance Officer, Risk Management Head and Chief Internal Auditor in his later years with Tokio Marine. Mr. Lim was the Deputy Convenor of the Finance Sub-Committee of Persatuan Insurans Am Malaysia (PIAM) for many years and represented PIAM in dialogues and discussions with the regulatory authorities on financial matters relating to the general insurance industry.

Board of Directors (cont'd.)

Profile of Directors (cont'd.)

Lim Chong Beng (cont'd.)
- Independent Non-Executive Director

Mr. Lim currently holds the position of Executive Director of CLS Risk Consult Sdn Bhd, an in-house corporate agency for the Tiong Nam group of companies, of which its holding company, Tiong Nam Logistics Holdings Berhad, is a public listed company listed on the Main Market of Bursa Malaysia Securities Berhad.

Hong Kean Yong
- Independent Non-Executive Director

Mr. Hong was appointed as an Independent Non-Executive Director of the Company on 3 June 2016. He is a graduate from the University of Malaya with a Bachelor in Engineering, majoring in Electrical and Electronics (2nd Class Upper with Honours).

Mr. Hong has about 30 years of experience in the ICT and Knowledge industry having been a Senior Vice President of Strategic Planning and Technology Advisor at Taylors Education Group since April 2011. Prior to this, Mr. Hong served as the Group Chief Information Officer of Hong Leong Financial Group from April 2008 to March 2011. He was in Accenture Malaysia from March 1987 to December 1994 and served in senior positions in the MBf Group of Companies from January 1995 to July 1999, Multimedia University from August 1999 to August 2000, Avanade Malaysia Sdn Bhd from September 2000 to January 2004 and Motorola Multimedia Sdn Bhd from August 2004 to March 2008.

Mr. Hong has been an Independent Non-Executive Director of Time Dotcom Bhd, a public listed company listed on the Main Market of Bursa Malaysia Securities Berhad since September 2012. He was appointed as a Director in Tune Protect Re Ltd on 10 April 2018. Mr. Hong is the Chairman of the Investment Committee and a member of the Audit, Nomination and Remuneration Committees of the Company.

Razman Hafidz Bin Abu Zarim
- Non Independent Executive Director

Razman joined the Board as an Executive Director on 21 July 2016 following his appointment as the Group Chief Executive Officer of the Holding Company, Tune Protect Group (Tune Protect Group Berhad). On 31 December 2018, he resigned from his position as a Non Independent Executive Director.

He is currently with the Boards of Tune Insurance Public Company Limited (Tune Protect Thailand) and Tune Protect Commercial Brokerage LLC (Tune Protect EMEIA), companies within the Tune Protect Group. He was also a member of the Investment and Nomination Committees of the Company.

Board of Directors (cont'd.)

Profile of Directors (cont'd.)

Razman Hafidz Bin Abu Zarim (cont'd.)
- Non Independent Executive Director

Razman has 40 years of experience in the fields of leadership management, corporate restructuring, mergers and acquisitions, corporate finance, management consulting and auditing.

He is a Chartered Accountant and is a Fellow of the Institute of Chartered Accountants in England & Wales, as well as a member of the Malaysian Institute of Accountants. He holds a BSc (Econs) joint-honours degree in Economics and Accounting, from the University College, Cardiff, Wales.

Trainings attended by the Directors

As an integral element of the process of appointing new directors, the Company ensures that there is an orientation and education programme for new board members. Directors will also receive further training from time to time on various aspects of their responsibilities as directors of the Company such as new laws and regulations, to further enhance their skills and knowledge, where relevant. All the Directors have attended educational trainings and seminars to keep abreast of new regulatory developments and the business environment. The Directors attended seminars and were given briefings, which assisted them in the discharge of their duties. The following are the training attended by the Directors:

- FIDE FORUM – Emerging Risks, the future Board and Return on Compliance
- FIDE Forum – Blockchain in Financial Services Industry by IBM
- Launch of Institute of Corporate Directors Malaysia
- Insurtech Asia and Communicasia 2018
- Training on Directors and Officers Insurance

Corporate governance and internal controls

The directors confirmed that the Company has complied with all prescriptive requirements of and adopts management practices that are consistent with the corporate governance principles set out in BNM/RH/PD 029-9: Corporate Governance for Insurers ("the Corporate Governance Policy Document"), except for the remuneration policy document which will be tabled in the financial year ending 31 December 2019.

Corporate governance and internal controls (cont'd.)

(a) Responsibilities of the Board and Board Committees

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

The Board ensures that it complies with the Financial Services Act, 2013 ("the Act") and the Corporate Governance Policy Document issued by Bank Negara Malaysia ("BNM") and other policy document 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.

The Board has the overall responsibility for promoting the sustainable growth and financial soundness of a financial institution, and for ensuring reasonable standards of fair dealing, without undue influence from any party. This includes a consideration of the long-term implications of the Board’s decisions on the financial institution and its customers, officers and the general public. In fulfilling this role, the Board’s roles, responsibilities and powers include:

(i) to review and approve strategies, business plans, risk appetite, initiatives and significant policies for the Company which would, singularly or cumulatively, have a material impact on the Company’s risk profile and monitor management’s performance in implementing them;

(ii) to set corporate values and clear lines of responsibility and accountability, including governance systems and processes that are communicated throughout the Company;

(iii) to oversee the implementation of the Company’s governance and internal control frameworks, and periodically review whether these remain appropriate in light of material changes to the size, nature and complexity of the Company’s operations;

(iv) to oversee the selection, performance, remuneration and succession plans of the Key Senior Officers prior to employment;

(v) to ensure that there shall be unrestricted access to independent advice or expert advice at the Company’s expense in furtherance of the Board’s duties;

(vi) to formalise the ethical standards through a code of conduct which will be applicable throughout the Company and ensure the compliance of this code of conduct;

Corporate governance and internal controls (cont'd.)

(a) Responsibilities of the Board and Board Committees (cont'd.)

(vii) to promote together with the Key Senior Officers and ensure that the operations of the Company are conducted prudently, ethically and professionally, and within the framework of relevant laws and regulations;

(viii) to establish, approve, review, and monitor the Company's risk appetite and comprehensive risk management policies, processes and infrastructure, and receive regular reports therein;

(ix) to approve delegated authority for expenditure, lending, and other risk exposures;

(x) to oversee the conduct of the Company's business and consider emerging issues which may be material to the business and affairs of the Company;

(xi) to keep under review and maintain the Company's capital and liquidity positions as well as ensure that the Company's strategies promote sustainability;

(xii) to review and approve proposals for the allocation of capital and other resources within the Company;

(xiii) to review and approve the Company's annual capital and revenue budgets (and any material changes thereto);

(xiv) to ensure that the Board has adequate procedures in place to receive reports periodically and/or on a timely basis from the Company's management that would provide the Board with a reasonable basis to make proper judgement on an ongoing basis as to the financial position and business prospects of the Company;

(xv) to review the adequacy and integrity of the Company's internal control system and management information systems, including systems for complying with applicable laws, regulations, rules, directives and guidelines;

(xvi) to set up an internal audit department staffed with qualified personnel to perform internal audit functions, covering financial and management audit as well as regulatory compliance that reports directly to the Company's Audit Committee;

(xvii) to establish procedures to assess any related party transactions or conflict of interest situations that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;

Corporate governance and internal controls (cont'd.)

(a) Responsibilities of the Board and Board Committees (cont'd.)

(xviii) to establish and ensure the effective functioning and monitoring of the Audit, Risk Management, Nomination, Remuneration, Investment, and any other committees as deemed necessary by the Board, and to delegate appropriate authority and terms of reference to such committees established by the Board;

(xix) to prepare Audit Committee reports at the end of each financial year that will be clearly set out in the annual report of the Company;

(xx) to look at and to address their mind to major and/or material litigation situations against the Group as and when they arise;

(xxi) to ensure that the Company has a beneficial influence on the economic well-being of its community;

(xxii) to oversee and approve the recovery and resolution as well as business continuity plans for the Company to restore its financial strength, and maintain or preserve critical operations and critical services when it comes under stress;

(xxiii) to receive the minutes of and/or reports from the committees established by the Board;

(xxiv) to strive to achieve an optimum balance and dynamic mix of competent and diverse skill sets amongst the Board members;

(xxv) to ensure adequate training of members of the Board;

(xxvi) to undertake an assessment of the independence of its independent directors annually in accordance with the assessment criteria to be developed by the Nomination Committee;

(xxvii) to conduct a Board evaluation through the Nomination Committee, which comprises a Board Assessment and an Individual (Self & Peer) Assessment. The assessment of the Board is based on specific criteria, covering areas such as the Board composition and structure, principal responsibilities of the Board, the Board process, the CEO’s performance, succession planning and Board governance. For Individual (Self & Peer) Assessment, the assessment criteria include contribution to interaction, role and duties, knowledge and integrity and assessment of independence;

(xxviii) to undertake a proper process for Directors’ selection through Nomination Committee;

Corporate governance and internal controls (cont'd.)

(a) Responsibilities of the Board and Board Committees (cont'd.)

(xxix) to establish formal and transparent remuneration policies and procedures to attract and retain directors through the Nomination Committee; and

(xxx) to ensure clear and accurate minutes are maintained, details of key deliberations and rationale for each decision made and any significant concerns or dissenting views must be recorded.

(b) Audit Committee

The duties and responsibilities of the Audit Committee ("AC") are as follows:

(i) To consider the appointment or reappointment of the external auditors, the audit fees, and to recommend the nomination of the external auditors;

(ii) To assess the suitability, objectivity and independence of the external auditors including by approving the provision of non-audit services by the external auditors;

(iii) To review annually the external auditors' audit plans, scope of their audits, audit reports and the financial statements before presenting to the Board for adoption. To discuss problems and reservations arising from interim and final audits, and any matter the auditors may wish to discuss;

(iv) To review the external auditors' management letter and management's corresponding response and to ensure that necessary corrective actions are taken in a timely manner;

(v) To assess the effectiveness of the external auditors, including meeting the external auditors without the presence of senior management at least annually;

(vi) To maintain regular, timely, open and honest communication with the external auditors, and requiring the external auditors to report to the AC on significant matters.

(vii) To do the following, in relation to the internal audit function:

- approve the Internal Audit Charter which defines the independent purpose, authority, scope and responsibility of the internal audit function in the Company;

- review and appraise annually, the performance and remuneration of the Head of Internal Audit and be consulted in his/her appointment and removal;

Corporate governance and internal controls (cont'd.)

(b) Audit Committee (cont'd.)

(vii) To do the following, in relation to the internal audit function (cont'd.):

- review and approve the annual Audit Plan on audit work and programme and Budget of the Internal Audit Department;

- review the scope, approach and results of internal audit procedures to ensure compliance with internal auditing standards, company policies, laws and other regulatory requirements;

- review the adequacy of the scope, functions, frequency, competency and resources of the internal audit function, and that it has the necessary independence and authority to carry out its work;

- review the key audit reports and ensuring that senior management takes necessary corrective actions in a timely manner to address control weaknesses, non-compliance with laws, regulatory requirements, policies and other problems; and

- noting significant disagreements between the head of internal audit and the senior management team.

(viii) Review and monitor the adequacy and integrity of the Company’s system of internal controls and management information systems;

(ix) To consider and evaluate any related party transactions or conflict of interest situations that may arise within the Company; and

(x) Review Chairman’s statements, interim and final financial reports including the preliminary and final announcements to the authorities, of the results of the Company.

(c) Nomination Committee

The duties and responsibilities of the Nomination Committee ("NC") are as follows:

(i) recommending to the Board for approval, the minimum requirements for the Board, i.e. the required mix of skills, knowledge, experience, qualification, age, cultural background and gender and other core competencies required of a director;

Corporate governance and internal controls (cont'd.)

(c) Nomination Committee (cont'd.)

The duties and responsibilities of the Nomination Committee ("NC") are as follows (cont'd.):

(ii) assessing and recommending to the Board for their approval, nominees for directorships and Board committee members taking into consideration the nominees':

- skills, knowledge, expertise and experience;
- professionalism;
- integrity;
- potential conflict of interest situations and/or related party interests; and
- in the case of nominees for the position of independent non-executive directors, the Committee should also evaluate the candidates' ability to discharge such responsibilities/functions as expected by the Board.

(iii) establishing a rigorous process for the appointment and removal of directors;

(iv) utilising a variety of approaches and sources to be used including sourcing from a director's registry and open advertisements on the use of independent search firms. The Committee shall consider, in making its recommendations, candidates for directorships proposed by the CEO and, within the bounds of practicability, by any other Key Senior Officers or any director or shareholder;

(v) recommending to the Board the removal of director(s) from the Board and/or Key Senior Officers if the director/Key Senior Officer is ineffective, errant and/or negligent in discharging his/her responsibilities;

(vi) establishing a mechanism for the formal annual assessment on the effectiveness of the Board and Key Senior Officers based on objective performance criteria, in line with established key performance indicators, as approved by the Board;

(vii) to review the term of office and performance of the Board Committees and each of their members annually to determine whether such Board Committee and their members have carried out their duties in accordance with their terms of reference;

(viii) recommending and ensuring that all directors receive appropriate continuous training in order to maintain an adequate level of competency;

(ix) overseeing the appointment, management succession planning and performance evaluation of the Board, the Board Committees, individual directors and Key Senior Officers;

Corporate governance and internal controls (cont'd.)

(c) Nomination Committee (cont'd.)

(x) periodically reporting to the Board on succession planning for the Board Chairman and Key Senior Officers;

(xi) determine annually whether a director is independent as may be defined in the guidelines issued by Bank Negara Malaysia;

(xii) authorised to seek independent professional advice, at the expense of the Company, in carrying out their duties if necessary; and

(xiii) assess and recommend to the Board, the re-appointment of Directors/Chief Executive Officer upon the expiry of their respective terms of appointment as approved by Bank Negara Malaysia.

(d) Remuneration Committee

The duties and responsibilities of the Remuneration Committee ("RC") are as follows:

(i) review annually and recommend to the Board the overall remuneration policy for the Non-Executive Directors, Executive Directors and the Key Senior Officers (including but not limited to directors' fees, salaries, allowances, bonuses, share options and benefits-in-kind) that support the Company's long-term success and shareholder value, and ensure that compensation is consistent with the Company's business strategy and long-term objectives, including but not limited to:

- attracting and retaining Directors and Key Senior Officers of requisite quality that increases productivity and profitability in the long run;

- motivating and creating incentives for Directors and Key Senior Officers to perform at their best;

- focusing attention on the achievement of desired goals and objectives;

- documented and approved by the full board and any changes thereto should be subject to the endorsement of the full board, including when material changes are made to the policy;

- reflecting the experience and level of responsibility borne by individual directors, the Chief Executive Officer and Key Senior Officers;

- being sufficient to attract and retain directors, chief executive officer and key senior officers of calibre needed to manage the company successfully;

Corporate governance and internal controls (cont'd.)

(d) Remuneration Committee (cont'd.)

- ensuring that compensation is balanced against the need to ensure that the funds of the insurers are not used to subsidise excessive remuneration packages;

- periodically reviewing the remuneration of directors on the Board, particular on whether remuneration remains appropriate to each directors' contribution, taking into account the level of expertise, commitment and responsibilities undertaken;

(ii) make annual recommendations to the Board on the individual remuneration packages for the Executive Director and Key Senior Officers (including but not limited to director's fees, salaries, allowances, bonuses, share options and benefits-in-kind);

(iii) review annually the performance of the Non-Executive Directors, Executive Directors and Key Senior Officers and recommend to the Board specific adjustments in remuneration and/or reward payments, if any;

(iv) ensure that remuneration outcomes are symmetrical with risk outcomes. This includes ensuring that for Key Senior Officers:

- a portion of remuneration consists of variable remuneration to be paid on the basis of individual, business-unit and institution-wide measures that adequately assess performance; and

- the variable portion of remuneration increases along with the individual's level of accountability.

(v) obtain advice from external sources and recommend to the Board, pertaining to the remuneration, compensation payable to the Non-Executive Directors, Executive Directors, and Key Senior Officers in connection with any loss or termination of their office or appointment;

(vi) review and recommend to the Board compensation arrangements relating to dismissal or removal of the Executive Director, or Key Senior Officers for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms; and

(vii) review its own performance and terms of reference at least once a year to ensure that the Committee is operating at maximum effectiveness.

Corporate governance and internal controls (cont'd.)

(e) Risk Management Committee

The duties and responsibilities of the Risk Management Committee ("RMC") are as follows:

(i) Formulate high-level risk management strategies in line with the strategic objectives of the Company;

(ii) Oversee the development of Enterprise Risk Management ("ERM") Strategies;

(iii) Reviewing and recommending risk management framework, strategies, policies and risk tolerance/appetite for the Board's approval;

(iv) Provide direction and oversight to the Executive Management;

(v) Reviewing and assessing the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively;

(vi) Ensuring adequate infrastructure, resources and systems are in place for an effective risk management framework;

(vii) Ensuring that the risk management process remains transparent and independent;

(viii) Reviewing the reporting to the Board on measures taken to:

- Identify and examine principal risks faced by the Company; and
- Implement appropriate systems and internal controls to manage these risks.

(ix) Reviewing the adequacy and effectiveness of management's internal controls and risk management process.

(x) Reviewing the implementation of risk management as set out in BNM's policy document on Risk Governance, Approaches to Regulating and Supervising Financial Group and Corporate Governance; and

(xi) Reviewing the effectiveness of the reporting structure for the overall business activities and risk management functions and the implementation of the appropriate system to manage various types of risks undertaken by the organisation.

Corporate governance and internal controls (cont'd.)

(f) Investment Committee

The duties and responsibilities of the Investment Committee ("IC") are as follows:

(i) ensure transparent assessment of new investment proposals and that investments are properly monitored and managed according to investment guidelines, statutory and/or regulatory guidelines;

(ii) review and recommend investment policies for all available funds of the Company, taking into consideration, key issues pertaining to asset allocation, objectives, acceptable risk levels and total returns on investment targets;

(iii) review external and internal fund management relating to eligible investments, diversification, concentration restriction and performance objective for specific fund managers' portfolios;

(iv) evaluate any new investment proposals and recommend the approval of such investments to ensure investment return and asset allocation are optimised;

(v) review with the Internal Auditor on the proper adherence of policies and procedures and adequate internal controls in the administration of investment transactions;

(vi) approve management fees of external fund managers;

(vii) recommend and review the appointment and termination of external fund managers, consultants or other professionals for Board's approval;

(viii) monitor and review performance of external fund managers on a quarterly basis and arrange meetings with them, when necessary; and

(ix) undertake any other functions as may be assigned to the IC to submit periodic investment reports to the Board for approval.

(g) Composition and meetings

The Board comprises one (1) Independent Non-Executive Chairman, four (4) Independent Non-Executive Directors ("INED") and one (1) Non-Independent Executive Director ("NIED"). All appointments are in accordance with the Act and Policy Documents issued by BNM.

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

Corporate governance and internal controls (cont'd.)

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

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

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

	Attendance
Chairman:	
Mohd Yusof Bin Hussian (INED)	10/10
Members:	
Chee Siew Eng (INED)	10/10
Tan Ming-Li (INED)	10/10
Lim Chong Beng (INED)	10/10
Hong Kean Yong (INED)	10/10
Razman Hafidz Bin Abu Zarim (NIED) (resigned with effect from 31 December 2018)	9/10

(i) Risk Management Committee ("RMC")

The RMC comprises four (4) Independent Non-Executive Directors ("INED") as follows:

	Attendance
Chairman:	
Chee Siew Eng (INED)	4/4
Members:	
Mohd Yusof Bin Hussian (INED)	4/4
Tan Ming-Li (INED)	4/4
Lim Chong Beng (INED)	4/4

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

Corporate governance and internal controls (cont'd.)

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

(ii) Audit Committee ("AC")

The AC currently comprises four (4) INED as follows:

	Attendance
Chairman:	
Lim Chong Beng (INED)	5/5
Members:	
Chee Siew Eng (INED)	5/5
Tan Ming-Li (INED)	5/5
Hong Kean Yong (INED)	5/5
Mohd Yusof Bin Hussian (INED)	0/0
(appointed to the Committee on 16 November 2018)	

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

(iii) Nomination Committee ("NC")

The NC comprises five (5) INED and one (1) Non-Independent Executive Director ("NIED") as follows:

	Attendance
Chairman:	
Tan Ming-Li (INED)	4/4
Members:	
Chee Siew Eng (INED)	4/4
Lim Chong Beng (INED)	4/4
Mohd Yusof Bin Hussian (INED)	4/4
Hong Kean Yong (INED)	4/4
Razman Hafidz Bin Abu Zarim (NIED)	3/4
(resigned with effect from 31 December 2018)	

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

Corporate governance and internal controls (cont'd.)

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

(iv) Remuneration Committee ("RC")

The RC members comprise five (5) INED as follows:

<u>Chairman:</u>	
Tan Ming-Li (INED)	3/3
<u>Members:</u>	
Chee Siew Eng (INED)	3/3
Lim Chong Beng (INED)	3/3
Mohd Yusof Bin Hussian (INED)	3/3
Hong Kean Yong (INED)	3/3

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

(v) Investment Committee ("IC")

The IC members comprise three (2) INED and (1) NIED as follows:

	Attendance
<u>Chairman:</u>	
Hong Kean Yong (INED)	5/5
<u>Members:</u>	
Mohd Yusof Bin Hussian (INED)	5/5
Razman Hafidz Bin Abu Zarim (NIED) (resigned with effect from 31 December 2018)	5/5

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

(h) Management accountability

Whilst the Board is responsible for creating the framework and policies within which the Company should operate, the management is accountable for the execution of the approved policies and attainment of the Company's corporate objectives.

(i) Corporate independence

All material related party transactions have been disclosed in Note 32 to the financial statements.

Corporate governance and internal controls (cont'd.)

(j) Risk management framework

The Company's risk management framework is designed to ensure that risks which could undermine the Company's strategies, business goals, objectives, reputation and long-term viability are identified timely, assessed and monitored within the risk appetite and risk tolerance limits approved by the Board. This is supported by the Group-wide risk management organisation structure that delineates the function of risk taking, risk oversight and policy making. The risk reporting lines, authorities, roles and responsibilities are clearly specified in the Company's Risk Management Framework ("RMF") as disclosed in Note 34 to the financial statements.

Risk management has evolved into an important driver for strategic decisions in support of business strategies while balancing the appropriate level of risk taken to the desired level of rewards. The Board approved the RMF details and the policies and processes for managing risks and opportunities, with the objective of building value for the stakeholders.

In accordance to the RMF, risks are identified using business mapping. The likelihood and impact of those risks are assessed based on a predefined Likelihood Rating table. Controls are put in place and their effectiveness are measured using the Control Effectiveness Rating table. Any residual risks are then managed with the implementation of risk mitigation strategies. The Risk Dashboard, which contains the main risks and Risk Registers are consolidated and monitored on a quarterly basis. The results of the assessment are presented to the Risk Management Committee for review and notation.

(k) Internal audit

The Company's internal audit function is governed by International Professional Practices Framework ("IPPF") that organises authoritative guidance promulgated by The Institute of Internal Auditors ("IIA"), a global, guidance setting body. The IIA provides internal audit professionals worldwide with authoritative guidance organised in the IPPF.

The Company's in-house Internal Audit function provides independent assurance on the adequacy and effectiveness of the systems of risk management and internal control. High impact risk areas identified are periodically assessed and form the basis of the risk-based internal audit plan and strategy. Internal Audit activities are approved by and monitored quarterly by the Board, through the Audit Committee. Remedial actions by Management arising from internal audit findings are tracked by the Audit Committee until resolution.

Corporate governance and internal controls (cont'd.)

(I) Internal control framework

An effective internal control system provides reasonable assurance that the Company continues to pursue its goals in a manner that is effective and efficient, producing accurate and reliable reports, and is always in compliance with applicable laws and regulations. The key elements of the Company's internal control are:

Organisation Structure

- The Board has established clear reporting lines, authorities, roles and responsibilities to support the internal control system. The EXCO (Executive Committee) assists the Board in their oversight on the day-to-day operations of the business.
- Management meetings are chaired by the Chief Executive Officer on a monthly basis to review financial performance and business development and deliberate on corporate matters.

Annual Budgeting Process

- The annual business plan and targets setting are tabled to the Board for approval. The management also present the monthly management accounts to the Board for review, which are measured against budgets and previous year's results to gauge performance.

Code of Conduct

- The Code of Conduct governs how the Company interacts with its stakeholders – with integrity and respect for its business partners, shareholders, and employees.

Whistleblowing Policy

- The Whistleblowing Policy is applicable to all directors, and employees of the Company, whether permanent, temporary, or on contract basis. All reports under the Whistleblowing Policy are securely logged and confidentially channeled to the Chairman of the Risk Management Committee.

Underwriting and Claims

- Underwriting guidelines are established to manage and adequately assess risks being underwritten. Claims guidelines detail the written operational controls surrounding claims handling and settlement processes.

Corporate governance and internal controls (cont'd.)

(l) Internal control framework (cont'd.)

Operating Policies and Procedures

- The Company has established operating policies and procedures, which incorporate regulatory and internal requirements and are updated as and when there are changes.
- Operational authority limits are imposed by the Chief Executive Officer and other key management personnel with the Company for day-to-day operations, covering underwriting on acceptance risks, claims settlement, investment, acquisition and disposal of assets.

(m) Financial reporting

The Directors are responsible for ensuring that accounting records are properly kept and that the Company's financial statements are prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") as issued by the Malaysian Accounting Standards Board ("MASB") and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the requirements of the Companies Act, 2016 in Malaysia.

(n) Public accountability

As a custodian of public funds, the Company's dealings with the public are always conducted fairly, honestly and professionally.

Remuneration structure

The Company provides a reference for employees to understand the principles on which the Company's rewards are structured on. The framework is designed to support and reward the organisation's business strategy and support/reward employees throughout their career via:

For the organisation

- Reinforcing our performance culture by linking employees' and the Company's performance
- Attract and retain highly talented and diverse employees needed to achieve our growth objectives
- Ensure that programs are affordable to both the employees and the Company

Corporate governance and internal controls (cont'd.)

Remuneration structure (cont'd.)

For the employees

- Rewarding employees’ with competitive pay
- Providing quality health and welfare benefits
- Financial protection in the event of illness, disability or death
- Work-Life quality benefits to encourage associates and their families to lead healthier lives

The key drivers for our remuneration practices are as follows :

(i) Market Competitiveness

When designing our Total Rewards programme, we consider:
- External factors like market dynamics and the legal regulatory environment
- Internal factors like organisational design and cost structure

As we have a variety of roles that we secure from various market segments/industries, we ensure that pay is competitive relative to the market by performing market benchmarking against the relevant market segments.

(ii) Performance and Growth

We need to foster a high performance culture with a strong link between performance and rewards. However, this needs to be done in a manner to balance top line growth with quality earnings & cash flow management to deliver sustainable results. In line with the Company’s long term business goals, a review was done and in 2018, a revised performance system was implemented to create a stronger link towards performance and sustainable business results. Corporate financial goals are shared among the key senior officers to drive growth, profitability and solvency. In addition, the Company also introduced other measures and key performance indicators to drive, measure and instil awareness of sustainability and profitability among the rest of the workforce. This was implemented in 2018 and will continue in 2019.

(iii) Differentiation

Employees' compensation is tied to their individual performance. Our performance index differentiates high performers by providing greater incentives for superior performance and consequences for lower performance at an individual level. The basis of pay for performance is communicated to employees in a variety of ways, i.e. during onboarding, refresher sessions on performance management and information is also available on our intranet.

Corporate governance and internal controls (cont'd.)

Remuneration structure (cont'd.)

To ensure that our compensation practices are in line with prudent risk-taking, we have also implemented the following controls :

- The remuneration for CEO and key officers are reviewed and determined by the Committees and the Board of Directors, including new hires and performance bonuses.
- Employees in control functions are remunerated based on the achievement of their control objectives and are independent of the financial results of the businesses they oversee.
- The performance metrics of the organisation and Key Senior Officers are reviewed and approved by the Board of Directors and Committee members annually. Performance metrics are cascaded top-down to create shared ownership and alignment of key priorities.
- Pay levels and components of pay are designed to consider all types of risks and short/long term benefits to the Company. Typically, this will involve quantitative and qualitative judgement such as market benchmarking from various sources including external consultants, supply and demand within the same industry as well as other industries, short and long term business priorities of the Company, the financial position of the Company as well as regulatory requirements.
- Mandatory key performance metrics on Risk/Governance/Compliance are imposed on the workforce to promote competencies in this area and to increase level of compliance.
- The size of the bonus pool is linked to the overall performance of the Company.

The breakdown of remuneration awarded to Key Senior Officers* for the financial year ended 31 December 2018 was as follows:

Total value of remuneration awards for the financial year	Unrestricted RM'000	Deferred RM'000
Fixed remuneration		
- Cash-based	1,953	-
- Shares and share-linked instruments	-	-
- Other	227	-
Variable remuneration		
- Cash-based	109	-
- Shares and share-linked instruments	-	-
- Other	13	-

* Key Senior Officers refers to Chief Financial Officer, Chief Operating Officer, Chief Technology Officer, Chief Agency Officer, Head of Strategic Development.

Corporate governance and internal controls (cont'd.)

Remuneration structure (cont'd.)

In remunerating its Directors, the Company is guided by the following principles:

(a) Salaries payable to Executive Directors shall not include a commission on or percentage of turnover;
(b) Fees payable to Non-Executive Directors shall be a fixed sum, and not a commission on or percentage of profits or turnover;
(c) Bonuses to Executive Directors shall not be guaranteed, except in the context of sign-on bonuses; and
(d) Share options, if granted to Directors, shall not vest immediately. The vesting period of share options shall reflect the time horizon of risks and take into account of the potential for risks to crystallise over a longer period of time.

All Non-Executive Directors are paid a fixed annual fee as members of the Board and Board Committees. The level of remuneration reflects the experience and level of responsibilities undertaken by the Non-Executive Directors concerned. The remuneration package for Non-Executive Directors comprises fees, meeting allowances and hospitalisation benefits.

Directors' benefits

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

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors from the Company and related corporations, or the fixed salary of a full-time employee of the Company as shown in Note 25 and Note 32 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.

During the financial year, the total amount of indemnity coverage and insurance premium paid for the Directors and the officers of the Group and of the Company were RM30,000,000 and RM90,640 respectively.

Directors' interests

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

	Number of ordinary shares in the holding company, Tune Protect Group Berhad			
	As at 1.1.2018 '000	Acquired '000	Disposed '000	As at 31.12.2018 '000
Direct interest:				
Mohd Yusof Bin Hussian	50	20	-	70
Chee Siew Eng	10	-	-	10

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

Other statutory information

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

(i) to ascertain that there was adequate provision for insurance contract liabilities in accordance with the valuation methods prescribed under Part D of the Risk-Based Capital ("RBC") Framework for Insurers issued by BNM pursuant to Section 47(1) of the Financial Services Act, 2013;

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

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

Other statutory information (cont'd.)

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

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

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

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

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

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

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

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

(f) In the opinion of the directors:

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

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

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

Significant and subsequent events

There were no significant events during or subsequent events after the financial year end other than as disclosed in Notes 8 and 10 to the financial statements.

Auditors and auditors' remuneration

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

Auditors' remuneration are disclosed in Note 25 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 15 March 2019.

Mohd Yusof Bin Hussian

Lim Chong Beng

Kuala Lumpur, Malaysia

Tune Insurance Malaysia Berhad
(Incorporated in Malaysia)

Statement by Directors
Pursuant to Section 251(2) of the Companies Act, 2016

We, Mohd Yusof Bin Hussian and Lim Chong Beng, being two of the directors of Tune Insurance Malaysia Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 34 to 148 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 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 2018 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 15 March 2019.

Mohd Yusof Bin Hussian

Lim Chong Beng

Kuala Lumpur, Malaysia

Statutory Declaration
Pursuant to Section 251(1)(b) of the Companies Act, 2016

I, Khoo Ai Lin, being the officer primarily responsible for the financial management of Tune Insurance Malaysia Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 34 to 148 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 Khoo Ai Lin at)
Kuala Lumpur in the Federal Territory)
on 15 March 2019)

Khoo Ai Lin

Before me,

PESURUHJAYA SUMPAH
NO. PJS: W706
TIONG SUOK HOON
@ ELIZABETH
No. Sijil Amalan Peguam: BC/T/1102
Tempoh Lantikan: 01-01-2019 - 31-12-2021
MALAYSIA
No. 109A, Batu 3 ¾
Jalan Kelang Lama
58000 Kuala Lumpur

Ernst & Young AF 0039
SST ID: W10-1808-31043558
Chartered Accountants
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Independent auditors' report to the members of Tune Insurance Malaysia Berhad (Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Tune Insurance Malaysia Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 34 to 148.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

Building a better
working world

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Independent auditors' report to the members of
Tune Insurance Malaysia Berhad (cont'd.)
(Incorporated in Malaysia)

Information other than the financial statements and auditors' report thereon (cont'd.)

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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Independent auditors' report to the members of Tune Insurance Malaysia Berhad (cont'd.) (Incorporated in Malaysia)

Auditors' responsibilities for the audit of the financial statements (cont'd.)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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Independent auditors' report to the members of
Tune Insurance Malaysia Berhad (cont'd.)
(Incorporated in Malaysia)

Auditors' responsibilities for the audit of the financial statements (cont'd.)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiary for which we have not acted as auditors, is disclosed in Note 6(e) to the financial statements.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Brandon Bruce Sta Maria
No. 02937/09/2019 J
Chartered Accountant

Kuala Lumpur, Malaysia
15 March 2019

Tune Insurance Malaysia Berhad
(Incorporated in Malaysia)

Statements of financial position
As at 31 December 2018

		Group		Company	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Assets					
Property and equipment	3	4,304	4,796	4,304	4,796
Investment property	4	-	2,389	-	2,389
Intangible assets	5	1,705	1,398	1,705	1,398
Investments	6	522,380	534,743	512,892	534,775
Reinsurance assets	7	452,340	268,813	452,340	268,813
Insurance receivables	8	125,249	104,584	125,249	104,584
Other receivables	9	64,143	77,572	64,143	77,572
Tax recoverable		28,693	25,541	28,693	25,541
Deferred tax assets	11	1,285	763	1,285	763
Cash and bank balances		3,180	4,692	2,971	4,475
Total assets		1,203,279	1,025,291	1,193,582	1,025,106
Equity					
Share capital	12	103,348	103,348	103,348	103,348
Available-for-sale ("AFS") reserves		-	6	-	6
Retained earnings		178,622	168,651	178,621	168,647
Equity attributable to owners of the parent		281,970	272,005	281,969	272,001
Non-controlling interests	13	9,626	19	-	-
Total equity		291,596	272,024	281,969	272,001
Liabilities					
Insurance contract liabilities	14	761,263	606,526	761,263	606,526
Retirement benefits	15	573	738	573	738
Insurance payables	16	119,243	107,391	119,243	107,391
Other payables	17	30,604	38,612	30,534	38,450
Total liabilities		911,683	753,267	911,613	753,105
Total equity and liabilities		1,203,279	1,025,291	1,193,582	1,025,106

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

Tune Insurance Malaysia Berhad
(Incorporated in Malaysia)

Statements of comprehensive income
For the financial year ended 31 December 2018

		Group		Company	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Gross earned premiums	19(a)	468,945	458,184	468,945	458,184
Earned premiums ceded to reinsurers	19(b)	(288,949)	(242,739)	(288,949)	(242,739)
Net earned premiums		179,996	215,445	179,996	215,445
Investment income	20	23,715	22,031	23,071	19,302
Realised gains and losses	21	288	685	153	3,113
Fair value gains and losses	22	2,077	1,356	2,380	2,016
Fee and commission income		60,983	57,569	60,983	57,569
Other operating income	23	964	875	964	875
Other revenue		88,027	82,516	87,551	82,875
Gross claims paid	24(a)	(201,897)	(182,842)	(201,897)	(182,842)
Claims ceded to reinsurers	24(b)	93,150	63,260	93,150	63,260
Gross change to contract liabilities	24(c)	(172,901)	(53,841)	(172,901)	(53,841)
Change in contract liabilities ceded to reinsurers	24(d)	186,070	34,881	186,070	34,881
Net claims		(95,578)	(138,542)	(95,578)	(138,542)
Fee and commission expense		(62,746)	(59,467)	(62,746)	(59,467)
Management expenses	25	(86,327)	(75,972)	(85,864)	(74,339)
Other operating expenses	26	(31)	(454)	(31)	(454)
Other expenses		(149,104)	(135,893)	(148,641)	(134,260)
Profit before taxation		23,341	23,526	23,328	25,518
Taxation	27	(2,242)	(2,926)	(2,242)	(2,809)
Net profit for the year		21,099	20,600	21,086	22,709

Tune Insurance Malaysia Berhad
(Incorporated in Malaysia)

Statements of comprehensive income
For the financial year ended 31 December 2018 (cont'd.)

		Group		Company	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Net profit for the year		21,099	20,600	21,086	22,709
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss					
Changes in AFS financial assets, net					
- Gains on fair value changes of AFS financial assets		-	265	-	363
- Realised gains transferred to profit or loss	21	-	(229)	-	(2,667)
- Deferred tax relating to components of other comprehensive income	11	-	(59)	-	(59)
Net other comprehensive loss for the year		-	(23)	-	(2,363)
Total comprehensive income for the year		21,099	20,577	21,086	20,346
Profit attributable to:					
Owners of the parent		21,083	20,373	21,086	22,709
Non-controlling interests		16	227	-	-
		21,099	20,600	21,086	22,709
Other comprehensive loss attributable to:					
Owners of the parent		-	(23)	-	(2,363)
Non-controlling interests		-	-	-	-
		-	(23)	-	(2,363)

Tune Insurance Malaysia Berhad
(Incorporated in Malaysia)

Statements of comprehensive income
For the financial year ended 31 December 2018 (cont'd.)

		Group		Company	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Total comprehensive income attributable to:					
Owners of the parent		21,083	20,350	21,086	20,346
Non-controlling interests		16	227	-	-
		21,099	20,577	21,086	20,346
Earnings per share attributable to owners of the parent (sen per share)					
Basic and diluted	28	21.08	20.37		

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

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Tune Insurance Malaysia Berhad
(Incorporated in Malaysia)

Statements of changes in equity
For the financial year ended 31 December 2018

Group	Note	<--------- Attributable to the owners of the parent ---------> Share capital RM'000 (Note 12)	|-- Non-distributable --| Share premium RM'000	Available-for-sale reserves RM'000	Distributable Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000 (Note 13)	Total equity RM'000
At 1 January 2017		100,013	3,335	29	158,279	261,656	173,012	434,668
Net profit for the year		-	-	-	20,373	20,373	227	20,600
Other comprehensive loss for the year		-	-	(23)	-	(23)	-	(23)
Total comprehensive (loss)/income for the year		-	-	(23)	20,373	20,350	227	20,577
Transition in accordance with Section 618(2) of the Companies Act 2016 to no-par value regime on 31 January 2017		3,335	(3,335)	-	-	-	-	-
Decrease in non-controlling interests arising from disposal of subsidiaries	13	-	-	-	-	-	(173,220)	(173,220)
Dividends paid	29	-	-	-	(10,001)	(10,001)	-	(10,001)
At 31 December 2017		103,348	-	6	168,651	272,005	19	272,024
At 1 January 2018		103,348	-	6	168,651	272,005	19	272,024
Changes on initial application of MFRS 9	2.4	-	-	(6)	(111)	(117)	-	(117)
At 1 January 2018, as restated		103,348	-	-	168,540	271,888	19	271,907
Net profit for the year, representing total comprehensive income for the year		-	-	-	21,083	21,083	16	21,099
Increase in non-controlling interests arising from reduction in interest in subsidiary	13	-	-	-	-	-	9,607	9,607
Dividends paid	29	-	-	-	(11,001)	(11,001)	(16)	(11,017)
At 31 December 2018		103,348	-	-	178,622	281,970	9,626	291,596

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Statements of changes in equity
For the financial year ended 31 December 2018 (cont'd.)

		<---- Attributable to the owners of the parent ---->				
			|-- Non-distributable --|		Dis-tributable	
Company	**Note**	**Share capital RM'000 (Note 12)**	**Share premium RM'000**	**Available-for-sale reserves RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
At 1 January 2017		100,013	3,335	2,369	155,939	261,656
Net profit for the year		-	-	-	22,709	22,709
Other comprehensive loss for the year		-	-	(2,363)	-	(2,363)
Total comprehensive (loss)/income for the year		-	-	(2,363)	22,709	20,346
Transition in accordance with Section 618(2) of the Companies Act 2016 to no-par value regime on 31 January 2017		3,335	(3,335)	-	-	-
Dividends paid	29	-	-	-	(10,001)	(10,001)
At 31 December 2017		103,348	-	6	168,647	272,001
At 1 January 2018		103,348	-	6	168,647	272,001
Changes on initial application of MFRS 9	2.4	-	-	(6)	(111)	(117)
At 1 January 2018, as restated		103,348	-	-	168,536	271,884
Net profit for the year, representing total comprehensive income for the year		-	-	-	21,086	21,086
Dividends paid	29	-	-	-	(11,001)	(11,001)
At 31 December 2018		103,348	-	-	178,621	281,969

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

Tune Insurance Malaysia Berhad
(Incorporated in Malaysia)

Statements of cash flows
For the financial year ended 31 December 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Profit before taxation		23,341	23,526	23,328	25,518
Adjustments for:					
Depreciation of property and equipment	3	1,469	1,816	1,469	1,816
Depreciation of investment property	4	18	22	18	22
Property and equipment written off	26	12	2	12	2
Intangible assets written off	26	-	460	-	460
Amortisation of intangible assets	5	880	1,013	880	1,013
Investment income	20	(23,715)	(22,031)	(23,071)	(19,302)
Realised gains and losses	21	(288)	(685)	(153)	(3,113)
Fair value gains and losses	22	(2,077)	(1,356)	(2,380)	(2,016)
Allowance for impairment losses of reinsurance assets	25	436	681	436	681
Allowance for impairment losses of insurance receivables	25	5,343	4,769	5,343	4,769
		5,419	8,217	5,882	9,850
Changes in working capital:					
Reinsurance assets		(183,963)	(54,438)	(183,963)	(54,438)
Insurance receivables		(26,163)	7,235	(26,163)	7,235
Other receivables		13,261	10,848	13,261	10,848
Insurance contract liabilities		154,737	56,457	154,737	56,457
Retirement benefits		28	327	28	327
Insurance payables		11,852	(10,539)	11,852	(10,539)
Other payables		(8,008)	(649)	(7,916)	(591)
Cash (used in)/generated from operating activities		(32,837)	17,458	(32,282)	19,149
Net interest received		11,290	13,924	4,380	5,383
Net dividend received		12,660	9,163	18,865	13,765
Rental received		31	36	31	36
Retirement benefits paid		(193)	(7)	(193)	(7)
Income tax paid		(5,916)	(9,675)	(5,916)	(9,559)
Net cash flows (used in)/generated from operating activities		(14,965)	30,899	(15,115)	28,767

Tune Insurance Malaysia Berhad
(Incorporated in Malaysia)

Statements of cash flows
For the financial year ended 31 December 2018 (cont'd.)

		Group		Company	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Investing activities					
Purchases of FVTPL financial assets		(282,145)	(369,355)	(178,960)	(341,018)
Proceeds from maturities/disposals of AFS financial assets		-	16,889	-	129,348
Proceeds from maturities/disposals of FVTPL financial assets		283,101	82,983	188,085	206,893
Dividend reinvestment		(11,901)	(8,792)	(11,901)	(9,439)
Movement in amortised cost/ LAR financial assets		11,859	200,823	11,859	(8,754)
Proceeds from disposal of property and equipment		13	87	13	87
Proceeds from disposal of investment property		2,532	-	2,532	-
Purchase of property and equipment	3	(1,001)	(1,748)	(1,001)	(1,748)
Purchase of intangible assets	5	(1,187)	(1,198)	(1,187)	(1,198)
Net cash flows generated from/ (used in) investing activities		1,271	(80,311)	9,440	(25,829)
Financing activities					
Cash received from non-controlling interests for units created in subsidiary	13	9,607	-	-	-
Cash paid to non-controlling interests on units cancelled in subsidiaries		-	(175,661)	-	-
Dividends paid to owners of the parent	29	(11,001)	(10,001)	(11,001)	(10,001)
Dividends paid to non-controlling interests	13	(16)	-	-	-
Net cash flows used in financing activities		(1,410)	(185,662)	(11,001)	(10,001)
Net decrease in cash and cash equivalents		(15,104)	(235,074)	(16,676)	(7,063)
Cash and cash equivalents at beginning of year		48,030	283,104	38,723	45,786
Cash and cash equivalents at end of year		32,926	48,030	22,047	38,723
Cash and cash equivalents comprise:					
Fixed and call deposits (with original maturity of less than three months) with licensed financial institutions (Note 6(a))		29,746	43,338	19,076	34,248
Cash and bank balances		3,180	4,692	2,971	4,475
		32,926	48,030	22,047	38,723

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

1. Corporate information

The Company is principally engaged in the underwriting of all classes of general insurance business. The principal activities of the subsidiary is set out in Note 6(e).

There have been no significant changes in the nature of the principal activities of the Company and its subsidiary 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 Level 9, Wisma Tune, No.19, Lorong Dungun, Damansara Heights, 50490 Kuala Lumpur.

The immediate and ultimate holding company is Tune Protect Group Berhad ("TPG"), a company incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 15 March 2019.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") as issued by the Malaysian Accounting Standards Board ("MASB") and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the requirements of the Companies Act, 2016 in Malaysia.

At the beginning of the current financial year, the Group and the Company had fully adopted the new and amended MFRSs and interpretation as described fully in Note 2.4.

The financial statements of the Group and the Company have been prepared under the historical cost convention, unless otherwise stated in the accounting policies. The Company has met the minimum capital adequacy requirements as prescribed by the Risk Based Capital Framework as at the date of the statements of financial position.

2. Significant accounting policies (cont'd.)

2.1 Basis of preparation (cont'd.)

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

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

2.2 Basis of consolidation

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statements of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

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 and the Company, 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 lives 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 assets' carrying amount, or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Company 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 recognised 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:

Leasehold land	over the lease term of 99 years
Buildings	2%
Renovations	10%
Motor vehicles	20%
Furniture, fittings and office equipment	12% - 17%
Computers	25%

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

2. Significant accounting policies (cont'd.)

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

(b) Intangible assets

Intangible assets of the Group and the Company consist of computer software. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets are not capitalised and expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

Intangible assets are amortised on a straight-line basis over the economic useful lives and assessed for impairment whenever there is an indication that an intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset are reviewed at least once annually at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets is recognised in profit or loss in the expense category that is consistent with the function of the intangible assets.

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

An intangible asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

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

(c) Subsidiary

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

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

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

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

2. Significant accounting policies (cont'd.)

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

(c) Subsidiary (cont'd.)

In the Company's separate financial statements, investments in subsidiaries are carried at fair value, being the net asset value of the collective investment schemes. On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is included in profit or loss.

(d) Investment property

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

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

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

Any gains or losses on the retirement or disposal of an investment property are recognised when it has been disposed 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 non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of loss.

2. Significant accounting policies (cont'd.)

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

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

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 to.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

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

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

2. Significant accounting policies (cont'd.)

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

(f) Investments and financial assets

Initial recognition and measurement

Financial instruments are classified, at initial recognition, as financial assets at fair value through profit or loss ("FVTPL") and at amortised cost. Financial instruments are initially recognised and measured at their fair value. Except for financial assets recorded at FVTPL, transaction costs are added to this amount.

The classification depends on the instrument's contractual cash flow terms and the entity’s business model for managing the instruments.

Regular way purchases and sales of financial assets are recognised on trade date, the date on which the Group and Company commit to purchase or sell the asset.

Debt instruments measured at amortised cost

Debt instruments are held at amortised cost if both of the following conditions are met:

(i) The instruments are held within a business model with the objective of holding the instrument to collect the contractual cash flows; and

(ii) The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding

The details of these conditions are outlined below.

(i) Business model assessment

The Group and the Company determine its business model at the level that best reflects how it manages groups of financial assets to achieve its business objectives.

2. Significant accounting policies (cont'd.)

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

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

Initial recognition and measurement (cont'd.)

Debt instruments measured at amortised cost (cont'd.)

(i) Business model assessment (cont'd.)

The Group and the Company hold financial assets to generate returns and provide a capital base to provide for settlement of claims as they arise. The Group and the Company consider the timing, amount and volatility of cash flow requirements to support insurance liability portfolios in determining the business model for the assets as well as the potential to maximise return for shareholders and future business development.

The Group and the Company's business model are not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios that is based on observable factors such as:

(a) How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group and the Company's key management personnel

(b) The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed

(c) How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)

The expected frequency, value and timing of asset sales are also important aspects of the Group’s assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case’ scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group and the Company's original expectations, the Group and the Company do not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

2. Significant accounting policies (cont'd.)

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

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

Initial recognition and measurement (cont'd.)

Debt instruments measured at amortised cost (cont'd.)

(ii) SPPI test

As a second step of its classification process the Group and the Company assess the contractual terms to identify whether they meet the SPPI test.

‘Principal’ for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group and the Company apply judgement and consider relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

Financial assets measured at FVTPL

Financial assets in this category are those that are managed in a fair value business model, or that have been designated by management upon initial recognition, or are mandatorily required to be measured at fair value under MFRS 9. This category includes debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

Subsequent measurement

Debt instruments at amortised cost

After initial measurement, debt instruments are measured at amortised cost, using the effective interest rate ("EIR") method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. Expected credit losses ("ECLs") are recognised in profit or loss when the investments are impaired.

2. Significant accounting policies (cont'd.)

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

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

Subsequent measurement (cont'd.)

Financial assets at FVTPL

Financial assets at FVTPL are recorded in the statements of financial position at fair value. Changes in fair value are recorded in profit or loss. Interest earned on assets measured at FVTPL is recorded using the contractual interest rate. Dividend income from equity instruments measured at FVTPL is recorded in profit or loss as investment income when the right to the payment has been established.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

(i) The rights to receive cash flows from the asset have expired; or

(ii) The Group and the Company have transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either: (a) the Group has transferred substantially all the risks and rewards of the asset; or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Group and the Company consider control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Group and the Company have neither transferred nor retained substantially all the risks and rewards and have retained control of the asset, the asset continues to be recognised only to the extent of the Group and the Company’s continuing involvement, in which case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

2. Significant accounting policies (cont'd.)

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

(g) Impairment of financial assets

The Group and the Company recognise an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive.

At each financial year end, the Group and the Company assess whether there has been a significant increase in credit risk for financial assets by comparing the risk of default occuring over the expected life between the reporting date and the date of initial recognition.

In determining whether credit risk on a financial asset has increased significantly since initial recognition, the Group and the Company use external credit ratings and other supportive information to assess deterioration in credit quality of a financial asset. The Group and the Company assess whether the credit risk on a financial asset has increased significantly on an individual or collective basis. For impairment assessment, financial assets are grouped on the basis of similar risk characteristics.

These are the main components to measure ECL which are Probability of Default ("PD"), Exposure at Default ("EAD") and the Loss Given Default ("LGD").

(i) PD

The Probability of Default is an estimate of the likelihood of default over a given time horizon. It is estimated with consideration of economic scenarios and forward-looking information.

(ii) EAD

The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date.

(iii) LGD

The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive. It is usually expressed as a percentage of the EAD.

2. Significant accounting policies (cont'd.)

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

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

The Group and the Company consider past loss experience and observable data such as current changes and future forecasts in economic conditions to estimate the amount of expected impairment loss. The methodology and assumptions including any forecast of future economic conditions are reviewed regularly.

For insurance and other receivables, the Group and the Company apply the simplified approach in accordance with MFRS 9 *Financial Instruments*. MFRS 9 includes the requirement or policy choice to apply the simplified approach that does not require the Group and the Company to track changes in credit risk and a practical expedient to calculate ECLs using a provision matrix with the usage of forward looking information.

The carrying amount of a financial asset is reduced through the use of an allowance for impairment loss account and the amount of impairment loss is recognised in profit or loss. When a financial asset becomes uncollectible, it is written off against the allowance for impairment loss account.

Write-off

The gross carrying amount of a financial asset is written off when the Group and Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company makes an assessment with respect to the timing and amount of write off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off.

(h) Financial liabilities

Initial recognition and measurement

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

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

2. Significant accounting policies (cont'd.)

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

(h) Financial liabilities (cont'd.)

Initial recognition and measurement (cont'd.)

All financial libilities are recognised initially at fair value plus any directly attributable transaction costs.

All financial libilities of the Group and the Company, comprising insurance payables and other payables, are classified as other financial liabilities.

Subsequent measurement

Insurance payables and other payables are subsequently measured at amortised cost using the effective interest rate method.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

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

(i) Fair value measurement

The Group and the Company measure certain financial instruments at fair value at each reporting date.

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

2. Significant accounting policies (cont'd.)

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

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

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

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

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

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

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

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

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

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

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

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

2. Significant accounting policies (cont'd.)

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

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

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

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

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

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

For the purpose of fair value disclosures, the Group and the Company have determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

(j) Equity instruments

Ordinary share capital

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

Dividends on ordinary shares

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

2. Significant accounting policies (cont'd.)

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

(j) Equity instruments (cont'd.)

Dividends on ordinary shares (cont'd.)

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

(k) Product classification

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 risks by comparing claims paid with claims payable if the insured event did not occur.

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

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

Investment contracts are those contracts that do not transfer significant insurance risk. The Company currently only issues contracts that transfer insurance risk.

(l) Reinsurance

The Group and the Company assume reinsurance risk in the normal course of business for non-life insurance contracts when applicable.

2. Significant accounting policies (cont'd.)

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

(l) Reinsurance (cont'd.)

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

The Company also cedes insurance risk in the normal course of business for all of its business. Reinsurance assets represent balances due from reinsurance companies in relation to unsettled insurance contract liabilities as at the reporting date. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision associated with the reinsurer’s policies and are in accordance with the related reinsurance contracts.

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 interest rate method when accrued.

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

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

2. Significant accounting policies (cont'd.)

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

(m) General insurance underwriting results

The general insurance underwriting results are determined after taking into account premiums, movement in premium liabilities and claim liabilities and commissions.

(i) Gross premiums

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

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

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

(ii) Premium liabilities

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

Premium liabilities are reported at the higher of the aggregate of the unearned premium reserves ("UPR") for all lines of business or the best estimate value of the unexpired risk reserves ("URR") at the end of the financial period and a Provision of Risk Margin for Adverse Deviation ("PRAD") calculated at a 75% confidence level at the overall Company level.

2. Significant accounting policies (cont'd.)

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

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

(ii) Premium liabilities (cont'd.)

(a) Unexpired risk reserves

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

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

(b) Unearned premium reserves

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 the 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%

2. Significant accounting policies (cont'd.)

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

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

(ii) Premium liabilities (cont'd.)

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

Workmen's compensation and employers' liability	
- Foreign workers	10%
- Other workers	25%
- Employers' Liability	25%
Other classes	25%

- Non-annual policies are time apportioned over the period of the risks.

(iii) 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. The value is the best estimate value of claim liabilities which includes provision for claims reported, claims incurred but not enough reserved ("IBNER"), incurred but not reported ("IBNR") claims and direct and indirect claim-related expenses as well as a PRAD calculated at a 75% confidence level 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 patterns.

(iv) Liability adequacy test

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

The estimation of claim and premium liabilities performed at reporting date is part of the liability adequacy tests performed by the Company.

(v) 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.)

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

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

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

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 expected loss ratio ("ELR"), Link Ratios and Bornhuetter-Ferguson ("BF") methods.

The main assumption underlying these techniques is that the Company's past claims development experience can be used to project future claims development and hence, ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, as well as by significant business lines and claims type.

Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historic claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in the future, (for example, to reflect once-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, level of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures), in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

2. Significant accounting policies (cont'd.)

2.3 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 receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method.

The Group and the Company recognise an allowance for ECL for insurance receivables and recognises that impairment loss in profit or loss. The policy for the recognition and measurement of impairment losses for insurance receivables is in accordance with Note 2.3(g).

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

(o) Insurance payables

Insurance payables are recognised when due and measured on initial recognition at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method.

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

(p) Other revenue recognition

Other revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company 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 rate method.

2. Significant accounting policies (cont'd.)

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

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

Dividend income

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

Realised gains and losses on investments

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

Commission income

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

(q) Income tax

Income tax expense for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the period and is measured using the tax rates that have been enacted at the reporting date. Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. Current income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss.

Deferred tax is provided for, using the liability method, on temporary differences at the end of the financial year between the tax bases of assets and liabilities at their carrying amounts in the financial statements. 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 profits 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.

2. Significant accounting policies (cont'd.)

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

(q) Income tax (cont'd.)

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

(s) Employee benefits

Short-term benefits

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

2. Significant accounting policies (cont'd.)

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

(s) Employee benefits (cont'd.)

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group and the Company pay 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 and the Company make such contributions to the Employees Provident Fund (“EPF”).

The Company has an enhanced EPF scheme in place where the Company contributes additional EPF contributions between 1% to 5%, based on the years of service. The contribution is charged to profit and loss as incurred.

Staff retirement benefits

Provision for retirement benefits is made for all eligible staff in the Company from the date of employment under an unfunded defined contribution plan. The 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.

Share-based Compensation

Employees' share option scheme ("ESOS")

The ESOS is an equity-settled share-based compensation plan that allows the directors and employees of the Company to acquire shares of the holding company, Tune Protect Group Berhad. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the amount due to Tune Protect Group Berhad over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

2. Significant accounting policies (cont'd.)

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

(s) Employee benefits (cont'd.)

Share-based Compensation (cont'd.)

Employees' share option scheme ("ESOS") (cont'd.)

At each reporting date, estimates of the number of options that are expected to become exercisable on vesting date are revised. It recognises the impact of the revision of original estimates, if any, in profit or loss and a corresponding adjustment to the amount payable to the holding company over the remaining vesting period.

Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognises costs of a restructuring. Benefits are discounted if the Company expects to fully settle these amounts more than 12 months after the end of the reporting period.

(t) Foreign currencies

(i) Functional and presentation currency

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

(ii) Foreign currency transactions

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

2. Significant accounting policies (cont'd.)

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

(t) Foreign currencies (cont'd.)

(ii) Foreign currency transactions (cont'd.)

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

(u) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and 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 with respect to the following Standards, Amendments to Standards and Interpretation which are mandatory for annual financial periods beginning on or after 1 January 2018 and which were adopted by the Group and the Company on 1 January 2018:

- Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)*
- Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*
- MFRS 9 *Financial Instruments*
- MFRS 15 *Revenue from Contracts with Customers*
- Amendments to MFRS 4 *Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128 *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)*
- Amendments to MFRS 140 *Transfers of Investment Property*
- IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

2. Significant accounting policies (cont'd.)

2.4 Changes in accounting policies (cont'd.)

The adoption of the above pronouncements did not have any impact on the financial statements of the Group or the Company except as discussed below:

MFRS 9 *Financial Instruments*

MFRS 9 replaced MFRS 139 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018. The Group and the Company have applied MFRS 9 retrospectively by restating the opening balance of retained earnings at 1 January 2018. Restatement of comparative information was not compulsory. The areas with significant impact from application of MFRS 9 are summarised below:

<u>Changes to classification and measurement</u>

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

- Three (3) principal classification categories for financial assets are introduced:
  - Amortised Cost ("AC")
  - Fair Value through Other Comprehensive Income ("FVOCI"); and
  - Fair Value through Profit or Loss ("FVTPL")

- The held-to-maturity (“HTM”), available-for-sale (“AFS”) and loans and receivables ("LAR") asset categories are removed;

- A new asset category measured at FVOCI is introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principal and interest and held in a model whose objective is achieved by both collecting contractual cash flows and selling financial assets;

- A new asset category for non-traded equity investments measured at FVOCI is introduced; and

- Classification of financial liabilities will remain largely unchanged, other than the fair value gains and losses attributable to changes in ‘own credit risk’ for financial liabilities designated and measured at fair value through profit or loss to be presented in other comprehensive income.

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

2. Significant accounting policies (cont'd.)

2.4 Changes in accounting policies (cont'd.)

MFRS 9 *Financial Instruments* (cont'd.)

Changes to classification and measurement (cont'd.)

The following table shows the original measurement categories in accordance with MFRS 139 and the new measurement categories under MFRS 9 for the Group's and Company's financial assets as at 1 January 2018.

Financial Assets	Original classification under MFRS 139	Carrying amount at 31 December 2017 RM'000	New classification under MFRS 9	Carrying amount at 1 January 2018 RM'000
Group				
Investments				
- Debt securities	AFS	10,008	FVTPL	10,008
- Debt securities	FVTPL	135,573	FVTPL	135,573
- Unit trust funds	FVTPL	327,442	FVTPL	327,442
- Loans and deposits with financial institutions	LAR	61,720	AC	61,720
Insurance receivables	LAR	104,584	AC	104,429
Other receivables (net of prepayments and tax recoverable)	LAR	76,928	AC	76,928
Company				
Investments				
- Debt securities	AFS	10,008	FVTPL	10,008
- Unit trust funds	FVTPL	327,442	FVTPL	327,442
- Loans and deposits with financial institutions	LAR	52,630	AC	52,630
Insurance receivables	LAR	104,584	AC	104,429
Other receivables (net of prepayments and tax recoverable)	LAR	76,928	AC	76,928

The Group and Company had an investment in debt securities as at 31 December 2017 classified as AFS with a fair value of RM10,008,000 under MFRS 139. Under MFRS 9, the Group and Company have elected to designate this investment to be measured at FVTPL. Other than the above, there were no changes to the investments classification which will continue to be carried at FVTPL or AC.

2. Significant accounting policies (cont'd.)

2.4 Changes in accounting policies (cont'd.)

MFRS 9 *Financial Instruments* (cont'd.)

Changes to classification and measurement (cont'd.)

Following the reclassification of all AFS financial assets to FVTPL, the balance in AFS reserves as at 31 December 2017 of RM6,000 was reclassified to the opening balance of retained earnings on 1 January 2018.

Changes to impairment calculation

The MFRS 9 impairment requirements are based on an expected credit loss model (“ECL”) that replaces the incurred loss model under the current accounting standard. The Group and Company are required to recognise either a 12-month or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. The ECL model will apply to financial assets measured at amortised cost or at FVOCI, which will include insurance receivables, staff loans and deposits with financial institutions and other receivables held by the Group and the Company. MFRS 9 has changed the Group’s and the Company's current methodology for calculating allowances for impairment, in particular the requirements for individual and collective assessment and provisioning.

The Group and Company consider insurance receivables to be in default when contractual payments are one year past due. Details of the Group's and the Company's impairment methodology are disclosed in Note 2.3(g).

The following table discloses the change in the closing impairment allowance for financial assets in accordance with the requirements of MFRS 139 as at 31 December 2017 to the opening ECL allowance determined in accordance with the requirements of MFRS 9 as at 1 January 2018. The adoption of the ECL requirements of MFRS 9 resulted in an increase in impairment allowances which was adjusted to retained earnings as at 1 January 2018.

Group and Company	MFRS 139 Impairment loss allowance as at 31 December 2017 RM'000	Recognition of additional impairment losses using the ECL model under MFRS 9 RM'000	MFRS 9 Impairment loss allowance as at 1 January 2018 RM'000
Impairment losses for insurance receivables (Note 8)	14,231	155	14,386

2. Significant accounting policies (cont'd.)

2.4 Changes in accounting policies (cont'd.)

MFRS 9 *Financial Instruments* (cont'd.)

Impact of the adoption of MFRS 9

The following disclosure summarises the impact of transition to MFRS 9 on the opening balances of AFS reserve and retained earnings on 1 January 2018. There was no impact to other components of equity.

Group	As reported as at 31 December 2017 RM'000	Adjustment due to adoption of MFRS 9 RM'000	Opening balance as at 1 January 2018 RM'000
Equity			
AFS reserves	6	(6)	-
Retained earnings	168,651	(111)	168,540
Company			
Equity			
AFS reserves	6	(6)	-
Retained earnings	168,647	(111)	168,536

The total adjustment, net of tax, to the opening balance of the Group's and Company's retained earnings as at 1 January 2018 is RM111,000. The components of the adjustments are as follows:

- A reclassification of RM6,000 from AFS reserves to retained earnings arising from the classification of financial assets from AFS to FVTPL; and
- A decrease of RM117,000 net of tax in retained earnings due to additional impairment losses recognised under the ECL model.

Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities arising from the adoption of MFRS 9 are recognised in retained earnings and reserves as at 1 January 2018 as shown above. Accordingly, the results, financial position and cash flows presented for 2017 does not reflect the requirements of MFRS 9 and therefore is not comparable to the results, financial position and cash flows presented as at 31 December 2018, which reflects the requirements of MFRS 9.

2. Significant accounting policies (cont'd.)

2.5 Standards issued but not yet effective

The following are Standards, Amendments to Standards, Interpretation and annual improvements to standards issued by the Malaysian Accounting Standards Board ("MASB"), but not yet effective, up to the date of issuance of the Group's and the Company's financial statements. The Group and the Company intend to adopt these Standards, Amendments to Standards, Interpretation and annual improvements to standards, if applicable, when they become effective:

Description	Effective for annual periods beginning on or after
MFRS 16 *Leases*	1 January 2019
IC Interpretation 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to MFRS 128 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Amendments to MFRS 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to MFRS 119 *Plan Amendment, Curtailment or Settlement*	1 January 2019
Annual improvements to MFRS Standards 2015 - 2017 Cycle	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Amendments to MFRS 3 *Definition of a Business*	1 January 2020
Amendments to MFRS 101 *Definition of Material*	1 January 2020
Amendments to MFRS 108 *Definition of Material*	1 January 2020
MFRS 17 *Insurance Contracts*	1 January 2021
Amendments to MFRS 10 *Consolidated Financial Statements* and MFRS 128 *Investment in Associates and Joint Ventures*	To be announced by MASB

The directors expect that the adoption of the above pronouncements will have no material impact to the financial statements of the Group and the Company in the period of initial application except for those discussed below:

MFRS 16 *Leases*

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model, similar to the accounting for finance leases under MFRS 117. The standard will supersede MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Lease - Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

2. Significant accounting policies (cont'd.)

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

MFRS 16 *Leases (cont'd.)*

(i) <u>Lessee</u>

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Subsequently, lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

(ii) <u>Lessor</u>

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

The standard is effective for annual periods beginning on or after 1 January 2019. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The Company plans to adopt MFRS 16 for the first time as at 1 January 2019, using the modified retrospective approach, whereby comparative information is not required to be restated. In line with the practical expedient allowed under MFRS 16, the Company will elect to apply the Standard to contracts that were previously identified as leases applying MFRS 117 and IC Interpretation 4. The Company will therefore not apply the standard to contracts that were not previously identified as containing a lease when applying MFRS 117 and IC Interpretation 4.

The Group and Company will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group and Company have leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value.

During 2018, the Company has performed an impact assessment of MFRS 16. The Company estimates that it will recognise lease liabilities and right-of-use assets of RM3,746,000 as at 1 January 2019 from the adoption of the Standard.

2. Significant accounting policies (cont'd.)

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

MFRS 17 *Insurance Contracts*

On 15 August 2017, MASB issued MFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, MFRS 17 will replace MFRS 4 *Insurance Contracts* that was issued in 2011. MFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of MFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in MFRS 4, which are largely based on grandfathering previous local accounting policies, MFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of MFRS 17 is the general model, supplemented by:

(i) A specific adaptation for contracts with direct participation features (the variable fee approach); and

(ii) A simplified approach (the premium allocation approach) mainly for short-duration contracts.

MFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with the option to apply a full retrospective, modified retrospective or fair value approach on transition. Early application is permitted, provided the entity also applies MFRS 9 and MFRS 15 on or before the date it first applies MFRS 17.

The Group and the Company have completed the assessment of the operational impacts for adopting MFRS 17 and intend to assess the financial impacts in the financial year ending 2019.

2.6 Significant accounting judgements, estimates and assumptions

(a) Critical judgements made in applying accounting policies

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

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.)

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 and the Company have not applied any significant judgements in preparing the financial statements.

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

(i) Deferred tax assets (Note 10)

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 profits will be available against which these losses, allowances and provisions can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing of future taxable profits together with future tax planning strategies.

(ii) Consolidation of investments in collective investment schemes (Note 6)

Note 6(e) provides disclosures about the Company's subsidiary, namely, Affin Hwang Income Fund I (2017: Affin Hwang Income Fund I).

The Company has control over the Affin Hwang Income Fund I (2017: Affin Hwang Income Fund I) as it has the power to direct relevant activities, rights to variable returns, and the power to convene a special meeting to remove the trustee or the fund manager.

(b) Key sources of estimation uncertainty and assumptions

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

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.)

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

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

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

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

There may be significant reporting lags between the occurrence of an insured event and the time it is actually reported to the Group and 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.

Note 36 provides a sensitivity analysis on the effects of changes in key assumptions on the carrying value of insurance contract liabilities as well as the consequential impacts to profit or loss and equity.

3. Property and equipment

Group and Company	Property: Leasehold land RM'000	Property: Building on Leasehold land RM'000	Renovations RM'000	Motor vehicles RM'000	Furniture, fittings, office equipment and computers RM'000	Total RM'000
Cost						
At 31 December 2016	567	168	1,764	304	18,422	21,225
Additions	-	-	194	377	1,177	1,748
Disposals	-	-	(66)	-	(64)	(130)
Written off	-	-	-	-	(7)	(7)
At 31 December 2017	567	168	1,892	681	19,528	22,836
Additions	-	-	390	-	611	1,001
Disposals	-	-	-	-	(73)	(73)
Written off	-	-	-	-	(73)	(73)
At 31 December 2018	567	168	2,282	681	19,993	23,691

3. Property and equipment (cont'd.)

Group and Company	Property: Leasehold land RM'000	Property: Building on Leasehold land RM'000	Renovations RM'000	Motor vehicles RM'000	Furniture, fittings, office equipment and computers RM'000	Total RM'000
Accumulated depreciation and impairment loss						
At 31 December 2016	204	60	570	233	15,205	16,272
Charge for the year	12	3	181	96	1,524	1,816
Disposals	-	-	(16)	-	(27)	(43)
Written off	-	-	-	-	(5)	(5)
At 31 December 2017	216	63	735	329	16,697	18,040
Charge for the year	12	3	219	92	1,143	1,469
Disposals	-	-	-	-	(61)	(61)
Written off	-	-	-	-	(61)	(61)
At 31 December 2018	228	66	954	421	17,718	19,387
Net carrying amount						
At 31 December 2017	351	105	1,157	352	2,831	4,796
At 31 December 2018	339	102	1,328	260	2,275	4,304

4. Investment property

Group and Company	2018 RM'000	2017 RM'000
Freehold land and building:		
Cost		
At 1 January	2,768	2,768
Disposal	(2,768)	-
At 31 December	-	2,768
Accumulated depreciation		
At 1 January	379	357
Charge for the year	18	22
Disposal	(397)	-
At 31 December	-	379
Net carrying amount	-	2,389
Fair value	-	2,850

In 2017, the above investment property was revalued as at 13 October 2017 by a firm of independent professional valuers that has an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. The fair value disclosed is based on open market values, being the estimated amount for which a property could be exchanged between a willing buyer and a willing seller in an arm's length transaction based on the market comparison method.

There were no rental income and operating expenses in relation to the investment property in the current and previous years.

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

Fair value hierarchy disclosure for investment property have been provided in Note 38.

During the financial year, the Company has disposed its investment property and realised a gain of RM161,000 as disclosed in Note 21.

5. Intangible assets

Group and Company	2018 RM'000	2017 RM'000
Computer software		
Cost		
At 1 January	6,403	6,773
Additions	1,187	1,198
Write off	-	(1,568)
At 31 December	7,590	6,403
Accumulated amortisation		
At 1 January	5,005	5,100
Amortisation	880	1,013
Write off	-	(1,108)
At 31 December	5,885	5,005
Net carrying amount	1,705	1,398

6. Investments

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Debt securities	169,518	145,581	20,093	10,008
Investment in subsidiary (Note 6(e))	-	-	150,607	144,695
Unit trust funds	316,593	327,442	316,593	327,442
Loans	208	354	208	354
Fixed and call deposits with licensed financial institutions	36,061	61,366	25,391	52,276
	522,380	534,743	512,892	534,775

6. Investments (cont'd.)

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

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
LAR (Note 6(a))	-	61,720	-	52,630
Amortised cost (Note 6(a))	36,269	-	25,599	-
AFS financial assets (Note 6(b))	-	10,008	-	10,008
FVTPL financial assets (Note 6(c))	486,111	463,015	487,293	472,137
	522,380	534,743	512,892	534,775

(a) Amortised cost (2017: Loans and receivables)

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
At amortised cost:				
Fixed and call deposits with licensed financial institutions	36,061	61,366	25,391	52,276
Loans receivable:				
Secured staff mortgage loans	205	350	205	350
Other unsecured staff loans	3	4	3	4
	208	354	208	354
	36,269	61,720	25,599	52,630

Included in fixed and call deposits with licensed financial institutions of the Group and the Company are short term deposits with original maturity periods of less than 3 months amounting to RM29,746,000 (2017: RM43,338,000) and RM19,076,000 (2017: RM34,248,000) respectively, which have been classified as cash and cash equivalents for the purpose of the statements of cash flows.

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

The carrying values of the loans receivable are reasonable approximations of fair value due to the insignificant impact of discounting.

6. Investments (cont'd.)

(a) Amortised cost (2017: Loans and receivables)(cont'd.)

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

The financial assets at amortised cost category was introduced and the loans and receivables category was removed upon the adoption of MFRS 9 on 1 January 2018. Comparative figures are not restated in line with the transition requirements under MFRS 9. The financial effects of the adoption of MFRS 9 are discussed in Note 2.4.

(b) AFS financial assets

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At fair value:				
Unquoted debt securities in Malaysia	-	10,008	-	10,008

The AFS financial instruments category was removed upon the adoption of MFRS 9. The financial effects of the adoption of MFRS 9 are discussed in Note 2.4.

(c) FVTPL financial assets

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At fair value:				
Investment in subsidiary (Note 6(e))	-	-	150,607	144,695
Quoted unit trust funds in Malaysia	316,593	327,442	316,593	327,442
Unquoted debt securities in Malaysia	169,518	135,573	20,093	-
	486,111	463,015	487,293	472,137

6. Investments (cont'd.)

(d) Average effective interest rates

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	%	**%**	**%**	**%**
Debt securities	5.16	5.10	5.17	5.35
Loans	5.00	5.00	5.00	5.00
Deposits with licensed financial institutions	3.51	3.46	3.58	3.27

(e) Investment in subsidiary - collective investment scheme

	Company	
	2018	**2017**
	RM'000	**RM'000**
At fair value:		
Quoted collective investment scheme in Malaysia:		
FVTPL financial assets	150,607	144,695

Details of investment in subsidiary - collective investment scheme are as follows:

			% of ownership interest held by the Group	
Name	**Principal activities**	**Registered in**	**2018**	**2017**
			%	**%**
Affin Hwang Income Fund I *	Investment in fixed income securities and money market placements	Malaysia	93.9	99.9

* Audited by a firm of chartered accountants other than Ernst & Young.

7. Reinsurance assets

Group and Company	2018 RM'000	2017 RM'000
Claim liabilities (Note 14)	357,679	171,609
Premium liabilities (Note 14)	95,779	97,885
	453,458	269,494
Less: Impairment losses	(1,118)	(681)
	452,340	268,813

Included in impairment losses for reinsurance assets at 31 December 2018 is an amount of RM709,000 (2017: Nil) related to outstanding claim recoveries due from a reinsurer with whom the Company is currently in dispute, as further described in Note 8.

8. Insurance receivables

Group and Company	2018 RM'000	2017 RM'000
Due premiums including agents, brokers and co-insurers balances	95,223	80,193
Due from reinsurers and cedants	49,361	38,934
	144,584	119,127
Bad debts written off	(36)	(312)
	144,548	118,815
Accumulated impairment losses	(19,299)	(14,231)
	125,249	104,584

Offsetting of insurance receivables and insurance payables:

Group and Company	2018 RM'000	2017 RM'000
Gross amounts of recognised insurance receivables	193,269	125,887
Less: Gross amounts of recognised insurance payables offset in the statements of financial position	(48,721)	(7,072)
Net amounts of recognised insurance receivables, before allowance for impairment losses	144,548	118,815

8. Insurance receivables (cont'd.)

The movements in the allowance for impairment losses of insurance receivables are as follows:

Group and Company	Individually impaired RM'000	Collecti-vely impaired RM'000	Total RM'000
At 1 January 2017	945	9,577	10,522
Written off	-	(1,060)	(1,060)
Increase during the year (Note 25)	55	4,714	4,769
At 31 December 2017	1,000	13,231	14,231
At 1 January 2018	1,000	13,231	14,231
Changes on initial application of MFRS 9 (Note 2.4)	-	-	155
At 1 January 2018, as restated	1,000	13,231	14,386
Written off	-	(430)	(430)
Increase during the year (Note 25)	4,371	972	5,343
At 31 December 2018	5,371	13,773	19,299

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

On-going litigation with a Reinsurer

The Company is the reinsured under a Reinsurance Contract for an Extended Warranty Programme ("EWP") for various models of vehicles. The Reinsurer has failed to remit their share of payment for claims paid by the Company under the EWP. Accordingly, the Company has commenced legal action to recover certain amounts owing by the Reinsurer under the Reinsurance Contract through its appointed solicitors. As at 31 December 2018, the amount owing by the Reinsurer amounted to RM9,427,000 of which RM4,016,000 has been impaired.

On 29 January 2019, a writ of summon was filed with the High Court of Malaya, Kuala Lumpur ("High Court") to recover the non-disputed balances of RM2,822,000 from the Reinsurer. On 19 February 2019, the High Court granted leave to the Company to proceed with the service of Notice of Writ to be served out of jurisdiction to the Reinsurer in Hong Kong. The matter is now fixed for case management on 19 March 2019 in Malaysia pending the service of the said Notice.

9. Other receivables

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Financial assets:				
Income due and accrued	646	441	646	441
Assets held under the Malaysian Motor Insurance Pool ("MMIP" or "the Pool")*	52,360	58,462	52,360	58,462
Malaysian Institute of Insurance ("MII") bonds	260	260	260	260
Other receivables	10,389	17,765	10,389	17,765
	63,655	76,928	63,655	76,928
Non-financial assets:				
Prepayments	488	644	488	644
	64,143	77,572	64,143	77,572

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

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

10. Tax dispute with the Lembaga Hasil Dalam Negeri ("LHDN") - Group and Company

On 20 December 2018, the Company received Notices of Additional Assessment (Form JA) from the Lembaga Hasil Dalam Negeri ("LHDN") in respect of Years of Assessment ("YA") 2013 to 2015, wherein a sum of RM11.1 million of additional taxes and penalties was sought by the LHDN.

The Company is of the view given legal advice received that out of the RM11.1 million of additional taxes and penalties levied by the LHDN, RM10.7 million, being the disputed additional tax and penalties, is open to challenge and has hence, engaged tax solicitors to assist in challenging the said disputed additional tax and penalties imposed by the LHDN.

10. Tax dispute with the Lembaga Hasil Dalam Negeri ("LHDN") - Group and Company (contd.)

On 11 January 2019, the Company filed an Affidavit to the High Court of Malaya ("High Court") to apply for a judicial review against LHDN's assessments. The High Court had, on 18 February 2019, granted the Company leave to proceed with the case and the hearing has been scheduled for 23 May 2019. At the same time, the High Court also granted a stay in respect of payment of the additional tax and penalties to LHDN.

Accordingly, the Company has not recognised any liability in respect of the disputed additional tax and penalties in the financial statements for the year ended 31 December 2018, pending further developments of the case at the High Court.

11. Deferred tax assets

Group and Company	2018 RM'000	2017 RM'000
At 1 January	763	2,356
Recognised in:		
Profit or loss (Note 27)	522	(1,534)
Other comprehensive income	-	(59)
At 31 December	1,285	763

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

Group and Company	2018 RM'000	2017 RM'000
Presented after appropriate offsetting as follows:		
Deferred tax assets	1,866	1,482
Deferred tax liabilities	(581)	(719)
	1,285	763

11. Deferred tax assets (cont'd.)

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

Group and Company	Accelerated capital allowance on property and equipment RM'000	Fair value of financial assets RM'000	Premium liabilities RM'000	Provisions RM'000	Total RM'000
At 31 December 2016	(328)	57	586	2,041	2,356
Recognised in:					
Profit or loss (Note 27)	(152)	(237)	(534)	(611)	(1,534)
Other comprehensive income	-	(59)	-	-	(59)
At 31 December 2017	(480)	(239)	52	1,430	763
Recognised in					
Profit or loss (Note 27)	36	222	(172)	436	522
At 31 December 2018	(444)	(17)	(120)	1,866	1,285

12. Share capital and share premium

Group and Company	Number of ordinary shares '000	Share capital (Issued and fully paid) RM'000	Share premium RM'000	Total share capital and share premium RM'000
At 1 January 2017	100,013	100,013	3,335	103,348
Transition in accordance with Section 618(2) of the Companies Act, 2016 to no-par value regime on 31 January 2017	-	3,335	(3,335)	-
At 31 December 2017/ At 31 December 2018	100,013	103,348	-	103,348

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

13. Non-controlling interests

Group	2018 RM'000	2017 RM'000
At beginning of year	19	173,012
Share of profit for the year	16	227
Increase/(decrease) in non-controlling interests	9,607	(173,220)
Dividend/distribution paid	(16)	-
At end of year	9,626	19

The details of the subsidiary that has non-controlling interests are provided below.

Name of subsidiary	Country of incorporation and operation	Proportion of equity interest held by non-controlling interests Group 2018 %	 2017 %
Affin Hwang Income Fund I	Malaysia	6.01	0.01

	Group 2018 RM'000	 2017 RM'000
Accumulated balances of non-controlling interests:		
Affin Hwang Income Fund I	9,626	19
Profit allocated to non-controlling interests:		
Libra MoneyEXTRA Fund II*	-	170
AmCash Institutional 9*	-	44
Affin Hwang Income Fund I	16	13
	16	227

* These subsidiaries were disposed during the financial year ended 31 December 2017.

13. Non-controlling interests (cont'd.)

The summarised financial information of the subsidiary is provided below. This information is based on amounts before any eliminations between entities.

	Affin Hwang Income Fund I 2018 RM'000	Affin Hwang Income Fund I 2017 RM'000
Summarised statement of comprehensive income:		
Investment income	7,823	6,880
Management expenses	(460)	(1,575)
Profit before taxation	7,363	5,305
Taxation	-	-
Net profit for the year, representing total comprehensive income for the year	7,363	5,305
Attributable to non-controlling interests	16	13
Summarised statement of financial position as at 31 December:		
Investments	160,095	144,664
Cash and bank balances	209	218
Other payables	(70)	(162)
Total equity	160,234	144,720
Attributable to:		
Equity holders of parent	150,608	144,701
Non-controlling interests	9,626	19
	160,234	144,720
Summarised cash flow information for the year ended 31 December:		
Investing activities	(12,938)	(30,330)
Financing activities	8,151	6,026
Net decrease in cash and cash equivalents	(4,787)	(24,304)

14. Insurance contract liabilities

Group and Company	Note	2018 Gross RM'000	2018 Reinsurance RM'000 (Note 7)	2018 Net RM'000	2017 Gross RM'000	2017 Reinsurance RM'000 (Note 7)	2017 Net RM'000
Provision for claims reported by policyholders		371,759	(227,280)	144,479	283,643	(122,883)	160,760
Provision for IBNR claims and PRAD		221,934	(130,399)	91,535	137,149	(48,726)	88,423
Claim liabilities	(i)	593,693	(357,679)	236,014	420,792	(171,609)	249,183
Premium liabilities	(ii)	167,570	(95,779)	71,791	185,734	(97,885)	87,849
		761,263	(453,458)	307,805	606,526	(269,494)	337,032

(i) Claim liabilities

	2018 Gross RM'000	2018 Reinsurance RM'000	2018 Net RM'000	2017 Gross RM'000	2017 Reinsurance RM'000	2017 Net RM'000
At 1 January	420,792	(171,609)	249,183	366,951	(136,728)	230,223
Claims incurred in the current accident year	419,111	(269,745)	149,366	332,338	(128,464)	203,874
Adjustment to claims incurred in prior accident years due to changes in assumptions	(44,313)	(9,475)	(53,788)	(95,655)	30,323	(65,332)
Claims paid during the year (Note 24)	(201,897)	93,150	(108,747)	(182,842)	63,260	(119,582)
At 31 December	593,693	(357,679)	236,014	420,792	(171,609)	249,183

14. Insurance contract liabilities (cont'd.)

	2018			2017		
Group and Company (cont'd.)	**Gross RM'000**	**Reinsu-rance RM'000 (Note 7)**	**Net RM'000**	**Gross RM'000**	**Reinsu-rance RM'000 (Note 7)**	**Net RM'000**
(ii) Premium liabilities						
At 1 January	185,734	(97,885)	87,849	183,118	(78,328)	104,790
Premiums written during the year (Note 19)	450,781	(286,843)	163,938	460,800	(262,296)	198,504
Premiums earned during the year (Note 19)	(468,945)	288,949	(179,996)	(458,184)	242,739	(215,445)
At 31 December	167,570	(95,779)	71,791	185,734	(97,885)	87,849

As at 31 December 2018, the insurance contract liabilities above includes the Company’s proportionate share of MMIP's claim and premium liabilities amounting to RM36,350,000 (2017: RM40,705,000) and RM2,801,000 (2017: RM3,339,000) respectively.

15. Retirement benefits

Group and Company	2018 RM'000	2017 RM'000
At 1 January	738	418
Provision for the year	28	327
	766	745
Payments during the year	(193)	(7)
At 31 December	573	738
Amount payable after 12 months	373	553

16. Insurance payables

Group and Company	2018 RM'000	2017 RM'000
Due to agents, brokers, co-insurers and insureds	50,312	35,337
Due to reinsurers and cedants	68,931	72,054
	119,243	107,391
Offsetting of insurance receivables and insurance payables:		
Gross amounts of recognised insurance payables	167,964	114,463
Less: Gross amounts of recognised insurance receivables offset in the statements of financial position	(48,721)	(7,072)
Net amount of recognised insurance payables	119,243	107,391

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

17. Other payables

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Financial liabilities:				
Claims payable	3,535	6,061	3,535	6,061
Reinsurance deposits	2,334	4,094	2,334	4,094
Others	21,518	24,350	21,518	24,350
	27,387	34,505	27,387	34,505
Non-financial liabilities:				
ESOS provision	3,022	3,687	3,022	3,687
Accrued expenses	195	420	125	258
	30,604	38,612	30,534	38,450

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

18. Operating revenue

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Gross earned premiums (Note 19)	468,945	458,184	468,945	458,184
Investment income (Note 20)	23,715	22,031	23,071	19,302
	492,660	480,215	492,016	477,486

19. Net earned premiums

Group and Company	2018 RM'000	2017 RM'000
(a) Gross earned premiums		
Gross written premiums	450,781	460,800
Change in premium liabilities	18,164	(2,616)
	468,945	458,184
(b) Premiums ceded to reinsurers		
Gross premiums ceded to reinsurers	286,843	262,296
Change in premium liabilities	2,106	(19,557)
	288,949	242,739
Net earned premiums	179,996	215,445

20. Investment income

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Rental income from property (net of direct operating expenses of RM16,000 (2017: RM15,000))	31	36	31	36
Interest income:				
- AFS financial assets	-	598	-	598
- LAR	-	2,763	-	1,659
- Amortised cost financial assets	1,458	-	1,458	-
- FVTPL financial assets	7,842	6,182	684	-
Share of investment income of Malaysian Motor Insurance Pool	2,033	3,244	2,033	3,244
Dividend income:				
- Collective investment schemes	-	-	6,205	4,602
- Unit trust funds	12,660	9,163	12,660	9,163
	24,024	21,986	23,071	19,302
Net (amortisation of premiums)/ accretion of discounts on investments	(309)	45	-	-
	23,715	22,031	23,071	19,302

21. Realised gains and losses

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Investment property:				
Realised gains on disposal of investment property	161	-	161	-
Property and equipment:				
Realised gains on disposal of property and equipment	1	-	1	-
	162	-	162	-
AFS financial assets:				
Realised gains:				
Collective investment schemes	-	-	-	2,438
Quoted unit trust funds in Malaysia	-	192	-	192
Unquoted debt securities in Malaysia	-	37	-	37
Total realised gains for AFS financial assets	-	229	-	2,667
FVTPL financial assets:				
Realised gains:				
Collective investment schemes	12	245	12	245
Quoted unit trust funds in Malaysia	-	260	-	260
Unquoted debt securities in Malaysia	135	10	-	-
Realised losses on collective investment schemes	(21)	(59)	(21)	(59)
Total realised gains/(losses) for FVTPL financial assets	126	456	(9)	446
Total realised gains	288	685	153	3,113

22. Fair value gains and losses

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
FVTPL financial assets:				
Unrealised gains:				
Unquoted debt securities in Malaysia	902	430	63	-
Quoted unit trust funds in Malaysia	1,175	926	1,175	926
Collective investment schemes	-	-	1,142	1,090
Total unrealised gains for FVTPL financial assets	2,077	1,356	2,380	2,016

23. Other operating income

Group and Company	**2018** RM'000	**2017** RM'000
Commission from MMIP	68	103
Sundry income	836	772
Bad debts recovery	60	-
	964	875

24. Net claims

Group and Company	**2018** RM'000	**2017** RM'000
(a) Gross claims paid	(201,897)	(182,842)
(b) Claims ceded to reinsurers	93,150	63,260
Net claims paid (a)	(108,747)	(119,582)
(c) Gross change in contract liabilities	(172,901)	(53,841)
(d) Change in contract liabilities ceded to reinsurers	186,070	34,881
Net change in contract liabilities (b)	13,169	(18,960)
Net claims (a) + (b)	(95,578)	(138,542)

25. Management expenses

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Employee benefits expense (Note 25(a))	44,495	37,713	44,495	37,713
Directors' remuneration (Note 25(b))	996	975	996	975
Auditors' remuneration:				
Audit fees to auditor of the parent	362	229	362	229
Regulatory related fees	68	66	68	66
Non-audit fees	55	25	55	25
Audit fees to other audit firms	12	12	-	-
Depreciation of property and equipment (Note 3)	1,469	1,816	1,469	1,816
Depreciation of investment property (Note 4)	18	22	18	22
Amortisation of intangible assets (Note 5)	880	1,013	880	1,013
Allowance for impairment losses on:				
Insurance receivables (Note 8)	5,343	4,769	5,343	4,769
Reinsurance assets (Note 7)	436	681	436	681
Bad debts written off (Note 8)	36	312	36	312
Rental of premises	2,288	2,137	2,288	2,137
Printing charges	5,656	4,586	5,656	4,586
Publicity expenses	6,664	5,214	6,664	5,214
Communication expenses	611	673	611	673
Computer expenses	3,506	2,669	3,506	2,669
Training expenses	2,397	1,837	2,397	1,837
Gifts and entertainment expenses	2,229	2,544	2,229	2,544
Utility and upkeep expenses	768	819	768	819
Bank charges	1,934	2,545	1,934	2,545
Other professional fees	1,136	857	1,136	857
Management fees	2,023	-	2,023	-
Other administration and general expenses	2,945	4,458	2,494	2,837
	86,327	75,972	85,864	74,339

25. Management expenses (cont'd.)

(a) Employee benefits expense

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Wages and salaries	33,754	29,877	33,754	29,877
Social security contributions	269	283	269	283
Contributions to defined contribution plan - EPF	4,358	3,609	4,358	3,609
Share-based compensation	(665)	(592)	(665)	(592)
Termination benefits	3,929	-	3,929	-
Other benefits	2,850	4,536	2,850	4,536
	44,495	37,713	44,495	37,713

Included in employee benefits expense is the Chief Executive Officer's ("CEO") remuneration of RM2,345,000 (2017: RM3,346,000) as detailed in Note 25(c).

The termination benefits relate to accruals and payments in respect of eligible employees under a Voluntary Separation Scheme that was executed by the Company during the 2018 financial year. This amount is expected to be fully paid in the upcoming financial year ending 31 December 2019.

(b) Directors’ remuneration

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

Directors of the Company	2018 RM'000	2017 RM'000
Executive directors:		
Fees	80	84
Allowances and other emoluments	34	30
	114	114
Non-executive directors:		
Fees	604	605
Allowances and other emoluments	278	256
	882	861
Total	996	975

25. Management expenses (cont'd.)

(b) Directors’ remuneration (cont'd.)

Directors of the Company:	Fees RM'000	Allowances and other emoluments RM'000	Total RM'000
2018			
Executive director:			
Razman Hafidz Bin Abu Zarim - paid directly to Tune Protect Group Berhad (resigned on 31 December 2018)	80	34	114
Non-executive directors:			
Mohd Yusof Bin Hussian	153	54	207
Chee Siew Eng	113	56	169
Tan Ming-Li	113	52	165
Lim Chong Beng	113	56	169
Hong Kean Yong	112	60	172
	604	278	882
Total	684	312	996

Directors of the Company:	Fees RM'000	Allowances and other emoluments RM'000	Total RM'000
2017			
Executive director:			
Razman Hafidz Bin Abu Zarim - paid directly to Tune Protect Group Berhad (resigned on 31 December 2018)	84	30	114
Non-executive directors:			
Mohd Yusof Bin Hussian	151	50	201
Chee Siew Eng	113	50	163
Tan Ming-Li	117	54	171
Lim Chong Beng	113	52	165
Hong Kean Yong	111	50	161
	605	256	861
Total	689	286	975

25. Management expenses (cont'd.)

(b) Directors' remuneration (cont'd.)

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

Directors of the Company:	Number of directors 2018	2017
Executive director:		
Above RM100,000	1	1
Non-executive directors:		
RM150,001 - RM200,000	4	4
RM200,001 - RM250,000	1	1

(c) CEO's remuneration

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

Group and Company	2018 RM'000	2017 RM'000
Salary	1,080	972
Retention/gratuity payments	800	1,736
EPF	244	208
Bonus	150	374
Allowance	71	56
Total remuneration excluding benefits-in-kind (Note 25(a))	2,345	3,346
Estimated money value of benefits-in-kind	25	17
Total remuneration	2,370	3,363

26. Other operating expenses

Group and Company	2018 RM'000	2017 RM'000
Property and equipment written off	12	2
Intangible asset written off	-	460
Realised foreign exchange losses/(gains)	19	(8)
	31	454

27. Taxation

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Malaysian income tax:				
Current income tax	2,059	2,567	2,059	2,450
Under/(over) provision in prior year	705	(1,175)	705	(1,175)
	2,764	1,392	2,764	1,275
Deferred tax (Note 11):				
Relating to origination and reversal of temporary differences	(324)	898	(324)	898
(Over)/under provision in prior year	(198)	636	(198)	636
	(522)	1,534	(522)	1,534
	2,242	2,926	2,242	2,809

Current income and deferred tax is based on the corporate tax rate of 24% (2017: 24%) 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 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Profit before taxation	23,341	23,526	23,328	25,518
Taxation at Malaysian statutory tax rate of 24%	5,602	5,646	5,599	6,124
Non-taxable income	(5,085)	(2,968)	(5,082)	(3,563)
Expenses not deductible for tax purposes	1,218	787	1,218	787
Under/(over) provision of taxation in prior year	705	(1,175)	705	(1,175)
(Over)/under provision of deferred taxation in prior year	(198)	636	(198)	636
Tax expense for the year	2,242	2,926	2,242	2,809

The Group and Company have not recognised any provisions in respect of the disputed additional tax and penalties levied by the LHDN during the year, as further described in Note 10.

28. Earnings per share - Basic and diluted

Basic and diluted earnings per share is calculated by dividing profit for the financial year attributable to ordinary equity holders of the Company by the number of ordinary shares in issue.

	Group	
	2018	**2017**
	RM'000	**RM'000**
Profit attributable to ordinary equity holders	21,083	20,373
Number of ordinary shares in issue ('000)	100,013	100,013
Basic and diluted earnings per share (sen)	21.08	20.37

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

29. Dividends

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Approved and paid:				
Dividend on ordinary shares paid by the Company:				
Final dividend of RM0.11 (2017: RM0.10) per ordinary share in respect of the financial year ended 31 December 2017 (2017: 31 December 2016)	11,001	10,001	11,001	10,001
Distribution to non-controlling interests by Affin Hwang Income Fund I	16	-	-	-
	11,017	10,001	11,001	10,001

30. Operating lease arrangements

(a) The Group and Company as lessee

The Group and Company have entered into lease agreements for rental of office premises.

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

Future minimum rental payments:

Group and Company	2018 RM'000	2017 RM'000
Rental of office premises:		
Payable within one year	1,956	2,015
Payable after one year	758	2,122
	2,714	4,137

(b) The Group and Company as lessor

The Group and Company have entered into a cancellable operating lease arrangement on its property. The lease has a remaining cancellable lease term of 2 years.

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

Group and Company	2018 RM'000	2017 RM'000
Receivable within one year	46	17
Receivable after one year	61	-
	107	17

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

31. Capital commitment

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

Group and Company	2018 RM'000	2017 RM'000
Capital expenditure:		
Approved but not contracted for:		
Intangible assets	25,866	15,000
Property and equipment	815	4,738
	26,681	19,738

32. Related party disclosures

(a) Significant related party transactions

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

(i) Ultimate holding company

The ultimate holding company is Tune Protect Group Berhad ("TPG"), a company incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

(ii) Affiliated company

The affiliated company is AirAsia Berhad which has an equity interest of 13.65% in Tune Protect Group Berhad and including other corporations related to the said affiliated company.

Related party transactions have been entered into in the normal course of business under normal trade terms. Where there are no normal trade terms, it will be on a negotiated basis.

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

32. Related party disclosures (cont'd.)

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

Income/(expenses):	2018 RM'000	2017 RM'000
Related companies:		
AirAsia Berhad:		
Gross written premium	45,008	43,938
Fee and commission expenses	(11,248)	(10,984)
Thai AirAsia Co. Ltd		
Gross written premium	1,790	1,546
Fee and commission expenses	(448)	(387)
Indonesia AirAsia		
Gross written premium	1,757	1,702
Fee and commission expenses	(439)	(425)
PT Indonesia AirAsia		
Gross written premium	657	939
Fee and commission expenses	(164)	(235)
Tune Talk Sdn Bhd		
Gross written premium	75	65
Fee and commission expenses	(14)	
Air Asia X Berhad		
Gross written premium	11,087	12,119
Fee and commission expenses	(2,770)	(3,030)
Bex Travel Malaysia Sdn Bhd		
Gross written premium	7	5
Fee and commission expenses	(2)	(1)
Philippines AirAsia		
Gross written premium	504	-
Fee and commission expenses	(126)	-
Cebu Airways		
Gross written premium	47	-
SP&G Insurance Brokers Sdn Bhd		
Gross written premium	3,878	-
Fee and commission expenses	(581)	-

32. Related party disclosures (cont'd.)

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

Income/(expenses): (cont'd.)	2018 RM'000	2017 RM'000
Fellow subsidiary:		
Tune Protect Re Ltd.		
Premiums ceded to reinsurers	(47,448)	(48,674)
Fee and commission income	14,267	12,168
Claims recovery	3,549	3,025
Other income	723	4,631
Director's fee	55	35
Holding company:		
Tune Protect Group Berhad		
Dividend paid	(9,160)	(8,327)
Other expenses	(4,741)	(9,651)

(b) Related party balances

Included in the statements of financial position of the Group and Company are the amounts due from/(to) related parties represented by the following:

	2018 RM'000	2017 RM'000
Insurance receivables		
Related companies:		
Air Asia Berhad	3,536	6,655
Indonesia AirAsia	254	313
Thai AirAsia Co. Ltd	314	691
PT Indonesia AirAsia	162	311
Air Asia X Berhad	1,219	3,091
Tune Talk Sdn Bhd	1	8
Bex Travel Malaysia Sdn Bhd	-	2
Cebu Airways	23	-
SP&G Insurance Brokers Sdn Bhd	934	-
Fellow subsidiary:		
Tune Protect Re Ltd.	130	404
	6,573	11,475

32. Related party disclosures (cont'd.)

(b) Related party balances (cont'd.)

	2018 RM'000	2017 RM'000
Insurance receivables (cont'd.)		
Other payables		
Holding company:		
Tune Protect Group Berhad	(541)	(337)
Insurance payables		
Air Asia Berhad - related company	(6)	(90)
Tune Protect Re Ltd. - fellow subsidiary	(7,588)	(7,917)
	(7,594)	(8,007)

The balances with related parties disclosed above are unsecured, interest free and are repayable on demand or in accordance with the terms of the insurance/reinsurance contracts.

(c) Compensation of key management personnel

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

Group and Company	2018 RM'000	2017 RM'000
Non-executive directors’ remuneration (Note 25(b))	882	861
Executive director's remuneration (Note 25(b))	114	114
CEO's remuneration (Note 25(c))	2,370	3,363
	3,366	4,338

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

33. Regulatory capital requirements

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

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

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

	2018 RM'000	2017 RM'000
Company		
Eligible Tier 1 capital		
Paid-up share capital	103,348	103,348
Reserves, including retained earnings	178,621	168,647
	281,969	271,995
Tier 2 capital		
Eligible reserves	-	6
Amount deducted from capital	3,758	3,066
Total capital available	278,211	268,935

34. Risk management framework

As a general insurance company, the Company is in the business of assuming and managing insurance risks while it promotes value proposition to all its stakeholders. As a dynamic general insurance company, the Company has in place a sound Enterprise Risk Management ("ERM") Programme to ensure that risks are managed effectively and efficiently across the value chain and in changing business and regulatory environments. The Company mitigates risk by focusing on managing material risks, and not totally avoiding them.

To ensure risk management is effectively practised, the Company is guided by its Risk Management Framework ("RMF") that defines and formalises the risk management strategy, risk organisation and governance structure, risk policies and procedures, risk appetites and tolerances, and the roles and responsibilities of each party in the Company. The framework is a strategic document that articulates financial and operational strategies for managing risk holistically and, policies and procedures that set out compulsory rules governing the conduct of insurance business. The document also provides crucial input on how regulators comprehend and assess the approach to managing risk.

The framework is reviewed regularly and updated annually to maintain its relevance and appropriateness.

The Company has also put in place a Capital Management Plan ("CMP") in compliance with the Guidelines on Internal Capital Adequacy Assessment Process ("ICAAP") issued by BNM. The CMP sets out the corrective actions that are required based on different level of capital threshold breach. The Company's capital management policy is also guided by the CMP, and driven by the Company's business strategies.

The Board of the Company, which has the ultimate responsibility for ensuring an adequate system of risk management, has established a RMC comprising four Independent Non-Executive Directors. The Committee is responsible for quarterly deliberation on key risks, to ensure that they are adequately managed and controlled within the Company's risk appetite and in accordance with defined risk management policies.

34. Risk management framework (cont'd.)

Overview of risk management policies

Risk appetite

The Company's risk appetite statements together with the associated metrics, articulate the levels, boundaries and nature of risk that the Board is willing to bear and accept in pursuit of achieving strategic objectives. The statements, which are approved by the Board, comprise the following components:

(a) Capital adequacy risk policy;
(b) Business growth strategies;
(c) Underwriting performance;
(d) Liquidity;
(e) Investment strategy and income;
(f) Reinsurance and intermediaries counterparty risks;
(g) Compliance with regulatory guidelines;
(h) Reputational risks;
(i) Operational risks; and
(j) Credit settlement period.

Overview of risk management policies

The Company's key risks are broadly categorised as:-

(a) Insurance risk;
(b) Financial risk; and
(c) Operational risk.

The categorisations are in line with industry practice and BNM's RBC Framework. The key risks that the Company is exposed to, are mitigated by the following function-specific policies and controls.

A. Insurance

i. Risk

This includes the acceptance of sub-standard insurance business that may result in high incurred claims, adverse risk accumulation arising from poor spread, inadequate product pricing risk that causes low profit margins, product defects from inadequate design, inadequate reinsurance arrangements that attribute to lower profits and under-reserving of outstanding liabilities under insurance contracts.

34. Risk management framework (cont'd.)

Overview of risk management policies (cont'd.)

A. Insurance (cont'd.)

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;

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

(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 ensuring all significant reinsurance arrangements are contracted in Malaysian Ringgit;

(g) Ensure compliance with current treaty arrangements in risk acceptance;

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

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

(j) Track claims ratio by individual classes and report to the Board Risk Management Committee on a quarterly basis.

B. Reinsurance

i. Risk

Inappropriate or insufficient reinsurance arrangement exposes the Company to residual insurance risks, legal risks, concentration risk, counterparty risk, and operational risks.

34. Risk management framework (cont'd.)

Overview of risk management policies (cont'd.)

B. Reinsurance (cont'd.)

ii. Policy

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

(a) Set retention limits in accordance to the Company’s risk appetite and its risk tolerance level;

(b) Use of intermediaries such as reinsurance brokers to obtain an independent advice and to source for best pricing;

(c) Determine the reinsurer selection process including selection criteria to ensure sufficient diversification of reinsurance sources as well as the financial position of the reinsurers; and

(d) Regularly review the financial soundness of the reinsurers.

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.

ii. Policy

The Company's policies to safeguard against these risks are as follows:

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

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

34. Risk management framework (cont'd.)

Overview of risk management policies (cont'd.)

C. Claims (cont'd.)

ii. Policy (cont'd.)

(c) Make adequate provisions for all claim liabilities, especially for long-tail liabilities and adverse foreign exchange movements on such liabilities; and

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

D. Investments

i. Risk

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

ii. Policy

Returns from the investment of premium income and shareholder's funds 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. The absence of prudent investment strategies and an 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) Implement an investment strategy to ensure appropriate asset allocation, minimise concentration of investments and ensure matching of asset and liability portfolios;

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

(c) Undertake analysis prior to investment to minimise market risk and continuously monitor the performance and risk of the investment;

34. Risk management framework (cont'd.)

Overview of risk management policies (cont'd.)

D. Investments (cont'd.)

ii. Policy (cont'd.)

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

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

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

(g) Minimise credit risk and investment concentration risk by investing with institutions that have a minimum rating of “A” within specific overall limits for each institution; and

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

The Company does not use derivatives.

E. Credit Quality

i. Risk

Credit quality risk is associated with credit exposure that increases the risk profile of the Company and can adversely affect the Company’s viability. The risk arises mainly from default of reinsurers, due premiums and other large exposures.

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;

34. Risk management framework (cont'd.)

Overview of risk management policies (cont'd.)

E. Credit Quality (cont'd.)

ii. Policy (cont'd.)

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

(c) Monitor compliance with established credit limits; and

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

F. Operational

i. Risk

Operational risk is the risk of direct losses resulting from inadequate or failed internal processes, people and systems throughout the Company and from external events.

ii. Policy

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

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

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

(c) 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;

(d) Closely monitor external relationships;

34. Risk management framework (cont'd.)

Overview of risk management policies (cont'd.)

F. Operational (cont'd.)

ii. Policy (cont'd.)

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

(f) Ensure at all times that compliance with regulatory requirements and fulfilment of material obligations under the legislative framework is maintained;

(g) 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;

(h) Implement adequate security procedures to prevent unauthorised access, damage, loss to assets and facilities and harm to employees;

(i) Ensure that division of 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; and

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

G. Regulatory compliance and corporate governance

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

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

34. Risk management framework (cont'd.)

Overview of risk management policies (cont'd.)

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

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

A Compliance Department is in place to ensure regulatory compliance. The department is under the responsibility of the Head of Compliance who monitors compliance to regulatory requirements.

The Head of Compliance has the responsibility to ensure regulatory compliance is adhered to and any changes to policy and practices are communicated appropriately to all parties concerned.

H. Regulations of risk management

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

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

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

(b) A management structure that clearly identifies the roles and responsibilities of the staff;

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

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

(e) Improving motivation of staff through suitable communication, review, feedback and reward systems; and

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

35. Financial instruments and insurance assets and liabilities

The following tables summarise the financial instruments and insurance assets and liabilities of the Group and of the Company other than cash and bank balances:

2018	**Amortised Cost RM'000**	**FVTPL RM'000**	**Assets under MFRS 4 RM'000**	**Total RM'000**
Group				
Assets				
Investments	36,269	486,111	-	522,380
Reinsurance assets	-	-	452,340	452,340
Insurance receivables	125,249	-	-	125,249
Other receivables				
(net of prepayments)	63,655	-	-	63,655
	225,173	486,111	452,340	1,163,624

2018	**Other financial liabilities RM'000**	**Liabilities under MFRS 4 RM'000**	**Total RM'000**
Liabilities			
Insurance contract liabilities	-	761,263	761,263
Retirement benefits	573	-	573
Insurance payables	119,243	-	119,243
Other payables			
(net of provisions and accrued expenses)	27,387	-	27,387
	147,203	761,263	908,466

2017	**AFS RM'000**	**LAR RM'000**	**FVTPL RM'000**	**Assets under MFRS 4 RM'000**	**Total RM'000**
Group					
Assets					
Investments	10,008	61,720	463,015	-	534,743
Reinsurance assets	-	-	-	268,813	268,813
Insurance receivables	-	104,584	-	-	104,584
Other receivables					
(net of prepayments)	-	76,928	-	-	76,928
	10,008	243,232	463,015	268,813	985,068

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

2017	**Other financial liabilities RM'000**	**Liabilities under MFRS 4 RM'000**	**Total RM'000**
Liabilities			
Insurance contract liabilities	-	606,526	606,526
Retirement benefits	738	-	738
Insurance payables	107,391	-	107,391
Other payables			
(net of provisions and accrued expenses)	34,505	-	34,505
	142,634	606,526	749,160

2018	**Amortised Cost RM'000**	**FVTPL RM'000**	**Assets under MFRS 4 RM'000**	**Total RM'000**
Company				
Assets				
Investments	25,599	487,293	-	512,892
Reinsurance assets	-	-	452,340	452,340
Insurance receivables	125,249	-	-	125,249
Other receivables				
(net of prepayments)	63,655	-	-	63,655
	214,503	487,293	452,340	1,154,136

2018	**Other financial liabilities RM'000**	**Liabilities under MFRS 4 RM'000**	**Total RM'000**
Liabilities			
Insurance contract liabilities	-	761,263	761,263
Retirement benefits	573	-	573
Insurance payables	119,243	-	119,243
Other payables			-
(net of provisions and accrued expenses)	27,387	-	27,387
	147,203	761,263	908,466

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

2017	AFS RM'000	LAR RM'000	FVTPL RM'000	Assets under MFRS 4 RM'000	Total RM'000
Company					
Assets					
Investments	10,008	52,630	472,137	-	534,775
Reinsurance assets	-	-	-	268,813	268,813
Insurance receivables	-	104,584	-	-	104,584
Other receivables (net of prepayments)	-	76,928	-	-	76,928
	10,008	234,142	472,137	268,813	985,100

2017	Other financial liabilities RM'000	Liabilities under MFRS 4 RM'000	Total RM'000
Liabilities			
Insurance contract liabilities	-	606,526	606,526
Retirement benefits	738	-	738
Insurance payables	107,391	-	107,391
Other payables (net of provisions and accrued expenses)	34,505	-	34,505
	142,634	606,526	749,160

36. 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.

36. Insurance risk (cont'd.)

(a) Concentration of risks by class of business

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

Group and Company	Gross RM'000	Re-insurance RM'000	Net RM'000
Premium liabilites			
2018			
Motor	98,667	(57,900)	40,767
Fire	12,408	(5,662)	6,746
Marine, Aviation and Transit ("MAT")	21,037	(19,926)	1,111
Others	35,458	(12,291)	23,167
	167,570	(95,779)	71,791
2017			
Motor	109,106	(54,577)	54,529
Fire	19,435	(14,702)	4,733
MAT	9,437	(7,763)	1,674
Others	47,756	(20,843)	26,913
	185,734	(97,885)	87,849

Group and Company	Gross RM'000	Re-insurance RM'000	Net RM'000
Claim liabilities			
2018			
Motor	278,877	(106,722)	172,155
Fire	94,606	(80,745)	13,861
MAT	130,942	(124,001)	6,941
Others	89,268	(46,211)	43,057
	593,693	(357,679)	236,014
2017			
Motor	222,158	(42,322)	179,836
Fire	75,245	(57,172)	18,073
MAT	38,297	(29,817)	8,480
Others	85,092	(42,298)	42,794
	420,792	(171,609)	249,183

36. Insurance risk (cont'd.)

(b) Sensitivity analysis

Key assumptions

The principal assumption underlying the liability estimates is that the Company’s future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: one-off occurrences changes in market factors such as public attitude to claiming, economic conditionss as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Sensitivities

The general insurance 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.

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

The method used for deriving sensitivity information on loss ratio assumptions has been updated from the previous year. Estimated impact on gross and net liabilities are now in respect of the more recent accident periods where Estimated Loss Ratio ("ELR") are used in claim liabilities estimation, instead of all accident periods in previous year. The prior year comparative information has been restated to enhance comparability with the current year's approach.

36. Insurance risk (cont'd.)

(b) Sensitivity analysis (cont'd.)

Group and Company	Changes in variable	|-----Increase/(decrease)----- Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before taxation RM'000	* Impact on equity RM'000 -----|
2018					
Loss ratio	+10%	86,304	34,679	(34,679)	(26,356)
PRAD	+10%	5,536	2,416	(2,416)	(1,836)
Provision for expenses	+10%	944	1,039	(1,039)	(790)
Loss ratio	-10%	(75,077)	(28,559)	28,559	21,704
PRAD	-10%	(5,536)	(1,936)	1,936	1,471
Provision for expenses	-10%	(944)	(944)	944	718
2017					
Loss ratio	+10%	52,137	39,415	(39,415)	(29,955)
PRAD	+10%	2,788	1,879	(1,879)	(1,428)
Provision for expenses	+10%	994	994	(994)	(755)
Loss ratio	-10%	(52,137)	(33,438)	33,438	25,413
PRAD	-10%	(2,788)	(1,879)	1,879	1,428
Provision for expenses	-10%	(994)	(994)	994	755

* Impact is net of tax of 24% (2017: 24%).

36. Insurance risk (cont'd.)

(c) Claims development table

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 the adequacy of the provision is relatively at its highest. As claims develop and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

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

Group and Company

Gross general insurance contract liabilities for 2018:

Accident year	2011 & prior RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	Total RM'000
At the end of accident year	164,136	243,986	211,969	246,130	256,297	229,818	332,338	419,111	
One year later	150,123	247,486	173,116	207,343	207,973	190,560	321,811		
Two years later	139,573	224,094	154,652	183,695	189,658	177,779			
Three years later	131,463	208,847	148,205	171,284	185,293				
Four years later	129,325	208,027	136,947	169,387					
Five years later	124,932	205,044	127,251						
Six years later	134,945	203,991							
Seven years later	130,951								
Current estimate of cumulative claims incurred	130,951	203,991	127,251	169,387	185,293	177,779	321,811	419,111	1,735,574
At the end of accident year	(30,815)	(76,857)	(47,381)	(54,979)	(57,884)	(58,917)	(85,432)	(66,383)	
One year later	(75,244)	(132,823)	(91,862)	(120,315)	(125,894)	(118,303)	(174,302)		
Two years later	(109,790)	(167,023)	(104,766)	(144,298)	(150,069)	(138,351)			
Three years later	(116,683)	(185,774)	(112,583)	(153,854)	(164,360)				
Four years later	(118,521)	(195,914)	(114,124)	(157,531)					
Five years later	(119,536)	(197,296)	(119,878)						
Six years later	(120,906)	(199,666)							
Seven years later	(121,410)								
Cumulative payments to-date	(121,410)	(199,666)	(119,878)	(157,531)	(164,360)	(138,351)	(174,302)	(66,383)	(1,141,881)
Gross general insurance contract liabilities per statements of financial position (Note 14(i))	9,541	4,325	7,373	11,856	20,933	39,428	147,509	352,728	593,693

36. Insurance risk (cont'd.)

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

Group and Company

Net general insurance contract liabilities for 2018:

Accident year	2011 & prior RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	Total RM'000
At the end of accident year	134,687	134,376	120,999	144,802	158,569	170,009	203,874	149,366	
One year later	121,263	128,136	103,629	123,661	124,410	140,195	174,840		
Two years later	108,850	114,501	96,867	107,164	110,685	131,430			
Three years later	104,165	103,145	92,564	98,948	104,517				
Four years later	103,640	102,074	83,153	96,123					
Five years later	100,454	101,632	81,213						
Six years later	102,442	98,900							
Seven years later	100,118								
Current estimate of cumulative claims incurred	100,118	98,900	81,213	96,123	104,517	131,430	174,840	149,366	936,507
At the end of accident year	(28,737)	(34,057)	(35,220)	(39,627)	(37,371)	(45,175)	(59,278)	(35,667)	
One year later	(66,529)	(76,815)	(64,442)	(73,221)	(72,798)	(85,912)	(107,969)		
Two years later	(90,298)	(89,842)	(72,345)	(84,040)	(84,626)	(100,545)			
Three years later	(93,871)	(94,837)	(76,604)	(89,070)	(91,522)				
Four years later	(95,673)	(97,006)	(77,591)	(90,375)					
Five years later	(96,541)	(97,729)	(78,411)						
Six years later	(97,540)	(98,107)							
Seven years later	(97,897)								
Cumulative payments to-date	(97,897)	(98,107)	(78,411)	(90,375)	(91,522)	(100,545)	(107,969)	(35,667)	(700,493)
Net general insurance contract liabilities per statements of financial position (Note 14(i))	2,221	793	2,802	5,748	12,995	30,885	66,871	113,699	236,014

36. Insurance risk (cont'd.)

(c) Claims development table

Group and Company

Gross general insurance contract liabilities for 2017:

Accident year	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	Total RM'000
At the end of accident year	170,544	164,136	243,986	211,969	246,130	256,297	229,818	332,338	
One year later	168,597	150,123	247,486	173,116	207,343	207,973	190,560		
Two years later	146,125	139,573	224,094	154,652	183,695	189,658			
Three years later	149,468	131,463	208,847	148,205	171,284				
Four years later	148,331	129,325	208,027	136,947					
Five years later	146,560	124,932	205,044						
Six years later	151,280	125,002							
Seven years later	151,919								
Current estimate of cumulative claims incurred	151,919	125,002	205,044	136,947	171,284	189,658	190,560	332,338	1,502,752
At the end of accident year	(38,182)	(30,815)	(76,857)	(47,381)	(54,979)	(57,884)	(58,917)	(85,432)	
One year later	(95,372)	(75,244)	(132,823)	(91,862)	(120,315)	(125,894)	(118,303)		
Two years later	(110,466)	(109,790)	(167,023)	(104,766)	(144,298)	(150,069)			
Three years later	(127,828)	(116,683)	(185,774)	(112,583)	(153,854)				
Four years later	(133,744)	(118,521)	(195,914)	(114,124)					
Five years later	(137,006)	(119,536)	(197,296)						
Six years later	(141,976)	(120,186)							
Seven years later	(142,696)								
Cumulative payments to-date	(142,696)	(120,186)	(197,296)	(114,124)	(153,854)	(150,069)	(118,303)	(85,432)	(1,081,960)
Gross general insurance contract liabilities per statements of financial position (Note 14(i))	9,223	4,816	7,748	22,823	17,430	39,589	72,257	246,906	420,792

36. Insurance risk (cont'd.)

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

Group and Company

Net general insurance contract liabilities for 2017:

Accident year	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	Total RM'000
At the end of accident year	114,029	134,687	134,376	120,999	144,802	158,569	170,009	203,874	
One year later	106,956	121,263	128,136	103,629	123,661	124,410	140,195		
Two years later	98,737	108,850	114,501	96,867	107,164	110,685			
Three years later	94,709	104,165	103,145	92,564	98,948				
Four years later	93,967	103,640	102,074	83,153					
Five years later	93,366	100,454	101,632						
Six years later	92,538	99,132							
Seven years later	94,314								
Current estimate of cumulative claims incurred	94,314	99,132	101,632	83,153	98,948	110,685	140,195	203,874	931,933
At the end of accident year	(34,592)	(28,737)	(34,057)	(35,220)	(39,627)	(37,371)	(45,175)	(59,278)	
One year later	(67,182)	(66,529)	(76,815)	(64,442)	(73,221)	(72,798)	(85,912)		
Two years later	(77,525)	(90,298)	(89,842)	(72,345)	(84,040)	(84,626)			
Three years later	(86,020)	(93,871)	(94,837)	(76,604)	(89,070)				
Four years later	(87,975)	(95,673)	(97,006)	(77,591)					
Five years later	(89,420)	(96,541)	(97,729)						
Six years later	(91,004)	(97,120)							
Seven years later	(91,424)								
Cumulative payments to-date	(91,424)	(97,120)	(97,729)	(77,591)	(89,070)	(84,626)	(85,912)	(59,278)	(682,750)
Net general insurance contract liabilities per statements of financial position (Note 14(i))	2,890	2,012	3,903	5,562	9,878	26,059	54,283	144,596	249,183

37. Financial risks

(a) Credit risk

The Company has established counterparty and credit management policy that governs the credit selection and review process, as well as the insurance receivables collection and impairment assessment processes. These processes are regularly reviewed and monitored by the Risk Management Committee of the Company.

The maximum exposure to credit risk is normally represented by the carrying amount of each financial asset in the statements of financial position, although in the case of insurance receivables, it is fairly common practice for accounts to be settled on a net basis. In such cases, the maximum exposure to credit risk is expected to be limited to the extent of the amount of financial assets that has not been fully offset by financial liabilities with the same counterparty. The maximum amount recoverable from each reinsurer at any time is also dependent on the claims recoverable from such reinsurer at that point in time.

Amounts arising from ECL

The Company applies the simplified approach in accordance with MFRS 9 *Financial Instruments* and measures the allowance for impairment loss based on a lifetime ECL from initial recognition.

Measurement of ECL - Explanation of inputs, assumptions and estimation techniques

The key inputs into the measurement of ECL are based on the following variables as described in Note 2.3(g):

- PD;
- LGD; and
- EAD.

These parameters are derived from internally developed statistical models as developed by the Company based on historical data. They are adjusted to reflect forward-looking information.

The ECL is determined by projecting PD, LGD and EAD which are multiplied together and adjusted for forward-looking information.

37. Financial risks (cont'd.)

(a) Credit risk (cont'd.)

Definition of default

The Company considers a financial asset to be in default by assessing the following criteria:

Quantitative criteria

Insurance receivables are considered to be in default when the counterparty fails to make contractual payments within 12 months when they fall due, which is derived based on the Company’s historical information.

Qualitative criteria

Default occurs when the counterparty is in bankruptcy or has indications of potentially significant financial difficulty such as lawsuits or similar actions that threaten the financial viability of the counterparty.

The criteria above have been applied to all financial instruments held by the Company and are consistent with the definition of default used for credit risk management purposes. The default definition has been applied consistently to model the PD, LGD and EAD throughout the Company's expected loss calculations.

Incorporation of forward-looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Company has performed historical analysis and identified key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, LGD and EAD vary by financial instrument. Forecasts of these economic variables (the "base economic scenario") are obtained from publicly available economic databases and provide the best estimate view of the economy over the next four to five years. The impact of these economic variables on the PD, LGD and EAD has been determined by performing statistical regression analysis to understand the impact that changes in these variables have had historically on default rates and the components of LGD and EAD.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and the actual outcomes may be significantly different from those projected. The Company considers these forecasts to represent its best estimates of the possible outcomes and has analysed the non-linearities and asymmetries within the Company's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

37. Financial risks (cont'd.)

Incorporation of forward-looking information (cont'd.)

The sensitivity of the ECL to the economic variable assumptions affecting the calculation of ECL was not material to the Company for the year ended 31 December 2018.

Set out below is the information about the credit risk exposure on the Company's insurance receivables using a provision matrix:

	Days past due					
	< 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
31 December 2018						
ECL rate	1%	4%	4%	5%	36%	13%
Gross carrying amount of insurance receivables	44,672	20,843	8,672	25,405	44,992	144,584
Allowance for ECL	374	848	334	1,349	16,394	19,299
1 January 2018						
ECL rate	2%	1%	5%	13%	35%	12%
Gross carrying amount of insurance receivables	42,329	21,564	6,023	18,031	31,180	119,127
Allowance for ECL	768	230	315	2,274	10,799	14,386

* Included in these balances are credit impaired gross receivables amounting to RM43,717,000 (1 January 2018: RM29,414,000) of which the related ECL allowance amounted to RM15,183,000 (1 January 2018: RM8,553,000).

37. Financial risks (cont'd.)

(a) Credit risk (cont'd.)

Credit exposure

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the maximum amount of each class of financial and reinsurance assets recognised in the statements of financial position as shown in the table below. The reinsurers' share of unearned premiums have been excluded from the analysis as they are not contractual obligations.

		Group		Company	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
AC/LAR:					
Fixed and call deposits with licensed financial institutions	6(a)	36,061	61,366	25,391	52,276
Loans receivable:					
Staff mortgage loans	6(a)	205	350	205	350
Other unsecured staff loans	6(a)	3	4	3	4
AFS financial assets:					
Debt securities	6(b)	-	10,008	-	10,008
FVTPL financial assets:					
Debt securities	6(c)	169,518	135,573	20,093	-
Reinsurance assets	7	357,679	171,609	357,679	171,609
Insurance receivables	8	125,249	104,584	125,249	104,584
Other receivables (net of prepayments)	9	63,655	76,928	63,655	76,928
Cash and bank balances		3,180	4,692	2,971	4,475
		755,550	565,114	595,246	420,234

37. Financial risks (cont'd.)

(a) Credit risk (cont'd.)

Credit exposure by credit rating

The tables below and the following pages provide information regarding the credit risk exposures of the Group and the Company by classifying financial and reinsurance assets subject to credit risk according to the Group's and the Company's credit ratings of counterparties.

Group	AAA RM'000	AA RM'000	A RM'000	BBB and lower RM'000	Not rated RM'000	Total RM'000
2018						
AC:						
Fixed and call deposits with licensed financial institutions	26,543	7,925	-	-	1,593	36,061
Loans receivable:						
Staff mortgage loans	-	-	-	-	205	205
Other unsecured staff loans	-	-	-	-	3	3
FVTPL financial assets:						
Debt securities	14,057	132,572	17,798	-	5,091	169,518
Reinsurance assets ^	-	229	99,374	7	258,069	357,679
Insurance receivables	-	5,054	27,361	111	92,723	125,249
Other receivables (net of prepayments)	131	317	213	-	62,994	63,655
Cash and bank balances	2,197	788	133	-	62	3,180
	42,928	146,885	144,879	118	420,740	755,550

^ Reinsurance assets from brokers/insurers/reinsurers licensed under the Financial Services Act 2013 and Labuan Financial Services Authority are classified under the "not rated" category.

37. Financial risks (cont'd.)

(a) Credit risk (cont'd.)

Credit exposure by credit rating (cont'd.)

	AAA RM'000	AA RM'000	A RM'000	BBB and lower RM'000	Not rated RM'000	Total RM'000
Group						
2017						
LAR:						
Fixed and call deposits with licensed financial institutions	24,606	35,213	-	50	1,497	61,366
Loans receivable:						
Staff mortgage loans	-	-	-	-	350	350
Other unsecured staff loans	-	-	-	-	4	4
AFS financial assets:						
Debt securities	-	-	10,008	-	-	10,008
FVTPL financial assets:						
Debt securities	30,535	105,038	-	-	-	135,573
Reinsurance assets ^	-	11,454	57,341	653	102,161	171,609
Insurance receivables	-	3,362	21,432	415	79,375	104,584
Other receivables (net of prepayments)	10	233	213	1	76,471	76,928
Cash and bank balances	532	1,898	2,203	-	59	4,692
	55,683	157,198	91,197	1,119	259,917	565,114

^ Reinsurance assets from brokers/insurers/reinsurers licensed under the Financial Services Act 2013 and Labuan Financial Services Authority are classified under the "not rated" category.

37. Financial risks (cont'd.)

(a) Credit risk (cont'd.)

Credit exposure by credit rating (cont'd.)

	AAA RM'000	AA RM'000	A RM'000	BBB and lower RM'000	Not rated RM'000	Total RM'000
Company						
2018						
AC:						
Fixed and call deposits with licensed financial institutions	15,873	7,925	-	-	1,593	25,391
Loans receivable:						
Staff mortgage loans	-	-	-	-	205	205
Other unsecured staff loans	-	-	-	-	3	3
FVTPL financial assets:						
Debt securities	5,046	5,019	10,028	-	-	20,093
Reinsurance assets ^	-	229	99,374	7	258,069	357,679
Insurance receivables	-	5,054	27,361	111	92,723	125,249
Other receivables (net of prepayments)	131	317	213	-	62,994	63,655
Cash and bank balances	2,197	579	133	-	62	2,971
	23,247	19,123	137,109	118	415,649	595,246

^ Reinsurance assets from brokers/insurers/reinsurers licensed under the Financial Services Act 2013 and Labuan Financial Services Authority are classified under the "not rated" category.

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37. Financial risks (cont'd.)

(a) Credit risk (cont'd.)

Credit exposure by credit rating (cont'd.)

	AAA RM'000	AA RM'000	A RM'000	BBB and lower RM'000	Not rated RM'000	Total RM'000
Company						
2017						
LAR:						
Fixed and call deposits with licensed financial institutions	15,516	35,213	-	50	1,497	52,276
Loans receivable:						
Staff mortgage loans	-	-	-	-	350	350
Other unsecured staff loans	-	-	-	-	4	4
AFS financial assets:						
Debt securities	-	-	10,008	-	-	10,008
Reinsurance assets ^	-	11,454	57,341	653	102,161	171,609
Insurance receivables	-	3,362	21,432	415	79,375	104,584
Other receivables (net of prepayments)	10	233	213	1	76,471	76,928
Cash and bank balances	532	1,681	2,203	-	59	4,475
	16,058	51,943	91,197	1,119	259,917	420,234

^ Reinsurance assets from brokers/insurers/reinsurers licensed under the Financial Services Act 2013 and Labuan Financial Services Authority are classified under the "not rated" category.

37. Financial risks (cont'd.)

(b) Liquidity risk

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

Maturity profiles

The tables below and on the following pages summarise the maturity profile of the financial and reinsurance assets and financial and insurance contract liabilities of the Group and the Company based on the remaining undiscounted contractual obligations, including interest receivable.

For insurance contract liabilities and reinsurance assets, maturity profiles are determined based on the estimated timing of net cash outflows from the recognised insurance liabilities. Unearned premiums and the reinsurers' share of unearned premiums have been excluded from the analysis as they are not contractual obligations.

Group	Carrying value RM'000	Less than 1 year RM'000	Over 1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
2018						
AC:						
Fixed and call deposits with licensed financial institutions	36,061	36,211	-	-	-	36,211
Loans receivable:						
Secured staff mortgage loans	205	32	-	173	-	205
Other unsecured staff loans	3	3	-	-	-	3
FVTPL financial assets:						
Unit trust funds	316,593	-	-	-	316,593	316,593
Debt securities	169,518	39,301	114,726	46,609	-	200,637
Reinsurance assets	357,679	205,861	146,232	5,586	-	357,679
Insurance receivables	125,249	125,249	-	-	-	125,249
Other receivables (net of prepayments)	63,655	63,655	-	-	-	63,655
Cash and bank balances	3,180	3,180	-	-	-	3,180
	1,072,143	473,492	260,958	52,368	316,593	1,103,411

37. Financial risks (cont'd.)

(b) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)

Group (cont'd.)	Carrying value RM'000	Less than 1 year RM'000	Over 1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
2018						
Insurance contract liabilities	593,693	340,551	243,075	10,067	-	593,693
Retirement benefits	573	200	-	373	-	573
Insurance payables	119,243	119,243	-	-	-	119,243
Other payables (net of provisions and accrued expenses)	27,387	27,387	-	-	-	27,387
	740,896	487,381	243,075	10,440	-	740,896
2017						
LAR:						
Fixed and call deposits with licensed financial institutions	61,366	61,700	-	-	-	61,700
Loans receivable:						
Secured staff mortgage loans	350	-	113	237	-	350
Other unsecured staff loans	4	4	-	-	-	4
AFS financial assets:						
Debt securities	10,008	322	10,536	-	-	10,858
FVTPL financial assets:						
Unit trust funds	327,442	-	-	-	327,442	327,442
Debt securities	135,573	19,944	124,264	-	-	144,208
Reinsurance assets	171,609	94,165	75,333	2,111	-	171,609
Insurance receivables	104,584	104,584	-	-	-	104,584
Other receivables (net of prepayments)	76,928	76,928	-	-	-	76,928
Cash and bank balances	4,692	4,692	-	-	-	4,692
	892,556	362,339	210,246	2,348	327,442	902,375

37. Financial risks (cont'd.)

(b) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)

Group (cont'd.)	Carrying value RM'000	Less than 1 year RM'000	Over 1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
2017						
Insurance contract liabilities	420,792	239,390	172,275	9,127	-	420,792
Retirement benefits	738	185	553	-	-	738
Insurance payables	107,391	107,391	-	-	-	107,391
Other payables (net of provisions and accrued expenses)	34,505	34,505	-	-	-	34,505
	563,426	381,471	172,828	9,127	-	563,426

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
2018						
AC:						
Fixed and call deposits with licensed financial institutions	25,391	25,541	-	-	-	25,541
Loans receivable:						
Secured staff mortgage loans	205	32	-	173	-	205
Other unsecured staff loans	3	3	-	-	-	3
FVTPL financial assets:						
Unit trust funds	316,593	-	-	-	316,593	316,593
Collective investment schemes	150,607	-	-	-	150,607	150,607
Debt securities	20,093	10,819	6,876	5,129	-	22,824
Reinsurance assets	357,679	205,861	146,232	5,586	-	357,679
Insurance receivables	125,249	125,249	-	-	-	125,249
Other receivables (net of prepayments)	63,655	63,655	-	-	-	63,655
Cash and bank balances	2,971	2,971	-	-	-	2,971
	1,062,446	434,131	153,108	10,888	467,200	1,065,327

37. Financial risks (cont'd.)

(b) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)

Company (cont'd.)	Carrying value RM'000	Less than 1 year RM'000	Over 1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
2018						
Insurance contract liabilities	593,693	340,551	243,075	10,067	-	593,693
Retirement benefits	573	200	-	373	-	573
Insurance payables	119,243	119,243	-	-	-	119,243
Other payables (net of provisions and accrued expenses)	27,387	27,387	-	-	-	27,387
	740,896	487,381	243,075	10,440	-	740,896
2017						
LAR:						
Fixed and call deposits with licensed financial institutions	52,276	52,607	-	-	-	52,607
Loans receivable:						
Secured staff mortgage loans	350	-	113	237	-	350
Other unsecured staff loans	4	4	-	-	-	4
AFS financial assets:						
Debt securities	10,008	322	10,536	-	-	10,858
FVTPL financial assets:						
Collective investment schemes	144,695	144,695	-	-	-	144,695
Unit trust funds	327,442	327,442	-	-	-	327,442
Reinsurance assets	171,609	94,165	75,333	2,111		171,609
Insurance receivables	104,584	104,584	-	-	-	104,584
Other receivables (net of prepayments)	76,928	76,928	-	-	-	76,928
Cash and bank balances	4,475	4,475	-	-	-	4,475
	892,371	805,222	85,982	2,348	-	893,552

37. Financial risks (cont'd.)

(b) Liquidity risk (cont'd.)

Maturity profiles (cont'd.)

Company (cont'd.)	Carrying value RM'000	Less than 1 year RM'000	Over 1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
2017						
Insurance contract liabilities	420,792	239,390	172,275	9,127	-	420,792
Retirement benefits	738	185	553	-	-	738
Insurance payables	107,391	107,391	-	-	-	107,391
Other payables (net of provisions and accrued expenses)	34,505	34,505	-	-	-	34,505
	563,426	381,471	172,828	9,127	-	563,426

(c) Market risk

Market risk arises with changes in value of unit trust funds, collective investment schemes and bond prices. This risk is mitigated through proper initial and continuous credit evaluation of bonds and review of performance of the unit trust funds and collective investment schemes respectively, purchase of highly rated bonds, and constant watch on investment portfolio for adverse changes and opportunities.

Fund managers' performance are monitored constantly, and parameters are prescribed to fund managers according to the Group's and the Company's risk appetite on investments in unit trust funds and collective investment schemes and bonds, by placing limits on categories of purchase.

37. Financial risks (cont'd.)

(c) Market risk (cont'd.)

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 Net Asset Value ("NAV") of unit trust funds and collective investment schemes with all other variables held constant is indicated in the table below:

	Group			Company		
	Increase/(decrease)			Increase/(decrease)		
	Change in variable %	Effect on net income for the year RM'000	Effect on equity RM'000	Change in variable %	Effect on net income for the year RM'000	Effect on equity RM'000
2018						
Market indices:						
NAV	+10	31,659	31,659	+10	46,720	46,720
NAV	-10	(31,659)	(31,659)	-10	(46,720)	(46,720)
2017						
Market indices:						
NAV	+10	32,744	32,744	+10	47,214	47,214
NAV	-10	(32,744)	(32,744)	-10	(47,214)	(47,214)

Interest rate risk

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

37. Financial risks (cont'd.)

(c) Market risk (cont'd.)

Interest rate risk (cont'd.)

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

	Group			Company		
	Increase/(decrease)			Increase/(decrease)		
	Changes in basis points	* Effect on net income for the year RM'000	* Effect on equity RM'000	Changes in basis points	* Effect on net income for the year RM'000	* Effect on equity RM'000
2018						
Interest rates	+ 100 bps	(214)	(214)	+ 100 bps	(18)	-
Interest rates	- 100 bps	214	214	- 100 bps	18	-
2017						
Interest rates	+ 100 bps	(93)	(99)	+ 100 bps	-	(6)
Interest rates	- 100 bps	93	99	- 100 bps	-	6

* Impact is net of tax of 24% (2017: 24%).

(d) Operational Risk

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

38. Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of assets by valuation techniques:

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 provides an analysis of assets measured and/or disclosed at fair value on a recurring basis in accordance with the fair value hierarchy:

		|------- Valuation techniques using	--------|		
Group	**Date of valuation**	**Quoted market price (Level 1) RM'000**	**Observable inputs (Level 2) RM'000**	**Un-observable inputs (Level 3) RM'000**	**Total RM'000**
Assets measured at fair value:					
<u>AFS financial assets:</u>					
2018: Nil					
2017					
Unquoted debt securities in Malaysia	31 December 2017	-	10,008	-	10,008

38. Fair values hierarchy (cont'd.)

Group (cont'd.)	Date of valuation	|------- Valuation techniques using --------| Quoted market price (Level 1) RM'000	Observable inputs (Level 2) RM'000	Un-observable inputs (Level 3) RM'000	Total RM'000
Assets measured at fair value: (cont'd.)					
FVTPL financial assets:					
2018					
Quoted unit trust funds in Malaysia	31 December 2018	316,593	-	-	316,593
Unquoted debt securities in Malaysia	31 December 2018	-	169,518	-	169,518
		316,593	169,518	-	486,111
2017					
Quoted unit trust funds in Malaysia	31 December 2017	327,442	-	-	327,442
Unquoted debt securities in Malaysia	31 December 2017	-	135,573	-	135,573
		327,442	135,573	-	463,015

38. Fair values hierarchy (cont'd.)

Group (cont'd.)	Date of valuation	Quoted market price (Level 1) RM'000	Observable inputs (Level 2) RM'000	Un-observable inputs (Level 3) RM'000	Total RM'000
		|-------- Valuation techniques using		--------|	
Asset for which fair value is disclosed					
2018: Nil					
2017					
Investment property	31 December 2017	-	-	2,850	2,850

Company

Assets measured at fair value:

<u>AFS financial assets:</u>

Company	Date of valuation	Quoted market price (Level 1) RM'000	Observable inputs (Level 2) RM'000	Un-observable inputs (Level 3) RM'000	Total RM'000
2018: Nil					
2017					
Unquoted debt securities in Malaysia	31 December 2017	-	10,008	-	10,008

38. Fair values hierarchy (cont'd.)

Company (cont'd.)	Date of valuation	|------- Valuation techniques using --------| Quoted market price (Level 1) RM'000	Observable inputs (Level 2) RM'000	Un-observable inputs (Level 3) RM'000	Total RM'000
Assets measured at fair value: (cont'd.)					
FVTPL financial assets:					
2018					
Quoted collective investment schemes in Malaysia	31 December 2018	150,607	-	-	150,607
Quoted unit trust funds in Malaysia	31 December 2018	316,593	-	-	316,593
Unquoted debt securities in Malaysia	31 December 2018	-	20,093	-	20,093
		467,200	20,093	-	487,293
2017					
Quoted collective investment schemes in Malaysia	31 December 2017	144,695	-	-	144,695
Quoted unit trust funds in Malaysia	31 December 2017	327,442	-	-	327,442
		472,137	-	-	472,137
Asset for which fair value is disclosed					
2018: Nil					
2017					
Investment property	31 December 2017	-	-	2,850	2,850

39. Updates to legal case

MyCC's Proposed Decision against PIAM and its 22 members

On 22 February 2017, the Company received a notice from the Malaysia Competition Commission ("MyCC") concerning a proposed preliminary decision ("Proposed Decision") which found that Tune Insurance Malaysia Berhad and 21 other general insurance companies in Malaysia who are members of the General Insurance Association of Malaysia ("PIAM"), had purportedly infringed Section 4(2)(a) of the Competition Act 2010 ("CA") in Malaysia.

The Proposed Decision by MyCC is pursuant to its investigation outcome in respect of the agreement entered into between PIAM and the Federation of Automobile Workshop Owners' Association of Malaysia ("FAWOAM") concerning the trade discount rates applicable to automobile parts for certain types of vehicles and agreed labour rates for PIAM Approved Repairer's Scheme workshops. On the directive of Bank Negara Malaysia, PIAM engaged with FAWOAM to resolve the issues concerning parts trade discounts and the hourly labour rates and subsequently approved the agreed rates via the issuance of a members' circular which was subsequently adopted by PIAM members including Tune Insurance Malaysia Berhad.

The Proposed Decision suggests a financial penalty of Ringgit Malaysia Three Million Six Hundred Eight Thousand Five Hundred Thirty only (RM3,608,530) on the part of Tune Insurance Malaysia Berhad and a consolidated amount of Ringgit Malaysia Two Hundred Thirteen Million Four Hundred Fifty Four Eight Hundred Fourteen (RM213,454,814) on all the 22 members of PIAM. The Proposed Decision is not conclusive as the PIAM members were given an opportunity to make their written and oral representations to the MyCC. On 5 April 2017, Tune Insurance Malaysia Berhad filed its written representation with the MyCC to defend its position that it has not infringed Section 4(2) of the CA. On 29 January 2018, Tune Insurance Malaysia Berhad, represented by its legal counsels made its oral representations to the MyCC to further fortify its written representations.

On 21 February 2019, the counsel for PIAM made their oral representations to the MyCC Commissioners and it was treated as a *de novo* hearing (fresh hearing - starting from the beginning). All previous submissions of the insurers' counsels were allowed to be adopted and will form part of the record of evidence. This matter is fixed for further oral representations on 13 and 14 May 2019 and 17 and 18 June 2019. The Company's legal counsel will be making their representations during the June 2019 session.

The Company, in consultation with its legal counsel, will take all necessary and appropriate actions to defend its position and at all times maintain that the Company acted in accordance with the directives issued by the regulator.

As at the approval date of the financial statements, there have been no further developments on this matter.