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

Directors' Report and Audited Financial Statements
31 December 2017

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 2017.

Principal activities

The Company is principally engaged in the underwriting of all classes of general insurance business. The principal activities of the subsidiaries and other information relating to the subsidiaries are set out in Note 6 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	20,600	22,709

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

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

Dividends

The amount of dividend declared and paid by the Company since 31 December 2016 was as follows:

	RM'000
Final dividend of RM0.10 per ordinary share amounting to RM10,001,322 in respect of the financial year ended 31 December 2016 approved on 30 March 2017 and paid on 8 June 2017.	10,001

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.

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

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

Tune Insurance Malaysia Berhad
(Incorporated in Malaysia)

Board of Directors

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, member of the Risk, Investment, Nomination and Remuneration Committees.

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.

Board of Directors (cont'd.)

Profile of Directors (cont'd.)

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.

Tan Ming-Li
- Independent Non-Executive Director

Ms. Tan Ming-Li, was appointed as an Independent Non-Executive Director of the Company on 1st April 2014. She is the Chairman for 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 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.

Board of Directors (cont'd.)

Profile of Directors (cont'd.)

Lim Chong Beng
- Independent Non-Executive Director

Mr. Lim Chong Beng, was appointed as an Independent Non-Executive Director of the Company since 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.

Mr. Lim currently holds the position of Executive Director of CLS Risk Consult Sdn Bhd, on 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.

Board of Directors (cont'd.)

Profile of Directors (cont'd.)

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 Bursa Malaysia since September 2012. Mr. Hong is the Chairman of the Investment Committee and a Member of the Audit, Nomination and Remuneration Committees of the Company.

Razman Hafidz 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). Prior to this, he was the Chairman of Tune Protect Group.

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

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.

Corporate governance

The directors confirmed that the Company has complied with all prescriptive requirements and adopts management practices that are consistent with the corporate governance principles set out in BNM/RH/PD 029-9: Corporate Governance ("the Corporate Governance Policy Document") for Insurers as follows:

(a) Responsibility of the Board of Directors

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.

(b) 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.

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 nine (9) times, with attendance recorded as follows:

	Attendance
Chairman:	
Mohd Yusof Bin Hussian (INED)	9/9
Members:	
Chee Siew Eng (INED)	9/9
Tan Ming-Li (INED)	9/9
Lim Chong Beng (INED)	9/9
Hong Kean Yong (INED)	9/9
Razman Hafidz Bin Abu Zarim (NIED)	8/9

Corporate governance (cont'd.)

(c) Board Committees (cont'd.)

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

(i) Risk Management Committee ("RMC")

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

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

The RMC oversees the effectiveness of risk management strategies including implementation of policies and risk appetite by reviewing the Company's key business risks and exposures in accordance with the Company's Risk Management Framework through quarterly risk reports from the Chief Risk Officer that identifies each of the risks and the management's view on the state of internal controls of each risk.

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

(ii) Audit Committee ("AC")

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

	Attendance
<u>Chairman:</u>	
Lim Chong Beng (INED)	5/5
<u>Members:</u>	
Chee Siew Eng (INED)	5/5
Tan Ming-Li (INED)	5/5
Hong Kean Yong (INED)	5/5

Corporate governance (cont'd.)

(c) Board Committees (cont'd.)

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

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

The AC met 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
<u>Chairman:</u>	
Tan Ming-Li (INED)	6/6
<u>Members:</u>	
Chee Siew Eng (INED)	6/6
Lim Chong Beng (INED)	6/6
Mohd Yusof Bin Hussian (INED)	6/6
Hong Kean Yong (INED)	6/6
Razman Hafidz Bin Abu Zarim (NIED)	5/6

Corporate governance (cont'd.)

(c) Board Committees (cont'd.)

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

The NC is empowered to evaluate the performance of individual directors and recommend the appointment of Chairman and members of the Board Committees. The NRC proposes new directors first to the Board for consideration prior to submission to BNM for appointment and proposes existing directors for re-appointment or re-election. Suitability, competencies, experience, expertise and potential contributions of proposed directors are reviewed prior to any recommendation. The NC also performs annual review to assess if the composition and size of the Board and skills of individual directors taken together will facilitate the Board in effectively discharging its duties and oversight function. The NC is also responsible for evaluating and recommending the appointment of the Chief Executive Officer ("CEO") and key senior management roles of the Company.

The NC met six (6) times during the financial year.

(iv) Remuneration Committee ("RC")

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

Chairman:	
Tan Ming-Li (INED)	5/5
Members:	
Chee Siew Eng (INED)	5/5
Lim Chong Beng (INED)	5/5
Mohd Yusof Bin Hussian (INED)	5/5
Hong Kean Yong (INED)	5/5
Razman Hafidz Bin Abu Zarim (NIED)	
- resigned as committee member in March 2017	2/3

The RC has the responsibility to review and recommend remuneration packages for the employees of the Company as well as Directors and the CEO. Remuneration packages include salaries, social security contributions, paid annual leave, paid sick leave, bonuses and retirement benefits. The RC is also charged with the responsibility of ensuring that the remuneration packages are commensurate with industry practices, and addressing the need for retention and motivation of staff.

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

Corporate governance (cont'd.)

(c) Board Committees (cont'd.)

(v) Investment Committee ("IC")

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

	Attendance
<u>Chairman:</u>	
Hong Kean Yong (INED)	3/3
<u>Members:</u>	
Mohd Yusof Bin Hussian (INED)	3/3
Tan Ming-Li (INED)	
- resigned as committee member in March 2017	1/1
Razman Hafidz Bin Abu Zarim (NIED)	2/2

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

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

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

Directors' benefits

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

Since the end of the previous financial year, no director has received or become entitled to receive 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 24 and Note 31 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 are 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 1.1.2017 '000	Acquired '000	Disposed '000	As at 31.12.2017 '000
Direct interest:				
Mohd Yusof Bin Hussian	50	-	-	50
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 its 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 allowances 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.

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

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

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

Other statutory information (cont'd.)

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

The significant and subsequent event during and after the financial year-end is as disclosed in Note 38 to the financial statements.

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Tune Insurance Malaysia Berhad
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Auditors and auditors' remuneration

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

Auditors' remuneration are disclosed in Note 24 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 19 March 2018.

Mohd Yusof Bin Hussian

Razman Hafidz Bin Abu Zarim

Kuala Lumpur, Malaysia

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

We, Mohd Yusof Bin Hussian and Razman Hafidz Bin Abu Zarim, 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 20 to 129 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 2017 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 19 March 2018.

Mohd Yusof Bin Hussian

Razman Hafidz Bin Abu Zarim

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 20 to 129 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 19 March 2018)

Khoo Ai Lin

Before me,

PESURUHJAYA SUMPAH
No: W706
Nama: TIONG SUOK HOON @ ELIZABETH
MALAYSIA

No. 109A, Batu 3 ¼
Jalan Kelang Lama
58000 Kuala Lumpur

Building a better working world

Ernst & Young AF: 0039
GST Reg No: 001556430848
Chartered Accountants
Level 23A Menara Milenium
Jalan Damanlela, Pusat Bandar Damansara
50490 Kuala Lumpur Malaysia

Tel: +603 7495 8000
Fax: +603 2095 5332 (General line)
+603 2095 9076
+603 2095 9078
ey.com

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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 2017 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 20 to 129.

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 2017, 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.

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

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.

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

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.

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Independent auditors' report to the members of Tune Insurance Malaysia Berhad (cont'd.)
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Auditors' responsibilities for the audit of the financial statements (cont'd.)

- 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.

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 of which we have not acted as auditors, are disclosed in Note 6(f) 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	Brandon Bruce Sta Maria
AF: 0039	No. 02937/09/2019 J
Chartered Accountants	Chartered Accountant

Kuala Lumpur, Malaysia
19 March 2018

Tune Insurance Malaysia Berhad
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Statements of financial position
As at 31 December 2017

		Group		Company	
		2017	**2016**	**2017**	**2016**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Assets					
Property and equipment	3	4,796	4,953	4,796	4,953
Investment property	4	2,389	2,411	2,389	2,411
Intangible assets	5	1,398	1,673	1,398	1,673
Investments	6	534,743	688,089	534,775	516,187
Reinsurance assets	7	268,813	215,056	268,813	215,056
Insurance receivables	8	104,584	116,588	104,584	116,588
Other receivables	9	77,572	86,890	77,572	85,636
Tax recoverable		25,541	17,256	25,541	17,256
Deferred tax assets	10	763	2,356	763	2,356
Cash and bank balances		4,692	7,075	4,475	6,998
Total assets		1,025,291	1,142,347	1,025,106	969,114
Equity					
Share capital	11	103,348	100,013	103,348	100,013
Share premium	11	-	3,335	-	3,335
Available-for-sale ("AFS") reserves		6	29	6	2,369
Retained earnings		168,651	158,279	168,647	155,939
Equity attributable to owners of the parent		272,005	261,656	272,001	261,656
Non-controlling interests	12	19	173,012	-	-
Total equity		272,024	434,668	272,001	261,656
Liabilities					
Insurance contract liabilities	13	606,526	550,069	606,526	550,069
Retirement benefits	14	738	418	738	418
Insurance payables	15	107,391	117,930	107,391	117,930
Other payables	16	38,612	39,262	38,450	39,041
Total liabilities		753,267	707,679	753,105	707,458
Total equity and liabilities		1,025,291	1,142,347	1,025,106	969,114

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 2017

		Group		Company	
		2017	2016	2017	2016
	Note	RM'000	RM'000	RM'000	RM'000
Gross earned premiums	18(a)	458,184	421,471	458,184	421,471
Earned premiums ceded to reinsurers	18(b)	(242,739)	(212,670)	(242,739)	(212,670)
Net earned premiums		215,445	208,801	215,445	208,801
Investment income	19	22,031	30,164	19,302	22,938
Realised gains and losses	20	685	47	3,113	24
Fair value gains and losses	21	1,356	(241)	2,016	(120)
Fee and commission income		57,569	44,045	57,569	44,045
Other operating income	22	875	205	875	205
Other revenue		82,516	74,220	82,875	67,092
Gross claims paid	23(a)	(182,842)	(175,395)	(182,842)	(175,395)
Claims ceded to reinsurers	23(b)	63,260	75,035	63,260	75,035
Gross change to contract liabilities	23(c)	(53,841)	29,802	(53,841)	29,802
Change in contract liabilities ceded to reinsurers	23(d)	34,881	(36,681)	34,881	(36,681)
Net claims		(138,542)	(107,239)	(138,542)	(107,239)
Fee and commission expense		(59,467)	(61,465)	(59,467)	(61,465)
Management expenses	24	(75,972)	(60,358)	(74,339)	(58,569)
Other operating expenses	25	(454)	(338)	(454)	(338)
Other expenses		(135,893)	(122,161)	(134,260)	(120,372)
Profit before taxation		23,526	53,621	25,518	48,282
Taxation	26	(2,926)	(8,210)	(2,809)	(8,210)
Net profit for the year		20,600	45,411	22,709	40,072

Tune Insurance Malaysia Berhad
(Incorporated in Malaysia)

Statements of comprehensive income
For the financial year ended 31 December 2017 (cont'd.)

		Group		Company	
		2017	2016	2017	2016
	Note	RM'000	RM'000	RM'000	RM'000
Net profit for the year		20,600	45,411	22,709	40,072
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	6(d)	265	174	363	501
- Realised gains transferred to profit or loss	20	(229)	(29)	(2,667)	(29)
- Deferred tax relating to components of other comprehensive income	10	(59)	(55)	(59)	(55)
Net other comprehensive (loss)/income for the year		(23)	90	(2,363)	417
Total comprehensive income for the year		20,577	45,501	20,346	40,489
Profit attributable to:					
Owners of the parent		20,373	40,399	22,709	40,072
Non-controlling interests		227	5,012	-	-
		20,600	45,411	22,709	40,072
Other comprehensive (loss)/income attributable to:					
Owners of the parent		(23)	90	(2,363)	417
Non-controlling interests		-	-	-	-
		(23)	90	(2,363)	417

Tune Insurance Malaysia Berhad
(Incorporated in Malaysia)

Statements of comprehensive income
For the financial year ended 31 December 2017 (cont'd.)

		Group		Company	
		2017	2016	2017	2016
	Note	RM'000	RM'000	RM'000	RM'000
Total comprehensive income attributable to:					
Owners of the parent		20,350	40,489	20,346	40,489
Non-controlling interests		227	5,012	-	-
		20,577	45,501	20,346	40,489
Earnings per share attributable to owners of the parent (sen per share)					
Basic and diluted	27	20.37	40.39		

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 2017

		<--------- Attributable to the owners of the parent --------->						
			|-- Non-distributable --|		Dis-tributable			
Group	**Note**	**Share capital RM'000 (Note 11)**	**Share premium RM'000**	**Available-for-sale reserves RM'000**	**Retained earnings RM'000**	**Total RM'000**	**Non-controlling interests RM'000 (Note 12)**	**Total equity RM'000**
At 1 January 2016		100,013	3,335	(61)	129,380	232,667	131,018	363,685
Net profit for the year		-	-	-	40,399	40,399	5,012	45,411
Other comprehensive income for the year		-	-	90	-	90	-	90
Total comprehensive income for the year		-	-	90	40,399	40,489	5,012	45,501
Increase in non-controlling interests arising from reduction in interest in subsidiaries	12	-	-	-	-	-	43,847	43,847
Dividends paid	28	-	-	-	(11,500)	(11,500)	(6,865)	(18,365)
At 31 December 2016		100,013	3,335	29	158,279	261,656	173,012	434,668
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)
Transition in accordance with Section 618(2) of the Companies Act 2016 to no-par value regime on on 31 January 2017		3,335	(3,335)	-	-	-	-	-
Total comprehensive (loss)/income for the year		3,335	(3,335)	(23)	20,373	20,350	227	20,577
Decrease in non-controlling interests arising from disposal of subsidiaries	12	-	-	-	-	-	(173,220)	(173,220)
Dividends paid	28	-	-	-	(10,001)	(10,001)	-	(10,001)
At 31 December 2017		103,348	-	6	168,651	272,005	19	272,024

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Tune Insurance Malaysia Berhad
(Incorporated in Malaysia)

Statements of changes in equity
For the financial year ended 31 December 2017 (cont'd.)

		<---- Attributable to the owners of the parent ---->				
			|-- Non-distributable --|		Dis-tributable	
Company	**Note**	**Share capital RM'000 (Note 11)**	**Share premium RM'000**	**Available-for-sale reserves RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
At 1 January 2016		100,013	3,335	1,952	127,367	232,667
Net profit for the year		-	-	-	40,072	40,072
Other comprehensive income for the year		-	-	417	-	417
Total comprehensive income for the year		-	-	417	40,072	40,489
Dividends paid	28	-	-	-	(11,500)	(11,500)
At 31 December 2016		100,013	3,335	2,369	155,939	261,656
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)
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)	-	-	-
Total comprehensive (loss)/income for the year		3,335	(3,335)	(2,363)	22,709	20,346
Dividends paid	28	-	-	-	(10,001)	(10,001)
At 31 December 2017		103,348	-	6	168,647	272,001

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 2017

		Group		Company	
		2017	2016	2017	2016
	Note	RM'000	RM'000	RM'000	RM'000
Profit before taxation		23,526	53,621	25,518	48,282
Adjustments for:					
Depreciation of property and equipment	3	1,816	1,694	1,816	1,694
Depreciation of investment property	4	22	22	22	22
Property and equipment written off	25	2	312	2	312
Intangible assets written off	25	460	-	460	-
Amortisation of intangible assets	5	1,013	1,130	1,013	1,130
Investment income	19	(22,031)	(30,164)	(19,302)	(22,938)
Realised gains and losses	20	(685)	(47)	(3,113)	(24)
Fair value gains and losses	21	(1,356)	241	(2,016)	120
Allowance for impairment losses of reinsurance assets	7	681	-	681	-
Allowance for impairment losses of insurance receivables	8	4,769	588	4,769	588
		8,217	27,397	9,850	29,186
Changes in working capital:					
Reinsurance assets		(54,438)	33,070	(54,438)	33,070
Insurance receivables		7,235	(9,859)	7,235	(9,859)
Other receivables		10,848	10,347	10,848	10,347
Insurance contract liabilities		56,457	(14,070)	56,457	(14,070)
Retirement benefits		327	(9)	327	(9)
Insurance payables		(10,539)	10,778	(10,539)	10,778
Other payables		(649)	(1,940)	(591)	(1,970)
Cash generated from operating activities		17,458	55,714	19,149	57,473
Net interest received		13,924	27,464	5,383	8,253
Net dividend received		9,163	11,528	13,765	13,990
Rental received		36	313	36	313
Retirement benefits paid		(7)	(103)	(7)	(103)
Income tax paid		(9,675)	(10,431)	(9,559)	(10,431)
Net cash flows generated from operating activities		30,899	84,485	28,767	69,495

Tune Insurance Malaysia Berhad
(Incorporated in Malaysia)

Statements of cash flows
For the financial year ended 31 December 2017 (cont'd.)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Investing activities					
Purchases of FVTPL financial assets	6(d)	(369,355)	(216,680)	(341,018)	(198,434)
Proceeds from maturities/disposals of AFS financial assets	6(d)	16,889	12,173	129,348	12,173
Proceeds from maturities/disposals of FVTPL financial assets	6(d)	82,983	155,542	206,893	112,500
Dividend reinvestment	6(d)	(8,792)	(962)	(9,439)	(10,637)
Movement in LAR		200,823	(26,773)	(8,754)	20,450
Proceeds from disposal of property and equipment		87	37	87	37
Purchase of property and equipment	3	(1,748)	(1,912)	(1,748)	(1,912)
Purchase of intangible assets	5	(1,198)	(1,352)	(1,198)	(1,352)
Net cash flows used in investing activities		(80,311)	(79,927)	(25,829)	(67,175)
Financing activities					
Cash received from non-controlling interests for units created in subsidiaries		-	110,651	-	-
Cash paid to non-controlling interests on units cancelled in subsidiaries		(175,661)	(74,497)	-	-
Dividends paid to owners of the parent		(10,001)	(11,500)	(10,001)	(11,500)
Dividends paid to non-controlling interests		-	(6,865)	-	-
Net cash flows (used in)/ generated from financing activities		(185,662)	17,789	(10,001)	(11,500)
Net (decrease)/increase in cash and cash equivalents		(235,074)	22,347	(7,063)	(9,180)
Cash and cash equivalents at beginning of year		283,104	260,757	45,786	54,966
Cash and cash equivalents at end of year		48,030	283,104	38,723	45,786
Cash and cash equivalents comprise:					
Fixed and call deposits (with original maturity of less than three months) with licensed financial institutions (Note 6(a))		43,338	276,029	34,248	38,788
Cash and bank balances		4,692	7,075	4,475	6,998
		48,030	283,104	38,723	45,786

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 subsidiaries are set out in Note 6.

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

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The principal place of business of the Company is located at Level 9, Wisma Tune, No.19, Lorong Dungun, Damansara Heights, 50490 Kuala Lumpur.

The 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 19 March 2018.

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.

The Companies Act, 2016 ("New Act") was enacted to replace the Companies Act 1965 in Malaysia with the objectives of creating a legal and regulatory structure that will facilitate business and promote accountability as well as protection of corporate directors and shareholders, taking into consideration the interest of other stakeholders. The New Act was passed on 4 April 2016 by the Dewan Rakyat (House of Representatives) and gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the date on which the New Act comes into operation, except for Section 241 and Division 8 of Part III of the New Act, would be 31 January 2017.

2. Significant accounting policies (cont'd.)

2.1 Basis of preparation (cont'd.)

Amongst the key changes introduced in the New Act which have affected the financial statements of the Group and of the Company upon commencement on 31 January 2017 were:

(a) Removal of the authorised share capital;
(b) Shares of the Company have ceased to have par or nominal value; and
(c) The Company’s share premium has become part of share capital.

The adoption of the New Act did not have any significant impact on the financial statements of the Group and of the Company. The effect of the adoption was mainly in respect of the disclosures in the financial statements of the Group and of the Company.

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 requirements as prescribed by the RBC Framework as at the date of the statement of financial position.

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. Significant accounting policies (cont'd.)

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

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

- Exposure, or rights, to variable returns from its involvement with the investee; and

- The ability to use its power over the investee to affect its returns.

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

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

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

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

2. Significant accounting policies (cont'd.)

2.2 Basis of consolidation (cont'd.)

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.

2.3 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 provided for on a straight-line basis to write off the cost of each asset to its residual value over its estimated useful life at the following annual rates:

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%

2. Significant accounting policies (cont'd.)

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

(a) Property and equipment (cont'd.)

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

(b) Intangible assets

Intangible assets of the Group and the Company consists 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 straight-line basis over the economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset are reviewed at least 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.

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.

(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.

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.

2. Significant accounting policies (cont'd.)

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

(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.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs.

2. Significant accounting policies (cont'd.)

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

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

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.

(f) Investments and financial assets

The Group and the Company classify their investments into financial assets at fair value through profit or loss ("FVTPL"), loans and other receivables ("LAR") and available-for-sale ("AFS") financial assets.

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

2. Significant accounting policies (cont'd.)

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

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

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

Financial assets at FVTPL

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

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

These investments are initially recorded at fair value plus transaction cost that are directly attributable to the acquisition or issue of the financial assets. Subsequent to initial recognition these investments are measured at fair value. Fair value adjustments and realised gains and losses are recognised in profit or loss.

LAR

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

AFS financial assets

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

2. Significant accounting policies (cont'd.)

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

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

AFS financial assets (cont'd.)

After initial measurement, AFS financial assets are measured at fair value. Fair value gains and losses of monetary and non-monetary securities are reported as a separate component of equity until the investment is derecognised or the investment is determined to be impaired.

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

(g) 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:

- 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 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 interest.

2. Significant accounting policies (cont'd.)

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

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

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

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.

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

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

2. Significant accounting policies (cont'd.)

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

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

The fair values of money market placements are their carrying value. The carrying value is the cost of the deposit/placements.

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

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

(h) Impairment of financial assets

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

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

Assets carried at amortised cost

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

2. Significant accounting policies (cont'd.)

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

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

Assets carried at amortised cost (cont'd.)

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

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

Assets carried at cost

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

AFS financial assets

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in other comprehensive income, is transferred from other comprehensive income to profit or loss. Reversals of impairment losses on debt instruments classified as AFS financial assets are reversed through profit or loss if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in profit or loss.

2. Significant accounting policies (cont'd.)

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

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

AFS financial assets (cont'd.)

When assessing the impairment of an equity instrument, the Group and the Company consider, in addition to observable data about loss events, whether there is significant or prolonged decline in the fair value of the equity instrument, and whether the cost of the investment in the equity instrument may be recovered. Where there is evidence that the cost of the investment in the equity instrument may not be recovered, an impairment loss is recognised. Impairment losses in respect of equity instruments classified as AFS financial assets are not reversed in subsequent periods unless the asset is disposed. Increases in the fair value of such assets continue to be recognised in other comprehensive income.

(i) Derecognition of financial assets

A financial asset is derecognised when:

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

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

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

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

2. Significant accounting policies (cont'd.)

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

(j) Equity instruments

Ordinary share capital

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

Dividends on ordinary shares

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

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

(k) Product classification

The Company currently only issues contracts that transfer insurance risk.

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the Company (the insurer) has accepted significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance 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 life-time, even if the insurance risk reduces significantly during the period, unless all rights and obligations are extinguished or expired.

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

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

2. Significant accounting policies (cont'd.)

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

(l) Reinsurance

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

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

Reinsurance assets 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 yield 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.

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

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

In determining UPR at 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%

(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"), 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 pattern.

(iv) Acquisition cost

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.

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

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

2. Significant accounting policies (cont'd.)

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

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

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

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

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

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

2. Significant accounting policies (cont'd.)

2.3 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 yield method.

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

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

(o) 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 method.

Derecognition of insurance payables

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

2. Significant accounting policies (cont'd.)

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

(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 method.

Dividend income

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

Realised gain and losses on investments

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

Commission income

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

2. Significant accounting policies (cont'd.)

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

(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.

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

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

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

(r) Provisions

Provisions are recognised when the Group 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 finance cost.

2. Significant accounting policies (cont'd.)

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

(s) Employee benefits

Short-term benefits

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

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group and the Company pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. 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”).

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. For eligible executive staff, gratuity is calculated based on the last drawn monthly salary of an employee multiplied by years of service up to a maximum of 15 years. For eligible clerical staff, an additional 3% over and above the Company’s monthly statutory EPF contribution is provided. The staff will be entitled to this gratuity upon completion of 5 years of service in the Company, upon which the benefit will be transferred to the individual employees' EPF accounts.

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

2. Significant accounting policies (cont'd.)

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

(s) Employee benefits (cont'd.)

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 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.

At each reporting date, Tune Protect Group Berhad revises its estimates of the number of options that are expected to become exercisable over the vesting period. The impact, if any, is recognised by the Company in profit or loss.

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

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) Other financial liabilities

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 statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

All financial liabilities are recognised initially at fair value plus any directly attributable transaction cost.

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

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

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

2. Significant accounting policies (cont'd.)

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

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

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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.4 New and amended standards and improvements to standards applicable for the current financial year

The accounting policies adopted are consistent with those of the previous financial year except with respect to the following Amendments to Standards which are mandatory for annual financial periods beginning on or after 1 January 2017 and which were adopted by the Company on 1 January 2017.

Description

Amendments to MFRS 12 *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)*

Amendments to MFRS 107 *Statements of Cash Flows - Disclosure Initiative*

Amendments to MFRS 112 *Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses*

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

2. Significant accounting policies (cont'd.)

2.5 Standards issued but not yet effective

The following are Standards, Amendments to Standards, Interpretations 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, Interpretations and annual improvements to standards, if applicable, when they become effective:

Description	**Effective for annual periods beginning on or after**
Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)*	1 January 2018
Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
MFRS 9 *Financial Instruments*	1 January 2018
MFRS 15 *Revenue from Contracts with Customers*	1 January 2018
Amendments to MFRS 4 *Applying MFRS 9 Financial Instruments* with MFRS 4 *Insurance Contracts*	1 January 2018
Amendments to MFRS 128 *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)*	1 January 2018
Amendments to MFRS 140 *Transfers of Investment Property*	1 January 2018
IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
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
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

2. Significant accounting policies (cont'd.)

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

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

MFRS 9 *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

MFRS 9 was issued by the MASB in respect of its application in Malaysia. It is equivalent to IFRS 9 as issued by IASB, including the effective and issuance dates. The Group has adopted the Standard with effect from 1 January 2018.

The areas with expected significant impact from application of MFRS 9 are summarised below:

Classification and measurement

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

- The held-to-maturity (“HTM”) and available-for-sale (“AFS”) asset categories will be removed;
- A new asset category measured at fair value through other comprehensive income (“FVOCI”) is introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of 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;

2. Significant accounting policies (cont'd.)

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

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

Classification and measurement (cont'd.)

- 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.

As at 31 December 2017, the Group and the Company had investments in debt securities classified as available for sale with a fair value of RM10,008,000. Under MFRS 9, the Company has elected to designate this investment to be measured at FVTPL. Other than the above, there are no change to the existing investment classification which will continue to be carried at LAR and FVTPL.

Impairment

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

Estimated impact of the adoption of MFRS 9

The estimated impact arising from the adoption of the ECL model under the requirements of MFRS 9 on the Company's equity as at 1 January 2018 is not expected to be material. The additional impairment losses is anticipated to be less than 0.5% of the retained earnings as at 31 December 2017.

The impact above are based on assessments undertaken to date and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future.

2. Significant accounting policies (cont'd.)

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

Amendments to MFRS 4 *Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*

In December 2016, the MASB issued amendments to MFRS 4 to address issues arising from the different effective dates of MFRS 9 and the new insurance contracts standard (MFRS 17).

The amendments introduce two alternative options for entities issuing contracts within the scope of MFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of MFRS 9 to annual periods beginning before 1 January 2021 at the latest. An entity may apply the temporary exemption from MFRS 9 if (i) it has not previously applied any version of MFRS 9 before and (ii) its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016. The overlay approach allows an entity applying MFRS 9 to reclassify between profit or loss and other comprehensive income, an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied MFRS 139 to these designated financial assets.

An entity can apply the temporary exemption from MFRS 9 for annual periods beginning on or after 1 January 2018. An entity may start applying the overlay approach when it applies IFRS 9 for the first time.

Although the Group and the Company qualify for the temporary exemptions under MFRS 9, the Group and Company have not opted for any of the options available under this Amendment and have adopted MFRS 9 on 1 January 2018.

MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under MFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under MFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. As a significant portion of revenue of the Group and the Company is derived from insurance contract revenue and investment income which are out of scope of MFRS 15, the Group and the Company do not expect the impact from adopting MFRS 15 to be significant.

2. Significant accounting policies (cont'd.)

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

MFRS 16 Leases

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosures 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* .

(i) Lessee

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) Lessor

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. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The financial effects arising from the adoption of this Standard are still being assessed by the Company.

2. Significant accounting policies (cont'd.)

2.6 Significant accounting judgements, estimates and assumptions

(a) Critical judgements made in applying accounting policies

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

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

The Group 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.

2. Significant accounting policies (cont'd.)

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

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

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

Note 6(f) provides disclosures about the Company's subsidiary, namely, Affin Hwang Income Fund I (2016: Affin Hwang Income Fund I, Libra Money EXTRA Fund II and AmCash Institutional 9).

The Company has control over the Affin Hwang Income Fund I (2016: Affin Hwang Income Fund I, Libra Money EXTRA Fund II and AmCash Institutional 9), 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.

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

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

2. Significant accounting policies (cont'd.)

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

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

(i) Uncertainty in accounting estimates for general insurance business (Note 13) (cont'd.)

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 35 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	Properties: Leasehold land RM'000	Properties: Buildings 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 1 January 2016	567	168	1,569	405	17,272	19,981
Additions	-	-	493	85	1,334	1,912
Disposals	-	-	-	(186)	(5)	(191)
Written off	-	-	(298)	-	(179)	(477)
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

3. Property and equipment (cont'd.)

Group and Company	Properties: Leasehold land RM'000	Properties: Buildings 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 1 January 2016	192	57	488	365	13,807	14,909
Charge for the year	12	3	170	29	1,480	1,694
Disposals	-	-	-	(161)	(5)	(166)
Written off	-	-	(88)	-	(77)	(165)
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
Net carrying amount						
At 31 December 2016	363	108	1,194	71	3,217	4,953
At 31 December 2017	351	105	1,157	352	2,831	4,796

4. Investment property

Group and Company	2017 RM'000	2016 RM'000
Freehold land and building:		
Cost		
At 1 January/31 December	2,768	2,768
Accumulated depreciation		
At 1 January	357	335
Charge for the year	22	22
At 31 December	379	357
Net carrying amount	2,389	2,411
Fair value	2,850	2,850

The above investment property was revalued as at 13 October 2017 by C H Williams Talhar & Wong Sdn Bhd, 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.

The rental income and operating expenses in relation to the investment property are as disclosed below:

	2017 RM'000	2016 RM'000
Rental income derived from investment property	51	330
Direct operating expenses (including repairs and maintenance) generating rental income	(15)	(17)
Profit arising from investment property	36	313

The Company has 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 37.

5. Intangible assets

Group and Company	2017 RM'000	2016 RM'000
Computer software		
Cost		
At 1 January	6,773	5,421
Additions	1,198	1,352
Write off	(1,568)	-
At 31 December	6,403	6,773
Accumulated amortisation		
At 1 January	5,100	3,970
Amortisation	1,013	1,130
Write off	(1,108)	-
At 31 December	5,005	5,100
Net carrying amount	1,398	1,673

6. Investments

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Debt securities	145,581	124,310	10,008	19,762
Investments in subsidiaries (Note 6(f))	-	-	144,695	379,464
Unit trust funds	327,442	68,545	327,442	68,545
Loans	354	397	354	397
Fixed and call deposits with licensed financial institutions	61,366	494,837	52,276	48,019
	534,743	688,089	534,775	516,187

6. Investments (cont'd.)

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

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
LAR (Note 6(a))	61,720	495,234	52,630	48,416
AFS financial assets (Note 6(b))	10,008	26,742	10,008	141,265
FVTPL financial assets (Note 6(c))	463,015	166,113	472,137	326,506
	534,743	688,089	534,775	516,187

(a) LAR

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
At amortised cost:				
Fixed and call deposits with licensed financial institutions	61,366	494,837	52,276	48,019
Loans receivable:				
Secured staff mortgage loans	350	392	350	392
Other unsecured staff loans	4	5	4	5
	354	397	354	397
	61,720	495,234	52,630	48,416

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 RM43,338,000 (2016: RM276,029,000) and RM34,248,000 (2016: RM38,788,000) 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 secured staff mortgage loans and other unsecured staff loans are reasonable approximations of fair value due to the insignificant impact of discounting.

6. Investments (cont'd.)

(b) AFS financial assets

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At fair value:				
Investments in subsidiaries (Note 6(f))	-	-	-	114,523
Quoted unit trust funds in Malaysia	-	6,980	-	6,980
Unquoted debt securities in Malaysia	10,008	19,762	10,008	19,762
	10,008	26,742	10,008	141,265

(c) FVTPL financial assets

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At fair value:				
Investments in subsidiaries (Note 6(f))	-	-	144,695	264,941
Quoted unit trust funds in Malaysia	327,442	61,565	327,442	61,565
Unquoted debt securities in Malaysia	135,573	104,548	-	-
	463,015	166,113	472,137	326,506

Tune Insurance Malaysia Berhad
(Incorporated in Malaysia)

6. Investments (cont'd.)

(d) Carrying values of financial instruments

	LAR RM'000	AFS RM'000	FVTPL RM'000	Total RM'000
Group				
At 1 January 2016	444,510	38,394	104,717	587,621
Purchases	5,679,091	-	216,680	5,895,771
Dividend reinvestment	-	374	588	962
Maturities/disposals	(5,628,367)	(12,173)	(155,542)	(5,796,082)
Fair value gains/(losses) recorded in:				
Other comprehensive income	-	174	-	174
Profit or loss	-	-	(241)	(241)
Realised gains recorded in profit or loss	-	-	6	6
Realised losses transferred to profit or loss	-	(29)	-	(29)
Accretion of discounts/ (amortisation of premiums)	-	2	(95)	(93)
At 31 December 2016	495,234	26,742	166,113	688,089
At 1 January 2017	495,234	26,742	166,113	688,089
Purchases	3,977,447	-	369,355	4,346,802
Dividend reinvestment	-	119	8,673	8,792
Maturities/disposals	(4,410,961)	(16,889)	(82,983)	(4,510,833)
Fair value gains/(losses) recorded in:				
Other comprehensive income	-	265	-	265
Profit or loss	-	-	1,356	1,356
Realised gains recorded in profit or loss	-	-	456	456
Realised gains transferred to profit or loss	-	(229)	-	(229)
Accretion of discounts	-	-	45	45
At 31 December 2017	61,720	10,008	463,015	534,743

6. Investments (cont'd.)

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

	LAR RM'000	AFS RM'000	FVTPL RM'000	Total RM'000
Company				
At 1 January 2016	76,374	148,745	234,291	459,410
Purchases	1,508,479	-	198,434	1,706,913
Dividend reinvestment	-	4,219	6,418	10,637
Maturities/disposals	(1,536,437)	(12,173)	(112,500)	(1,661,110)
Fair value gains/(losses) recorded in:				
Other comprehensive income	-	501	-	501
Profit or loss	-	-	(120)	(120)
Realised losses transferred to profit or loss	-	(29)	(17)	(46)
Accretion of discounts	-	2	-	2
At 31 December 2016	48,416	141,265	326,506	516,187
At 1 January 2017	48,416	141,265	326,506	516,187
Purchases	1,681,707	-	341,018	2,022,725
Dividend reinvestment	-	395	9,044	9,439
Maturities/disposals	(1,677,493)	(129,348)	(206,893)	(2,013,734)
Fair value gains/(losses) recorded in:				
Other comprehensive income	-	363	-	363
Profit or loss	-	-	2,016	2,016
Realised gains transferred to profit or loss	-	(2,667)	446	(2,221)
At 31 December 2017	52,630	10,008	472,137	534,775

6. Investments (cont'd.)

(e) 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 2017 %	Group 2016 %	Company 2017 %	Company 2016 %
Debt securities	4.84	4.84	5.35	5.02
Loans	5.00	5.00	5.00	5.00
Deposits with licensed financial institutions	3.65	3.60	3.27	3.20

(f) Investments in subsidiaries - collective investment schemes

	Company 2017 RM'000	Company 2016 RM'000
At fair value:		
Quoted collective investment schemes in Malaysia:		
AFS financial assets	-	114,523
FVTPL financial assets	144,695	264,941
	144,695	379,464

Details of investments in subsidiaries - collective investment schemes are as follows:

Name	Principal activities	Registered in	% of ownership interest held by the Group 2017 %	% of ownership interest held by the Group 2016 %
Libra MoneyEXTRA Fund II	Investment in money market	Malaysia	-	54.6%
Affin Hwang Income Fund I *	Investment in fixed income securities and money market placements	Malaysia	99.9%	96.2%

6. Investments (cont'd.)

(f) Investments in subsidiaries - collective investment schemes (cont'd.)

Name of Company	Principal activities	Registered in	% of ownership interest held by the Group 2017 %	2016 %
AmCash Institutional 9	Investment in money market	Malaysia	-	65.2%

During the year, on 7 March 2017 and 17 February 2017 respectively, the Company disposed of its entire investment in AmCash Instituitional 9 and Libra Money EXTRA Fund II at their respective fair value. The Company recorded a net gain of RM2,624,000 thereon.

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

7. Reinsurance assets

Group and Company	2017 RM'000	2016 RM'000
Claim liabilities (Note 13)	171,609	136,728
Premium liabilities (Note 13)	97,885	78,328
	269,494	215,056
Less: Impairment losses	(681)	-
	268,813	215,056

8. Insurance receivables

Group and Company	2017 RM'000	2016 RM'000
Due premiums including agents, brokers and co-insurers balances	80,193	90,299
Due from reinsurers and cedants	38,934	36,811
	119,127	127,110
Bad debts written off	(312)	-
	118,815	127,110
Accumulated impairment losses	(14,231)	(10,522)
	104,584	116,588

8. Insurance receivables (cont'd.)

Offsetting of insurance receivables and insurance payables:

Group and Company	2017 RM'000	2016 RM'000
Gross amounts of recognised insurance receivables	125,887	129,632
Less: Gross amounts of recognised insurance payables offset in the statements of financial position	(7,072)	(2,522)
Net amounts of recognised insurance receivables, before allowance for impairment losses	118,815	127,110

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 2016	2,314	10,694	13,008
Written off	(2,675)	(399)	(3,074)
Allowance for/(reversal of) impairment losses	1,306	(718)	588
At 31 December 2016	945	9,577	10,522
At 1 January 2017	945	9,577	10,522
Written off	-	(1,060)	(1,060)
Allowance for impairment losses	55	4,714	4,769
At 31 December 2017	1,000	13,231	14,231

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

9. Other receivables

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Financial assets:				
Income due and accrued	441	1,813	441	559
Non-financial assets:				
Assets held under the Malaysian Motor Insurance Pool ("MMIP" or "the Pool")*	58,462	62,233	58,462	62,233
Malaysian Institute of Insurance ("MII") bonds	260	260	260	260
Prepayments	644	657	644	657
Other receivables	17,765	21,927	17,765	21,927
	77,572	86,890	77,572	85,636

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 share of the assets, liabilities and performance of the Pool. The net assets held under MMIP represents the Company's share of the Pool's net assets, before insurance contract liabilities. The Company's share of the Pool's insurance contract liabilities arising from its participation in the Pool is disclosed in Note 13.

10. Deferred tax assets

Group and Company	**2017 RM'000**	**2016 RM'000**
At 1 January	2,356	291
Recognised in:		
Profit or loss (Note 26)	(1,534)	2,120
Other comprehensive income	(59)	(55)
At 31 December	763	2,356

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.

10. Deferred tax assets (cont'd.)

Group and Company	2017 RM'000	2016 RM'000
Presented after appropriate offsetting as follows:		
Deferred tax assets	1,482	2,684
Deferred tax liabilities	(719)	(328)
	763	2,356

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 1 January 2016	(371)	112	(34)	584	291
Recognised in:					
Profit or loss (Note 26)	43	-	620	1,457	2,120
Other comprehensive income	-	(55)	-	-	(55)
At 31 December 2016	(328)	57	586	2,041	2,356
Recognised in:					
Profit or loss (Note 26)	(152)	(237)	(534)	(611)	(1,534)
Other comprehensive income	-	(59)	-	-	(59)
At 31 December 2017	(480)	(239)	52	1,430	763

11. 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
2016				
At beginning and end of year	100,013	100,013	3,335	103,348
2017				
At beginning of year	100,013	100,013	3,335	103,348
Transfer due to non-par value regime *	-	3,335	(3,335)	-
At end of year	100,013	103,348	-	103,348

* Pursuant to Section 74 of the Companies Act, 2016 ("the Act"), the Company's shares no longer have a par or nominal value with effect from 31 January 2017. In accordance with the transitional provision set out in Section 618 of the Act, any amount standing to the credit of the share premium account becomes part of the Company's share capital. Companies have 24 months upon the commencement of the Act to utilise the said credit.

There is no impact on the number of the shares in issue or the relative entitlement of any of the members as a result of the transition. During the financial year, the Company has not utilised any credit in the share premium account which is now part of share capital.

12. Non-controlling interests

Group	2017 RM'000	2016 RM'000
At beginning of year	173,012	131,018
Share of profit for the year	227	5,012
Additional non-controlling interests arising from dilution in equity interest in Libra Money EXTRA Fund II and AmCash Institutional 9	-	43,847
Decrease in non-controlling interests arising from disposal of subsidiaries	(173,220)	-
Dividend/distribution paid	-	(6,865)
At end of year	19	173,012

12. Non-controlling interests (cont'd)

The details of the subsidiaries that have non-controlling interests are provided below. The summarised financial information about the subsidiaries are not disclosed as the non-controlling interests are not material to the Group.

Name of subsidiaries	Country of incorporation and operation	Proportion of equity interest held by non-controlling interests Group 2017 %	2016 %
Libra MoneyEXTRA Fund II	Malaysia	-	45.35
AmCash Institutional 9	Malaysia	-	34.83
Affin Hwang Income Fund 1	Malaysia	0.01	3.75

	Group 2017 RM'000	2016 RM'000
Accumulated balances of non-controlling interests:		
Libra MoneyEXTRA Fund II	-	95,016
AmCash Institutional 9	-	73,001
Affin Hwang Income Fund 1	19	4,995
	19	173,012
Profit allocated to non-controlling interests:		
Libra MoneyEXTRA Fund II	170	2,551
AmCash Institutional 9	44	2,342
Affin Hwang Income Fund 1	13	119
	227	5,012

13. Insurance contract liabilities

Group and Company	Note	2017 Gross RM'000	2017 Reinsurance RM'000 (Note 7)	2017 Net RM'000	2016 Gross RM'000	2016 Reinsurance RM'000 (Note 7)	2016 Net RM'000
Provision for claims reported by policyholders		283,643	(122,883)	160,760	243,099	(94,073)	149,026
Provision for IBNR claims and PRAD		137,149	(48,726)	88,423	123,852	(42,655)	81,197
Claim liabilities	(i)	420,792	(171,609)	249,183	366,951	(136,728)	230,223
Premium liabilities	(ii)	185,734	(97,885)	87,849	183,118	(78,328)	104,790
		606,526	(269,494)	337,032	550,069	(215,056)	335,013

(i) Claim liabilities

		2017 Gross RM'000	2017 Reinsurance RM'000	2017 Net RM'000	2016 Gross RM'000	2016 Reinsurance RM'000	2016 Net RM'000
At 1 January		366,951	(136,728)	230,223	396,753	(173,409)	223,344
Claims incurred in the current accident year		332,338	(128,464)	203,874	229,818	(59,809)	170,009
Adjustment to claims incurred in prior accident years due to changes in assumptions		(95,655)	30,323	(65,332)	(84,225)	21,455	(62,770)
Claims paid during the year (Note 23)		(182,842)	63,260	(119,582)	(175,395)	75,035	(100,360)
At 31 December		420,792	(171,609)	249,183	366,951	(136,728)	230,223

13. Insurance contract liabilities (cont'd.)

Group and Company (cont'd.)	2017 Gross RM'000	2017 Reinsurance RM'000 (Note 7)	2017 Net RM'000	2016 Gross RM'000	2016 Reinsurance RM'000 (Note 7)	2016 Net RM'000
(ii) Premium liabilities						
At 1 January	183,118	(78,328)	104,790	167,386	(74,717)	92,669
Premiums written during the year (Note 18)	460,800	(262,296)	198,504	437,203	(216,281)	220,922
Premiums earned during the year	(458,184)	242,739	(215,445)	(421,471)	212,670	(208,801)
At 31 December	185,734	(97,885)	87,849	183,118	(78,328)	104,790

As at 31 December 2017, the insurance contract liabilities above includes the Company’s share of MMIP's claim and premium liabilities amounting to RM40,705,000 (2016: RM50,735,000) and RM3,339,000 (2016: RM4,429,000) respectively.

14. Retirement benefits

Group and Company	2017 RM'000	2016 RM'000
At 1 January	418	530
Provision/(write back) for the year	327	(9)
	745	521
Payments during the year	(7)	(103)
At 31 December	738	418
Amount payable after 12 months	553	410

15. Insurance payables

Group and Company	2017 RM'000	2016 RM'000
Due to agents, brokers, co-insurers and insureds	35,337	30,205
Due to reinsurers and cedants	72,054	87,725
	107,391	117,930
<u>Offsetting of insurance receivables and insurance payables:</u>		
Gross amounts of recognised insurance payables	114,463	120,452
Less: Gross amounts of recognised insurance receivables offset in the statements of financial position	(7,072)	(2,522)
Net amount of recognised insurance payables	107,391	117,930

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

16. Other payables

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Financial liabilities:				
Claims payable	6,061	5,492	6,061	5,492
Reinsurance deposits	4,094	5,442	4,094	5,442
ESOS provision	3,687	4,279	3,687	4,279
Others	24,350	23,227	24,350	23,073
	38,192	38,440	38,192	38,286
Non-financial liabilities:				
Accrued expenses	420	822	258	755
	38,612	39,262	38,450	39,041

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.

17. Operating revenue

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Gross earned premiums (Note 18)	458,184	421,471	458,184	421,471
Investment income (Note 19)	22,031	30,164	19,302	22,938
	480,215	451,635	477,486	444,409

18. Net earned premiums

Group and Company	2017 RM'000	2016 RM'000
(a) Gross earned premiums		
Gross written premiums	460,800	437,203
Change in premium liabilities	(2,616)	(15,732)
	458,184	421,471
(b) Premiums ceded to reinsurers		
Gross premiums ceded to reinsurers	262,296	216,281
Change in premium liabilities	(19,557)	(3,611)
	242,739	212,670
Net earned premiums	215,445	208,801

19. Investment income

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Rental income from investment property (net of direct operating expenses of RM15,000 (2016:RM17,000))	36	313	36	313
Interest income:				
- AFS financial assets	598	5,823	598	1,205
- LAR	2,763	16,973	1,659	2,227
- FVTPL	6,182	94	-	-
Share of investment income of Malaysian Motor Insurance Pool	3,244	5,201	3,244	5,201
Dividend income:				
- Collective investment schemes	-	-	4,602	12,137
- Unit trust funds	9,163	1,853	9,163	1,853
	21,986	30,257	19,302	22,936
Net accretion of discounts/ (amortisation of premiums) on investments	45	(93)	-	2
	22,031	30,164	19,302	22,938

20. Realised gains and losses

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Property and equipment:				
Realised gains on disposal of property and equipment	-	12	-	12
AFS financial assets:				
Realised gains:				
Collective investment schemes	-	-	2,438	-
Quoted unit trust funds in Malaysia	192	29	192	29
Unquoted debt securities in Malaysia	37	-	37	-
Total realised gains for AFS financial assets	229	29	2,667	29
FVTPL financial assets:				
Realised gains:				
Collective investment schemes	245	-	245	-
Quoted unit trust funds in Malaysia	260	41	260	41
Unquoted debt securities in Malaysia	10	23	-	-
Realised losses:				
Collective investment schemes	(59)	-	(59)	-
Quoted unit trust funds in Malaysia	-	(58)	-	(58)
Total realised gains/(losses) for FVTPL financial assets	456	6	446	(17)
Total realised gains	685	47	3,113	24

21. Fair value gains and losses

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
FVTPL financial assets:				
Unrealised gains/(losses):				
Unquoted debt securities in Malaysia	430	(255)	-	-
Quoted unit trust funds in Malaysia	926	14	926	14
Collective investment schemes	-	-	1,090	(134)
Total unrealised gains/(losses) for FVTPL financial assets	1,356	(241)	2,016	(120)

22. Other operating income

Group and Company	2017 RM'000	2016 RM'000
Commission from MMIP	103	126
Sundry income	772	79
	875	205

23. Net claims

Group and Company	2017 RM'000	2016 RM'000
(a) Gross claims paid	(182,842)	(175,395)
(b) Claims ceded to reinsurers	63,260	75,035
Net claims paid (a)	(119,582)	(100,360)
(c) Gross change in contract liabilities	(53,841)	29,802
(d) Change in contract liabilities ceded to reinsurers	34,881	(36,681)
Net change in contract liabilities (b)	(18,960)	(6,879)
Net claims (a) + (b)	(138,542)	(107,239)

24. Management expenses

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Employee benefits expense (Note 24(a))	37,713	34,714	37,713	34,714
Directors' remuneration (Note 24(b))	975	950	975	950
Auditors' remuneration:				
Audit fees to auditor of the parent	229	228	229	216
Regulatory related fees	66	62	66	62
Non-audit fees	25	23	25	23
Audit fees to other audit firms	12	12	-	-
Depreciation of property and equipment	1,816	1,694	1,816	1,694
Depreciation of investment property	22	22	22	22
Amortisation of intangible assets	1,013	1,130	1,013	1,130
Allowance for impairment losses on:				
Insurance receivables	4,769	588	4,769	588
Reinsurance assets	681	-	681	-
Bad debts written off	312	-	312	-
Rental of premises	2,137	1,714	2,137	1,714
Printing charges	4,586	3,094	4,586	3,094
Publicity expenses	5,214	5,015	5,214	5,015
Communication expenses	673	573	673	573
Computer expenses	2,669	1,847	2,669	1,847
Other administration and general expenses	13,060	8,692	11,439	6,927
	75,972	60,358	74,339	58,569

(a) Employee benefits expense

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Wages and salaries	29,877	27,703	29,877	27,703
Social security contributions	283	230	283	230
Contributions to defined contribution plan - EPF	3,609	3,426	3,609	3,426
Share-based compensation	(592)	740	(592)	740
Other benefits	4,536	2,615	4,536	2,615
	37,713	34,714	37,713	34,714

Included in employee benefits expense is the Chief Executive Officer's ("CEO") remuneration of RM3,346,000 (2016: RM1,111,000) as detailed in Note 24(c).

24. Management expenses (cont'd.)

(b) Directors' remuneration

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

Directors of the Company	2017 RM'000	2016 RM'000
Executive directors:		
Fees	84	64
Allowances and other emoluments	30	31
	114	95
Non-executive directors:		
Fees	605	578
Allowances and other emoluments	256	277
	861	855
Total	975	950

Directors of the Company:	Fees RM'000	Allowances and other emoluments RM'000	Total RM'000
2017			
Executive directors:			
Razman Hafidz Abu Zarim - paid directly to Tune Protect Group Berhad	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

24. 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
2016			
Executive directors:			
Razman Hafidz Abu Zarim - paid directly to Tune Protect Group Berhad	26	15	41
Junior Namjick Cho	38	16	54
	64	31	95
Non-executive directors:			
Mohd Yusof Bin Hussian	147	56	203
Chee Siew Eng	108	57	165
Tan Ming-Li	123	66	189
Lim Chong Beng	108	54	162
Hong Kean Yong	52	28	80
Lee Siang Korn @ Lee Siang Chin	40	16	56
	578	277	855
Total	642	308	950

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 2017	2016
Executive directors:		
RM0 - RM50,000	-	1
RM50,001 - RM100,000	-	1
Above RM100,000	1	-
Non-executive directors:		
RM0 - RM50,000	-	-
RM50,001 - RM100,000	-	2
RM100,001 - RM150,000	-	-
RM150,001 - RM200,000	4	3
RM200,001 - RM250,000	1	1

24. Management expenses (cont'd.)

(c) CEO's remuneration

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

Group and Company	2017 RM'000	2016 RM'000
Salary	972	738
Gratuity/retention payments	1,736	-
EPF	208	128
Bonus	374	235
Allowance	56	10
Total remuneration excluding benefits-in-kind (Note 24(a))	3,346	1,111
Estimated money value of benefits-in-kind	17	17
Total remuneration	3,363	1,128

25. Other operating expenses

Group and Company	2017 RM'000	2016 RM'000
Property and equipment written off	2	312
Intangible asset written off	460	-
Realised foreign exchange (gains)/losses	(8)	26
	454	338

26. Taxation

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Malaysian income tax:				
Current income tax	2,567	10,710	2,450	10,710
Overprovision in prior year	(1,175)	(380)	(1,175)	(380)
	1,392	10,330	1,275	10,330
Deferred tax (Note 10):				
Relating to origination and reversal of temporary differences	898	(1,407)	898	(1,407)
Under/(over) provision in prior year	636	(713)	636	(713)
	1,534	(2,120)	1,534	(2,120)
	2,926	8,210	2,809	8,210

Current income and deferred tax is based on the corporate tax rate of 24% (2016: 24%) of the estimated assessable profit for the financial year.

26. Taxation (cont'd.)

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		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	23,526	53,621	25,518	48,282
Taxation at Malaysian statutory tax rate of 24%	5,646	12,869	6,124	11,588
Non-taxable income	(2,968)	(4,610)	(3,563)	(3,329)
Expenses not deductible for tax purposes	787	1,056	787	1,056
Over provision of taxation in prior year	(1,175)	(380)	(1,175)	(380)
Effect of changes in tax rate	-	(12)	-	(12)
Under/(Over) provision of deferred taxation in prior year	636	(713)	636	(713)
Tax expense for the year	2,926	8,210	2,809	8,210

27. Earnings per share - Basic and diluted

Base 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	
	2017	2016
	RM'000	RM'000
Profit attributable to ordinary equity holders	20,373	40,399
Number of ordinary shares in issue ('000)	100,013	100,013
Basic and diluted earnings per share (sen)	20.37	40.39

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.

28. Dividends

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Approved and paid:				
Dividend on ordinary shares paid by the Company:				
Final dividend of RM0.10 (2016: RM0.11) per ordinary share in respect of the financial year ended 31 December 2016 (2016: 31 December 2015)	10,001	11,500	10,001	11,500
Distribution to non-controlling interests by Libra Money EXTRA Fund II	-	6,838	-	-
Distribution to non-controlling interests by Affin Hwang Income Fund I	-	27	-	-
	10,001	18,365	10,001	11,500

29. Operating lease arrangements

(a) The Group and Company as lessee

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

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

Future minimum rental payments:

	2017	**2016**
Group and Company	**RM'000**	**RM'000**
Rental of office premises:		
Payable within one year	2,015	1,171
Payable after one year	2,122	685
	4,137	1,856

29. Operating lease arrangements (cont'd.)

(b) The Group and Company as lessor

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

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

Group and Company	2017 RM'000	2016 RM'000
Receivable within one year	17	138
Receivable after one year	-	17
	17	155

Rental income on investment property recognised in profit or loss during the relevant financial years is disclosed in Note 19.

30. Capital commitment

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

Group and Company	2017 RM'000	2016 RM'000
Capital expenditure:		
Approved but not contracted for:		
Intangible assets	15,000	15,000
Property and equipment	4,738	89
	19,738	15,089

31. 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.

31. Related party disclosures (cont'd.)

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

(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:

Income/(expenses):	**2017 RM'000**	**2016 RM'000**
Related companies:		
AirAsia Berhad:		
Gross written premium	43,938	55,567
Fee and commission expense	(10,984)	(13,896)
Thai AirAsia Co. Ltd		
Gross written premium	1,546	1,402
Fee and commission expense	(387)	(351)
Indonesia AirAsia		
Gross written premium	1,702	1,790
Fee and commission expense	(425)	(404)
PT Indonesia AirAsia		
Gross written premium	939	743
Fee and commission expense	(235)	(175)
Tune Talk Sdn Bhd		
Gross written premium	65	508
Air Asia X Berhad		
Gross written premium	12,119	16,570
Fee and commission expense	(3,030)	(4,143)
Bex Travel Malaysia Sdn Bhd		
Gross written premium	5	-
Fee and commission expense	(1)	-
Fellow subsidiary:		
Tune Protect Re Ltd.		
Premiums ceded to reinsurers	(48,674)	(59,316)
Fee and commission income	12,168	14,761
Claims recovery	3,025	1,801
Other income	4,631	2,669
Director's fee	35	54

31. Related party disclosures (cont'd.)

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

Holding company:

Tune Protect Group Berhad		
Dividend paid	(8,327)	(9,575)
Other (expenses)/income	(9,651)	215

(b) Related party balances

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

	2017 RM'000	2016 RM'000
Insurance receivables		
Related companies:		
Air Asia Berhad	6,655	4,732
Indonesia AirAsia	313	320
Thai AirAsia Co. Ltd	691	394
PT Indonesia AirAsia	311	149
Air Asia X Berhad	3,091	4,291
Tune Talk Sdn Bhd	8	5
Bex Travel Malaysia Sdn Bhd	2	-
Fellow subsidiary:		
Tune Protect Re Ltd.	404	391
	11,475	10,282
(Other payables)/other receivables		
Holding company:		
Tune Protect Group Berhad	(337)	214
Insurance payables		
Air Asia Berhad - related company	(90)	(231)
Tune Protect Re Ltd. - fellow subsidiary	(7,917)	(10,194)
	(8,007)	(10,425)

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

31. Related party disclosures (cont'd.)

(c) Compensation of key management personnel

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

Group and Company	2017 RM'000	2016 RM'000
Non-executive directors’ remuneration (Note 24(b))	861	855
Executive directors’ remuneration (Note 24(b))	114	95
CEOs' remuneration (Note 24(c))	3,363	1,128
	4,338	2,078

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.

32. 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:

Company	2017 RM'000	2016 RM'000
Eligible Tier 1 capital		
Paid-up share capital	103,348	100,013
Reserves, including retained earnings	168,647	159,274
	271,995	259,287
Tier 2 capital		
Eligible reserves	6	2,369
Amount deducted from capital	3,066	4,589
Total capital available	268,935	257,067

33. 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 appetite 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 aslo put 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 Compnay'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.

33. Risk management framework (cont'd.)

Overview of risk management policies (cont'd)

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 income and strategy;
(f) Reinsurance and intermediaries counterparty risks;
(g) Compliance with regulatory guidelines;
(h) Reputational risks;
(i) Operational risks; and
(j) Credit settlements.

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

Overview of risk management policies

The 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 governed by the following function-specific policies and controls that incorporates approval limits, exposure limits, reserving policies, HR policies and others

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.

33. 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 by considering the product risk profile following a thorough risk assessment process 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 proportion to yield a reasonable level of profits;

(i) Review the 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, reinsurance concentration risk, poor management of reinsurance recoveries and operational risks. Counterparty credit default risk relating to reinsurers fall under credit risk.

33. Risk management framework (cont'd.)

Overview of risk management policies (cont'd.)

B. Reinsurance

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 advise and to source for best pricing;

(c) Determine the reinsurers' selection critera to ensure sufficient diversification of counterparty risk, as well as selecting strong rated reinsurers with sound financial position.

(d) Independent assessment of reinsurers financial strength;

(e) Maintain cash and liquid assets sufficient to meet short term net cash outflows/liabilities and unexpected cash needs over a 1 year period; and

(f) Ensure quality and diverse reinsurance spread through cessions to reinsurers rated single A and above and within acceptable sum insured and premium limits.

C. Claims

i. Risk

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

ii. Policy

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

(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;

33. 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 through actuarial valuation models; 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 insurance 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 a robust 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 fundamental analysis prior to investment so that due consideration is given to return, risk and fair value and continuously monitor the performance and risk of the investment;

33. 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) Mitigate interest rate risk by diversifying fixed return investments 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 due premiums and 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;

33. 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

Non-financial or operational risks the Company faces include technology risk, risk to reputation, internal and external fraud, compliance, legal risk, people and safety, execution and delivery, supply and distribution chain, threat to business continuity and cyber security risk.

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 a business continuity plan for events that may lead to a disruption in business including a computer disaster, together with appropriate insurance;

33. Risk management framework (cont'd.)

Overview of risk management policies (cont'd.)

F. Operational (cont'd.)

ii. Policy (cont'd.)

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

(e) Closely monitor external relationships;

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

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

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

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

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

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

33. Risk management framework (cont'd.)

Overview of risk management policies (cont'd.)

G. Regulatory compliance and corporate governance

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

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

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

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

A Compliance Department is formed to ensure regulatory compliance. The department is under the responsibility of the Head of Compliance who shall monitor compliance to regulatory requirements.

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

H. Regulations of risk management

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

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

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

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

33. Risk management framework (cont'd.)

Overview of risk management policies (cont'd.)

H. Regulations of risk management (cont'd.)

(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.

34. Financial instruments and insurance assets and liabilities

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

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

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

2017 (cont'd.)	Other financial liabilities RM'000	Liabilities under MFRS 4 RM'000	Total RM'000
Group			
Liabilities			
Insurance contract liabilities	-	606,526	606,526
Retirement benefits	738	-	738
Insurance payables	107,391	-	107,391
Other payables (net of provisions)	34,925	-	34,925
	143,054	606,526	749,580

2016	AFS RM'000	LAR RM'000	FVTPL RM'000	Assets under MFRS 4 RM'000	Total RM'000
Group					
Assets					
Investments	26,742	495,234	166,113	-	688,089
Reinsurance assets	-	-	-	215,056	215,056
Insurance receivables	-	116,588	-	-	116,588
Other receivables (net of prepayments)	-	86,233	-	-	86,233
	26,742	698,055	166,113	215,056	1,105,966

	Other financial liabilities RM'000	Liabilities under MFRS 4 RM'000	Total RM'000
Liabilities			
Insurance contract liabilities	-	550,069	550,069
Retirement benefits	418	-	418
Insurance payables	117,930	-	117,930
Other payables (net of provisions)	34,983	-	34,983
	153,331	550,069	703,400

34. 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

	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)	34,763	-	34,763
	142,892	606,526	749,418

2016	AFS RM'000	LAR RM'000	FVTPL RM'000	Assets under MFRS 4 RM'000	Total RM'000
Company					
Assets					
Investments	141,265	48,416	326,506	-	516,187
Reinsurance assets	-	-	-	215,056	215,056
Insurance receivables	-	116,588	-	-	116,588
Other receivables (net of prepayments)	-	84,979	-	-	84,979
	141,265	249,983	326,506	215,056	932,810

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

2016	Other financial liabilities RM'000	Liabilities under MFRS 4 RM'000	Total RM'000
Company (cont'd.)			
Liabilities			
Insurance contract liabilities	-	550,069	550,069
Retirement benefits	418	-	418
Insurance payables	117,930	-	117,930
Other payables (net of provisions)	34,762	-	34,762
	153,110	550,069	703,179

35. Insurance risk

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

(a) Concentration of risks by class of business

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

Group and Company	Gross RM'000	Re-insurance RM'000	Net RM'000
Premium liabilites			
2017			
Motor	109,106	(54,577)	54,529
Fire	19,435	(14,702)	4,733
Marine, Aviation and Transit ("MAT")	9,437	(7,763)	1,674
Others	47,756	(20,843)	26,913
	185,734	(97,885)	87,849
2016			
Motor	90,076	(22,670)	67,406
Fire	24,227	(18,036)	6,191
Marine, Aviation and Transit ("MAT")	8,829	(7,004)	1,825
Others	59,986	(30,618)	29,368
	183,118	(78,328)	104,790

35. Insurance risk (cont'd.)

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

Group and Company	Gross RM'000	Re-insurance RM'000	Net RM'000
Claim liabilities			
2017			
Motor	222,158	(42,322)	179,836
Fire	75,245	(57,172)	18,073
Marine, Aviation and Transit ("MAT")	38,297	(29,817)	8,480
Others	85,092	(42,298)	42,794
	420,792	(171,609)	249,183
2016			
Motor	193,795	(26,831)	166,964
Fire	52,271	(37,820)	14,451
Marine, Aviation and Transit ("MAT")	39,095	(30,447)	8,648
Others	81,790	(41,630)	40,160
	366,951	(136,728)	230,223

(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 occurrence; changes in market factors such as public attitude to claiming; economic conditions; as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

35. Insurance risk (cont'd.)

(b) Sensitivity analysis (cont'd.)

Sensitivities

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

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 and significant assumptions did not change from the previous year.

		|-----------------Increase/(decrease)-----------------|			
Group and Company	**Changes in variable**	**Impact on gross liabilities RM'000**	**Impact on net liabilities RM'000**	**Impact on profit before taxation RM'000**	*** Impact on equity RM'000**
2017					
Loss ratio	+10%	135,806	88,198	(88,198)	(67,030)
PRAD	+10%	2,788	1,879	(1,879)	(1,428)
Provision for expenses	+10%	994	994	(994)	(755)
Loss ratio	-10%	(135,561)	(82,949)	82,949	63,041
PRAD	-10%	(2,788)	(1,879)	1,879	1,428
Provision for expenses	-10%	(994)	(994)	994	755
2016					
Loss ratio	+10%	122,902	83,001	(83,001)	(63,081)
PRAD	+10%	2,277	1,469	(1,469)	(1,116)
Provision for expenses	+10%	946	946	(946)	(719)
Loss ratio	-10%	(122,902)	(76,366)	76,366	58,038
PRAD	-10%	(2,277)	(1,469)	1,469	1,116
Provision for expenses	-10%	(946)	(946)	946	719

* Impact is net of tax of 24% (2016: 24%).

35. 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 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 13(i))	9,223	4,816	7,748	22,823	17,430	39,589	72,257	246,906	420,792

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35. 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 13(i))	2,890	2,012	3,903	5,562	9,878	26,059	54,283	144,596	249,183

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35. Insurance risk (cont'd.)

(c) Claims development table

Group and Company

Gross general insurance contract liabilities for 2016:

Accident year	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	Total RM'000
At the end of accident year	174,026	170,544	164,136	243,986	211,969	246,130	256,297	229,818	
One year later	124,814	168,597	150,123	247,486	173,116	207,343	207,973		
Two years later	117,799	146,125	139,573	224,094	154,652	183,695			
Three years later	106,592	149,468	131,463	208,847	148,205				
Four years later	106,058	148,331	129,325	208,027					
Five years later	106,500	146,560	124,932						
Six years later	105,697	151,280							
Seven years later	116,692								
Current estimate of cumulative claims incurred	116,692	151,280	124,932	208,027	148,205	183,695	207,973	229,818	1,370,622
At the end of accident year	(39,747)	(38,182)	(30,815)	(76,857)	(47,381)	(54,979)	(57,884)	(58,917)	
One year later	(73,127)	(95,372)	(75,244)	(132,823)	(91,862)	(120,315)	(125,894)		
Two years later	(88,940)	(110,466)	(109,790)	(167,023)	(104,766)	(144,298)			
Three years later	(100,378)	(127,828)	(116,683)	(185,774)	(112,583)				
Four years later	(103,762)	(133,744)	(118,521)	(195,914)					
Five years later	(103,869)	(137,006)	(119,536)						
Six years later	(104,010)	(141,976)							
Seven years later	(104,553)								
Cumulative payments to-date	(104,553)	(141,976)	(119,536)	(195,914)	(112,583)	(144,298)	(125,894)	(58,917)	(1,003,671)
Gross general insurance contract liabilities per statements of financial position (Note 13(i))	12,139	9,304	5,396	12,113	35,622	39,397	82,079	170,901	366,951

35. Insurance risk (cont'd.)

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

Group and Company

Net general insurance contract liabilities for 2016:

Accident year	**2009 RM'000**	**2010 RM'000**	**2011 RM'000**	**2012 RM'000**	**2013 RM'000**	**2014 RM'000**	**2015 RM'000**	**2016 RM'000**	**Total RM'000**
At the end of accident year	100,098	114,029	134,687	134,376	120,999	144,802	158,569	170,009	
One year later	88,388	106,956	121,263	128,136	103,629	123,661	124,410		
Two years later	87,742	98,737	108,850	114,501	96,867	107,164			
Three years later	82,173	94,709	104,165	103,145	92,564				
Four years later	80,220	93,967	103,640	102,074					
Five years later	80,445	93,366	100,454						
Six years later	80,015	92,538							
Seven years later	82,424								
Current estimate of cumulative claims incurred	82,424	92,538	100,454	102,074	92,564	107,164	124,410	170,009	871,637
At the end of accident year	(36,105)	(34,592)	(28,737)	(34,057)	(35,220)	(39,627)	(37,371)	(45,175)	
One year later	(62,444)	(67,182)	(66,529)	(76,815)	(64,442)	(73,221)	(72,798)		
Two years later	(70,711)	(77,525)	(90,298)	(89,842)	(72,345)	(84,040)			
Three years later	(75,656)	(86,020)	(93,871)	(94,837)	(76,604)				
Four years later	(77,693)	(87,975)	(95,673)	(97,006)					
Five years later	(78,056)	(89,420)	(96,541)						
Six years later	(78,184)	(91,004)							
Seven years later	(78,246)								
Cumulative payments to-date	(78,246)	(91,004)	(96,541)	(97,006)	(76,604)	(84,040)	(72,798)	(45,175)	(641,414)
Net general insurance contract liabilities per statements of financial position (Note 13(i))	4,178	1,534	3,913	5,068	15,960	23,124	51,612	124,834	230,223

36. 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 being 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.

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	
		2017	2016	2017	2016
	Note	RM'000	RM'000	RM'000	RM'000
LAR:					
Fixed and call deposits with licensed financial institutions	6(a)	61,366	494,837	52,276	48,019
Loans receivable:					
Staff mortgage loans	6(a)	350	392	350	392
Other unsecured staff loans	6(a)	4	5	4	5
AFS financial assets:					
Debt securities	6(b)	10,008	19,762	10,008	19,762
FVTPL financial assets:					
Debt securities	6(c)	135,573	104,548	-	-
Reinsurance assets	7	171,609	136,728	171,609	136,728
Insurance receivables	8	104,584	116,588	104,584	116,588
Other receivables	9	76,928	86,233	76,928	84,979
Cash and bank balances		4,692	7,075	4,475	6,998
		565,114	966,168	420,234	413,471

36. Financial risks (cont'd.)

(a) Credit risk (cont'd.)

Credit exposure by credit rating

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

	Neither impaired nor past-due						
Group	**AAA RM'000**	**AA RM'000**	**A RM'000**	**BBB and lower RM'000**	**Not rated RM'000**	**Past-due but not impaired RM'000**	**Total RM'000**
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	-	29,461	127,005	653	14,490	-	171,609
Insurance receivables	-	2,689	9,266	399	23,007	69,223	104,584
Other receivables	10	233	213	1	76,471	-	76,928
Cash and bank balances	532	1,898	2,203	-	59	-	4,692
	55,683	174,532	148,695	1,103	115,878	69,223	565,114

36. Financial risks (cont'd.)

(a) Credit risk (cont'd.)

Credit exposure by credit rating (cont'd.)

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

	Neither impaired nor past-due						
Group	**AAA RM'000**	**AA RM'000**	**A RM'000**	**BBB and lower RM'000**	**Not rated RM'000**	**Past-due but not impaired RM'000**	**Total RM'000**
2016							
LAR:							
Fixed and call deposits with licensed financial institutions	234,845	101,336	145,043	-	13,613	-	494,837
Loans receivable:							
Staff mortgage loans	-	-	-	-	392	-	392
Other unsecured staff loans	-	-	-	-	5	-	5
AFS financial assets:							
Debt securities	-	-	19,762	-	-	-	19,762
FVTPL financial assets:							
Debt securities	20,289	84,259	-	-	-	-	104,548
Reinsurance assets	-	16,132	69,097	206	51,293	-	136,728
Insurance receivables	-	2,037	2,819	390	16,411	94,931	116,588
Other receivables	27	154	394	-	85,658	-	86,233
Cash and bank balances	4,920	1,287	801	-	67	-	7,075
	260,081	205,205	237,916	596	167,439	94,931	966,168

36. Financial risks (cont'd.)

(a) Credit risk (cont'd.)

Credit exposure by credit rating (cont'd.)

	Neither impaired nor past-due						
Company	**AAA RM'000**	**AA RM'000**	**A RM'000**	**BBB and lower RM'000**	**Not rated RM'000**	**Past-due but not impaired RM'000**	**Total RM'000**
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	-	29,461	127,005	653	14,490	-	171,609
Insurance receivables	-	2,689	9,266	399	23,007	69,223	104,584
Other receivables	10	233	213	1	76,471	-	76,928
Cash and bank balances	532	1,681	2,203	-	59	-	4,475
	16,058	69,277	148,695	1,103	115,878	69,223	420,234

36. Financial risks (cont'd.)

(a) Credit risk (cont'd.)

Credit exposure by credit rating (cont'd.)

Company	Neither impaired nor past-due						
	AAA RM'000	AA RM'000	A RM'000	BBB and lower RM'000	Not rated RM'000	Past-due but not impaired RM'000	Total RM'000
2016							
LAR:							
Fixed and call deposits with licensed financial institutions	717	33,402	287	-	13,613	-	48,019
Loans receivable:							
Staff mortgage loans	-	-	-	-	392	-	392
Other unsecured staff loans	-	-	-	-	5	-	5
AFS financial assets:							
Debt securities	-	-	19,762	-	-	-	19,762
Reinsurance assets	-	16,132	69,097	206	51,293	-	136,728
Insurance receivables	-	2,037	2,819	390	16,411	94,931	116,588
Other receivables	6	154	394	-	84,425	-	84,979
Cash and bank balances	4,919	1,211	801	-	67	-	6,998
	5,642	52,936	93,160	596	166,206	94,931	413,471

36. Financial risks (cont'd.)

(a) Credit risk (cont'd.)

Age analysis of financial assets past-due but not impaired

Group and Company	< 30 days RM'000	31 to 60 days RM'000	61 to 90 days RM'000	91 to 180 days RM'000	More than 180 days RM'000	Total RM'000
	Past due but not impaired					
2017						
Insurance receivables:						
Due premium including agents, brokers and co-insurers balances	10,872	12,742	5,367	13,110	11,323	53,414
Due from reinsurers and cedants	3,102	266	252	3,713	8,476	15,809
	13,974	13,008	5,619	16,823	19,799	69,223
2016						
Insurance receivables:						
Due premium including agents, brokers and co-insurers balances	11,886	11,935	6,726	16,484	23,055	70,086
Due from reinsurers and cedants	6,494	846	119	11,727	5,659	24,845
	18,380	12,781	6,845	28,211	28,714	94,931

As at 31 December 2017 based on the assessment of the receivables, there were impaired insurance receivables of RM14,231,000 (2016: RM10,522,000). A reconciliation of the allowance for the impairment losses relating to insurance receivables is disclosed in Note 8.

36. Financial risks (cont'd.)

(b) Liquidity risk

Group and the Company maintain a large tranche of liquid asset instruments, primarily bank deposits and Malaysian Government Securities, to ensure high liquidity.

Maturity profiles

The table below summarises the maturity profile of the financial and reinsurance assets and financial and insurance contract liabilities of the Group and the Company based on 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
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 and property 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	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

36. 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)	34,925	34,925	-	-	-	34,925
	563,846	381,891	172,828	9,127	-	563,846
2016						
LAR:						
Fixed and call deposits with licensed financial institutions	494,837	495,827	-	-	-	495,827
Loans receivable:						
Secured staff mortgage loans	392	-	202	190	-	392
Other unsecured staff loans	5	5	-	-	-	5
AFS financial assets:						
Unit and property trust funds	6,980	-	-	-	6,980	6,980
Debt securities	19,762	10,554	11,070	-	-	21,624
FVTPL financial assets:						
Unit and property trust funds	61,565	30,009	-	-	31,556	61,565
Debt securities	104,548	13,680	92,439	10,465	-	116,584
Reinsurance assets	136,728	46,067	74,930	15,731	-	136,728
Insurance receivables	116,588	116,588	-	-	-	116,588
Other receivables	86,233	86,233	-	-	-	86,233
Cash and bank balances	7,075	7,075	-	-	-	7,075
	1,034,713	806,038	178,641	26,386	38,536	1,049,601

36. 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
2016						
Insurance contract liabilities	366,951	170,901	174,607	21,443	-	366,951
Retirement benefits	418	8	410	-	-	418
Insurance payables	117,930	117,930	-	-	-	117,930
Other payables (net of provisions)	34,983	34,983	-	-	-	34,983
	520,282	323,822	175,017	21,443	-	520,282
Company						
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 and property 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	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

36. 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)	34,763	34,763	-	-	-	34,763
	563,684	381,729	172,828	9,127	-	563,684
2016						
LAR:						
Fixed and call deposits with licensed financial institutions	48,019	48,201	-	-	-	48,201
Loans receivable:						
Secured staff mortgage loans	392	-	202	190	-	392
Other unsecured staff loans	5	5	-	-	-	5
AFS financial assets:						
Collective investment schemes	114,523	-	-	-	114,523	114,523
Unit and property trust funds	6,980	-	-	-	6,980	6,980
Debt securities	19,762	10,554	11,070	-	-	21,624
FVTPL financial assets:						
Collective investment schemes	264,941	-	-	-	264,941	264,941
Unit and property trust funds	61,565	30,009	-	-	31,556	61,565
Reinsurance assets	136,728	46,067	74,930	15,731	-	136,728
Insurance receivables	116,588	116,588	-	-	-	116,588
Other receivables	84,979	84,979	-	-	-	84,979
Cash and bank balances	6,998	6,998	-	-	-	6,998
	861,480	343,401	86,202	15,921	418,000	863,524

36. 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
2016						
Insurance contract liabilities	366,951	170,901	174,607	21,443	-	366,951
Retirement benefits	418	8	410	-	-	418
Insurance payables	117,930	117,930	-	-	-	117,930
Other payables (net of provisions)	34,762	34,762	-	-	-	34,762
	520,061	323,601	175,017	21,443	-	520,061

(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.

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

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

36. 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
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)
2016						
Market indices:						
NAV	+10	6,157	6,855	+10	32,651	44,801
NAV	-10	(6,157)	(6,855)	-10	(32,651)	(44,801)

Interest rate risk

The Group has no borrowings, hence limiting its 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 has an investment policy that investments are made at competitive interest rates.

36. 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
2017						
Interest rates	+ 100 bps	(93)	(99)	+ 100 bps	-	(6)
Interest rates	- 100 bps	93	99	- 100 bps	-	6
2016						
Interest rates	+ 100 bps	(1,955)	(2,121)	+ 100 bps	-	(166)
Interest rates	- 100 bps	1,990	2,199	- 100 bps	-	209

* Impact is net of tax of 24% (2016: 24%).

(d) Operational Risk

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

37. 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>					
2017					
Unquoted debt securities in Malaysia	31 December 2017	-	10,008	-	10,008
2016					
Quoted unit trust funds in Malaysia	31 December 2016	6,980	-	-	6,980
Unquoted debt securities in Malaysia	31 December 2016	-	19,762	-	19,762
		6,980	19,762	-	26,742

37. 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.)					
<u>FVTPL financial assets:</u>					
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
2016					
Quoted unit trust funds in Malaysia	31 December 2016	61,565	-	-	61,565
Unquoted debt securities in Malaysia	31 December 2016	-	104,548	-	104,548
		61,565	104,548	-	166,113

37. Fair values hierarchy (cont'd.)

Group (cont'd.)	Date of valuation	Valuation techniques using: Quoted market price (Level 1) RM'000	Valuation techniques using: Observable inputs (Level 2) RM'000	Valuation techniques using: Un-observable inputs (Level 3) RM'000	Total RM'000
Asset for which fair value is disclosed					
2017					
Investment property	31 December 2017	-	-	2,850	2,850
2016					
Investment property	31 December 2016	-	-	2,850	2,850
Company					
Assets measured at fair value:					
<u>AFS financial assets:</u>					
2017					
Unquoted debt securities in Malaysia	31 December 2017	-	10,008	-	10,008
2016					
Quoted collective investment schemes in Malaysia	31 December 2016	114,523	-	-	114,523
Quoted unit trust funds in Malaysia	31 December 2016	6,980	-	-	6,980
Unquoted debt securities in Malaysia	31 December 2016	-	19,762	-	19,762
		121,503	19,762	-	141,265

37. 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:					
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
2016					
Quoted collective investment schemes in Malaysia	31 December 2016	264,941	-	-	264,941
Quoted unit trust funds in Malaysia	31 December 2016	61,565	-	-	61,565
		326,506	-	-	326,506
Asset for which fair value is disclosed					
2017					
Investment property	31 December 2017	-	-	2,850	2,850
2016					
Investment property	31 December 2016	-	-	2,850	2,850

38. Significant and subsequent event

(a) 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 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 RM213,454,814 on all the 22 members of PIAM. The Proposed Decision is not conclusive as the PIAM members have been given the opportunity to make their written and oral representations to the MyCC. On 5 April 2017, Tune Insurance Malaysia Berhad filed its written representations with the MyCC to defend its position. 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. The Company, in consultation with its legal counsels, will take all necessary and appropriate actions to defend its position that it has not infringed Section 4(2) of the CA and at all times maintain that the Company acted in accordance with the directives issued.