



# FINANCIAL STATEMENTS

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31 December 2015 Together with Director's and Auditor's Reports  
(In Ringgit Malaysia)

**Prudential Assurance Malaysia  
Berhad**

(Company No. 107655-U)  
(Incorporated in Malaysia)

**Financial Statements –  
31 December 2015  
Together with Directors' and  
Auditors' Reports**  
(In Ringgit Malaysia)

# **Prudential Assurance Malaysia Berhad**

(Company No. 107655-U)

(Incorporated in Malaysia)

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# Prudential Assurance Malaysia Berhad

(Company No. 107655-U)

(Incorporated in Malaysia)

## Directors' report for the year ended 31 December 2015

The Directors have pleasure in submitting their report together with the audited financial statements of the Company for the financial year ended 31 December 2015.

### Principal activities

The Company is principally involved in the underwriting of life insurance business, which includes linked business and, related thereto, the investment of funds and general insurance business. There has been no significant change in the nature of these principal activities during the year.

### Results

	<b>RM'000</b>
Net profit for the year	<u>588,275</u>

### Reserves and provisions

There were no material transfer to or from reserves and provisions during the year under review except as disclosed in the financial statements.

### Insurance liabilities

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that there was adequate provision for its insurance liabilities in accordance with the valuation methods specified in Part D of the Risk-Based Capital Framework ("RBC Framework").

### Dividends

Since the end of the previous financial year, the Company paid:

- i) a final single tier dividend of 133% totalling RM133.0 million in respect of the financial year ended 31 December 2014 on 19 June 2015.

As at the date of financial statements, the Directors do not recommend any final dividend to be paid for the financial year under review.

## Directors of the Company

Directors who served during the financial year and up to the date of this report are:

Ho Yik

Abdul Khalil bin Abdul Hamid

Dato' Dr Gan Khuan Poh @ Gan Miew Chee

Chan Wan Siew

Richard Patrick George Duxbury

Kevin Lee Holmgren (Appointed w.e.f. 29 July 2015)

Lilian Lup-Yin Ng (Appointed w.e.f. 12 November 2015)

Gan Leong Hin (Appointed w.e.f. 26 November 2015)

Philip Seah Cheng Chua (Resigned w.e.f. 22 October 2015)

Tony Paul Wilkey (Resigned w.e.f. 12 November 2015)

## Statement on corporate governance and internal controls

The Board of Directors (“Board”) supports the Prudential Framework of Corporate Governance for Insurers (“the Framework”) developed by Bank Negara Malaysia under BNM/RH/GL/003-2. The Company has implemented practices to satisfy the Framework principles in the manner described below for the accounting period ended 31 December 2015.

### i) The Board Responsibility and Oversight

The Board oversees the overall Corporate Governance practices and performance of the Company. The Board’s responsibilities include overseeing the conduct of the Company’s business, reviewing and approving the strategic plans of the Company, reviewing performance goals, identifying principal risks and ensuring the implementation of appropriate systems to manage these risks, as well as reviewing the adequacy of the internal control systems.

Except for the Chief Executive Officer, all other members of the Board are Non-executive Directors. 5 of the Non-executive Directors are also Independent Directors. All the Board members have complied with the requirement of serving the board of not more than 5 (for Executive Directors) or 15 (for Non-executive Directors) companies.

## Statement on corporate governance and internal controls (continued)

### i) The Board Responsibility and Oversight (continued)

The composition of the Board as at 31 December 2015 is as follows:

<b>Members</b>	<b>Status of directorship</b>
Tony Paul Wilkey (Chairman) (Resigned w.e.f. 12 November 2015)	Non-Independent Non-Executive Director
Lilian Lup-Yin Ng (Chairman) (Appointed w.e.f. 12 November 2015)	Non-Independent Non-Executive Director
Ho Yik	Non-Independent Non-Executive Director
Abdul Khalil bin Abdul Hamid	Independent Non-Executive Director
Dato' Dr Gan Khuan Poh @ Gan Miew Chee	Independent Non-Executive Director
Chan Wan Siew	Independent Non-Executive Director
Richard Patrick George Duxbury	Independent Non-Executive Director
Kevin Lee Holmgren (Appointed w.e.f. 29 July 2015)	Independent Non-Executive Director
Philip Seah Cheng Chua (Resigned w.e.f. 22 October 2015)	Executive Director/Chief Executive Officer
Gan Leong Hin (Appointed w.e.f. 26 November 2015)	Executive Director/Chief Executive Officer

The Board are nominated based on diverse background, mix of skills, experience and other core competencies to carry out effective oversight of the Company's operations in order to achieve its corporate objectives and fulfil its fiduciary responsibilities.

The Board meets regularly during the year, with due notice given of issues to be discussed. Prior to the scheduled meetings, all relevant information and statistics are duly furnished to the Board to enable it to properly consider issues to be discussed. The proceedings of board meetings and decisions of the Board are recorded. The Board met 8 times in 2015 to decide the objectives and strategy and any other specific matters which are reserved for its decision.

## Statement on corporate governance and internal controls (continued)

### ii) Board Committees

The Board has established the following committees to assist it in the management of the Company's business and discharge of its duties:

#### Audit Committee

Dato' Dr Gan Khuan Poh @ Gan Miew Chee (Chairman)  
Abdul Khalil bin Abdul Hamid  
Ho Yik  
Chan Wan Siew  
Richard Patrick George Duxbury  
Kevin Lee Holmgren (Appointed w.e.f. 29 July 2015)

The Audit Committee assists the Board in meeting its responsibilities in ensuring effective internal controls and accurate external financial reporting. It normally meets 4 times a year to review the reports submitted by the Internal Audit team, Compliance team and the external auditor.

#### Nominating Committee

Abdul Khalil bin Abdul Hamid (Chairman)  
Ho Yik  
Dato' Dr Gan Khuan Poh @ Gan Miew Chee  
Chan Wan Siew  
Richard Patrick George Duxbury  
Kevin Lee Holmgren (Appointed w.e.f. 29 July 2015)  
Lilian Lup-Yin Ng (Appointed w.e.f. 12 November 2015)  
Gan Leong Hin (Appointed w.e.f. 7 December 2015)  
Philip Seah Cheng Chua (Resigned w.e.f. 22 October 2015)  
Tony Paul Wilkey (Resigned w.e.f. 12 November 2015)

The Nominating Committee is responsible for recommending and assessing nominees for directorship, Chief Executive Officer ("CEO"), Senior Management Team ("SMT") and Company Secretary positions and for establishing minimum requirements for the Board, CEO, SMT and Company Secretary to perform their responsibilities effectively.

The Committee takes into consideration the mix of skills, experience and other core competencies of nominees when overseeing the composition of the Board. The Committee meets as and when required, at least once a year, to fulfil its responsibilities. Where deemed necessary, the Committee reviews the Board's structure, size and composition and makes recommendations to the Board.

## Statement on corporate governance and internal controls (continued)

### ii) Board Committees (continued)

#### Remuneration Committee

Abdul Khalil bin Abdul Hamid (Chairman)  
Ho Yik  
Chan Wan Siew  
Richard Patrick George Duxbury  
Kevin Lee Holmgren (Appointed w.e.f. 29 July 2015)  
Lilian Lup-Yin Ng (Appointed w.e.f. 12 November 2015)  
Tony Paul Wilkey (Resigned w.e.f. 12 November 2015)

The Remuneration Committee is responsible for recommending a framework of remuneration for members of the Board, CEO and SMT.

The Committee also assists the Board in overseeing the institution's remuneration structure and its implementation and monitors and review the remuneration structure to ensure that it operates as intended. The Committee meets at least once a year, to review the remuneration packages.

#### Risk Management Committee

Dato' Dr Gan Khuan Poh @ Gan Miew Chee (Chairman)  
Ho Yik  
Chan Wan Siew  
Richard Patrick George Duxbury  
Abdul Khalil bin Abdul Hamid  
Kevin Lee Holmgren (Appointed w.e.f. 29 July 2015)  
Lilian Lup-Yin Ng (Appointed w.e.f. 12 November 2015)  
Tony Paul Wilkey (Resigned w.e.f. 12 November 2015)

The Risk Management Committee is responsible for reviewing and recommending overall risk management strategies, risk policies and risk appetites or tolerance for the Board's approval. It oversees the implementation of the Risk Management Framework that provides the foundation and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management.

The Committee meets at least once every quarter to review the Management's reports on risk exposure and risk management activities.

## Statement on corporate governance and internal controls (continued)

### ii) Board Committees (continued)

Attendance at Board and Board committee meetings held during the financial year ended 31 December 2015 was as follows:

	Board	Audit Committee	Nominating Committee	Remuneration Committee	Risk Management Committee
Tony Paul Wilkey (Resigned w.e.f. 12 November 2015) <sup>1</sup>	5 out of 8	N/A	2 out of 6	1 out of 4	1 out of 4
Ho Yik	8 out of 8	4 out of 4	6 out of 6	4 out of 4	4 out of 4
Abdul Khalil bin Abdul Hamid	8 out of 8	4 out of 4	6 out of 6	4 out of 4	4 out of 4
Dato' Dr Gan Khuan Poh @ Gan Miew Chee	8 out of 8	4 out of 4	6 out of 6	N/A	4 out of 4
Philip Seah Cheng Chua (Resigned w.e.f. 22 October 2015) <sup>2</sup>	6 out of 8	N/A	4 out of 6	N/A	N/A
Chan Wan Siew	8 out of 8	4 out of 4	6 out of 6	4 out of 4	4 out of 4
Richard Patrick George Duxbury	8 out of 8	4 out of 4	6 out of 6	4 out of 4	4 out of 4
Kevin Lee Holmgren (Appointed w.e.f. 29 July 2015) <sup>3</sup>	5 out of 8	2 out of 4	4 out of 6	3 out of 4	2 out of 4
Lilian Lup-Yin Ng (Appointed w.e.f. 12 November 2015) <sup>4</sup>	2 out of 8	N/A	2 out of 6	1 out of 4	1 out of 4
Gan Leong Hin (Appointed w.e.f. 26 November 2015) <sup>5</sup>	2 out of 8	N/A	1 out of 6*	N/A	N/A

N/A – Not Applicable

\* Gan Leong Hin was appointed as a member of the Nominating Committee w.e.f. 7 December 2015

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- <sup>1</sup> Tony Paul Wilkey resigned as a Chairman/Non-Independent Non-Executive Director of the Company with effect from 12 November 2015. Mr Wilkey attended the Board of Directors' meetings held on 28 January 2015, 24 March 2015, 14 May 2015, 18 August 2015 and 21 October 2015. He also attended the Nominating Committee meetings held on 28 January 2015 and 21 October 2015, Remuneration Committee meeting held on 21 October 2015 and Risk Management Committee meeting held on 24 March 2015.
- <sup>2</sup> Philip Seah Cheng Chua resigned as an Executive Director/Chief Executive Officer of the Company with effect from 22 October 2015. Mr Seah attended all the Nominating Committee and Board of Directors' meetings held since 1 January 2015 until the date of his resignation.
- <sup>3</sup> Mr Kevin Lee Holmgren was appointed as an Independent Director of the Company with effect from 29 July 2015. Mr Holmgren attended all the remaining Board and Committee meetings held from the date of his appointment till 31 December 2015.
- <sup>4</sup> Madam Lilian Lup-Yin Ng was appointed as a Chairman/Non-Independent Non-Executive Director of the Company with effect from 12 November 2015. Madam Ng attended all the remaining Board and Committee meetings save for Audit Committee meetings which she is not a member of, held from the date of her appointment till 31 December 2015.
- <sup>5</sup> Mr Gan Leong Hin was appointed as an Executive Director/Chief Executive Officer of the Company with effect from 26 November 2015. Mr Gan attended all the remaining Board and Nominating Committee meetings held from the date of his appointment till 31 December 2015.

## **Statement on corporate governance and internal controls (continued)**

### **iii) Directors' Qualifications, Training and Re-election**

Members of the Board possess the necessary qualifications and experience to discharge their duties and responsibilities effectively. They are also continually assessed to ensure that they meet the fit and proper criteria prescribed under the BNM Guidelines on Fit and Proper Criteria (BNM/RH/GL 018-5) and Section 60 of the Financial Services Act 2013 ("FSA").

Members of the Board are subject to retirement by rotation and re-election pursuant to Article 66A of the Articles of Association.

### **iv) Supply of Information**

The Board members are provided with regular updates on key aspects on the Company's financials and operations including changes to regulatory requirements. Prior to each Board meeting, the Board members are provided with Notice of Board meetings and Board papers for each agenda item in advance to enable the Directors sufficient time to properly consider the issues and be prepared for discussion. Any additional information requested by the Directors is made available to them in a timely manner.

### **v) Organisational Structure**

The organisational structure of the Company is clearly defined by reference to business units for which individual chief officers are responsible. Authority is delegated by the Board to the Chief Executive Officer for implementing the strategy and for managing the Company. In discharging his responsibility, the Chief Executive Officer works with an executive committee, comprising all the chief officers and the Appointed Actuary. The allocation of duties and responsibilities is documented in well-defined job descriptions of all our employees. The Board members and Chief Executive Officer are also required to observe the disclosure of interests referred to in Section 58 of the FSA.

Staff's individual goals are set each year with the full participation of the individuals concerned. They are set to be in line with the respective business units' corporate objectives and responsibilities.

### **vi) Communication**

To support an effective flow of information within the Company, the following practices have been adopted:

- The documentation of procedure in operating manuals for critical functions;
- Frequent divisional/departmental meetings to discuss issues of common concerns;
- Induction and training program for new recruits to familiarise them with the company structure, policies, procedures and regulatory requirements; and
- Channelling of important information to the appropriate personnel in a timely manner.

## **Statement on corporate governance and internal controls (continued)**

### **vii) Corporate Independence**

The Company has strictly complied with the BNM's Guidelines on Related-Party Transactions (BNM/RH/GL 018-6) in respect of all its related-party undertaking. Full disclosure had been made to the Board, and when the amount involved in a transaction was material, the Board's approval for the transaction had also been sought.

### **viii) Internal Controls and Operational Risk Management**

The Board has the responsibility for the Company's system of internal control and risk management. In order to discharge its duties for effective risk oversight, the Board has established the Board Risk Management Committee to provide critical challenge to the Senior Management on the appropriateness of the risk strategy and effectiveness of the risk management framework and to ensure that business decisions made are aligned with the Company's risk appetites. In addition, the risk appetites are reviewed regularly to ensure that they continue to be relevant and reflect any changes in the Board's expectations.

At Senior Management level, the Local Unit Risk Committee chaired by the Chief Risk Officer is responsible for implementing and maintaining the risk framework and monitoring compliance with policies for risk management purposes. Additionally, the Company is required to confirm annually to its Regional Head Office namely, Prudential Corporation Asia ("PCA"), that the risk management practices are in accordance with PCA's Group Risk Framework.

Regular reports on key risks identified and the management of such risks are presented regularly to the Board Risk Management Committee for its review and endorsement, and to PCA's Risk Management function as part of its oversight responsibility.

The PCA's Risk Management function provide guidance on the Local Unit Risk Committee work and terms of reference, to ensure that they remain effective and is in accordance with the established Prudential Group's Risk Framework, with recommendations being made to the PCA Board, as necessary.

Further, the effectiveness of the systems of internal control is reviewed by independent parties that include Groupwide Internal Audit ("GwIA"), PCA Financial Controllers ("PCA FC") and an appointed external auditor.

The established ongoing process for identifying, managing and reporting risks and internal control issues in the various areas are as follows:

#### **Investment Control**

The investment activities have been outsourced to Eastspring Investments Bhd. However, the investment strategy, roles and responsibilities, compliance and performance continued to be guided by and defined in the Company's Investment Guidelines.

## **Statement on corporate governance and internal controls (continued)**

### **viii) Internal Controls and Operational Risk Management (continued)**

#### **Investment Control (continued)**

The investment limits and the life funds' capital adequacy ratio are monitored every month. This is to ensure that the Company complied with the Risk-Based Capital Framework for Insurers (BNM/RH/GL 003-24) which came into effect on 1 January 2009. The performance of each class of assets is also reported regularly to the Investment Committee, which is a management committee established with the responsibility of overseeing the investment activities of the Company.

#### **Segregation of Duties and Financial Control**

The Company observed proper segregation of duties in many critical areas of its operations to ensure that members of staff are not assigned with potentially conflicting responsibilities. Areas of potential conflict such as the approval of disbursement of funds and the actual disbursement as well as operations and compliance functions are segregated within the Company. When a business unit identifies an internal control deficiency or a breach, the issue is reported to the Management and corrective action is taken in a timely manner.

#### **Internal Audit**

The Internal Audit function is outsourced to GwIA. GwIA carries out audits of the Company's internal control systems. Its findings and recommendations are communicated to the Management and the staff concerned. The internal audit reports incorporating any management actions undertaken are then submitted to the Audit Committee for its review.

#### **Information Systems**

Even though the IT Infrastructure is outsourced to Prudential Services Asia ("PSA"), the Company continues to be responsible for compliance with the requirements of various BNM's Guidelines such as Guidelines on Management of IT Environment (GPIS 1), Guidelines on Data Management and MIS Framework and Guidelines on Internet Insurance. The Chief Operations Officer is assigned with the responsibility to monitor the compliance with the BNM's Guidelines and the risks associated with the outsourcing arrangement.

The Company's business resumption and contingency plan has been designed to coordinate with PSA's contingency arrangement to ensure that it can continue to operate critical functions in the event of information system failure. Business continuity plan and disaster recovery plan are carried out by users in compliance with the Guidelines on Business Continuity Management issued by BNM.

## **Statement on corporate governance and internal controls (continued)**

### **viii) Internal Controls and Operational Risk Management (continued)**

#### **New Products**

The Company has an established procedure for introducing new insurance and financial products. Before a new product is introduced, the senior management and the Board take into consideration the internal and external risks factors, and the impacts that the new product has on the business. All new life insurance products are certified by the Chief Executive Officer and lodged with BNM. Deliberations and approvals on the new products as well as the product reviews are duly recorded.

### **ix) Public Accountability**

Certain procedural requirements have been established and communicated to the staff and agency force to ensure that the Company strictly complies with the applicable provisions relating to policies under Parts XII of the Insurance Act 1996, as well as Part V, Schedule 8, and Schedule 9 of the FSA 2013. Each member of the staff and the agency force is also required to adhere to the Life Insurance Association of Malaysia (“LIAM”)’s Code of Ethics and Conduct when dealing with customers.

Members of the public are made aware of avenues for appeal against the Company’s practices or decisions. All policy contracts issued to policyholders contain a written disclosure alerting them to the existence of the Financial Mediation Bureau (“FMB”) and BNM’s Customer Service Bureau (“CSB”). The Company’s letter to any claimant rejecting any element of a claim also includes the similar information for appeal to FMB and CSB.

### **x) Financial Reporting**

The Company fully complies with the requirements of statutory reporting to BNM. It also exercises due care and diligence in ensuring the accuracy of information contained in the reports, as well as maintaining appropriate accounting records. The external auditor performs an independent audit on the financial statements at the financial year end in order to opine whether the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and approved accounting standards and presents a true and fair view of the Company’s financial state of affairs and its results and cash flows.

The Board receives and reviews regular management reports on the Company’s financial condition and performance. These reports cover all key operation areas and provide a sound basis for the Board to assess the Company’s financial performance and to identify potential problems facing the Company.

## **Directors' benefits**

The Company has obtained approval from the Companies Commission of Malaysia for relief from the requirements of Section 169A (1) of the Companies Act, 1965 in Malaysia. Under the relief, the Company is exempted from disclosure of directors' interest in the shares of its related corporations.

During and at the end of the financial year, no arrangements subsisted to which the Company is a party with the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by Directors or the fixed salary of a full-time employee of the Company as shown in Note 22 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 the Director is a member, or with a company in which the Director has a substantial financial interest.

Other than those exempted from disclosure under Section 169A (1) of the Companies Act, 1965, none of the Directors in office at the end of financial year had any interest in the shares or debentures of the Company and of its related corporations during the financial year.

## **Issue of shares**

There were no changes in the authorised, issued and paid-up ordinary share capital of the Company during the financial year.

## **Options granted over unissued shares**

No options were granted to any person to take up unissued shares of the Company during the financial year.

## **Other statutory information**

- (a) Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that:
  - (i) all known bad debts have been written off and adequate allowance made for doubtful debts; and
  - (ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

**Other statutory information (continued)**

- (b) At the date of this report, the Directors are not aware of any circumstances:
- (i) that would render the amount written off for bad debts or the amount of the allowance for doubtful debts or the provision for insurance liabilities in the Company inadequate to any substantial extent; or
  - (ii) that would render the values attributed to the current assets in the financial statements of the Company misleading; or
  - (iii) which have arisen which render adherence to existing method of valuation of assets or liabilities of the Company misleading or inappropriate; or
  - (iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Company misleading.
- (c) As at the date of this report, there does not exist:
- (i) any charge on the assets 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 Company that has arisen since the end of the financial year.
- (d) In the opinion of the Directors:
- (i) no contingent 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 Company to meet its obligations when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the financial performance of the Company for the financial year in which this report is made.

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

Company No. 107655-U

## **Auditors**

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:



.....  
**Dato' Dr. Gan Khuan Poh @ Gan Miew Chee**



.....  
**Abdul Khalil bin Abdul Hamid**

Kuala Lumpur,

Date: 24 March 2016.

**Prudential Assurance Malaysia Berhad**

(Company No. 107655-U)

(Incorporated in Malaysia)


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

We, Dato' Dr Gan Khuan Poh @ Gan Miew Chee and Abdul Khalil bin Abdul Hamid being two of the Directors of Prudential Assurance Malaysia Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 20 to 90 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2015 and of its financial performance and cash flows for the year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:



.....  
**Dato' Dr Gan Khuan Poh @ Gan Miew Chee**



.....  
**Abdul Khalil bin Abdul Hamid**

Kuala Lumpur,

Date: 24 March 2016

## Prudential Assurance Malaysia Berhad

(Company No. 107655-U)  
(Incorporated in Malaysia)

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

I, Ng Sim Kheng being the officer primarily responsible for the financial management of Prudential Assurance Malaysia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 20 to 90 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named at Kuala Lumpur in the Federal Territory on 24 March 2016.



Ng Sim Kheng

Before me:



**KPMG (Firm No. AF 0758)**  
Chartered Accountants  
Level 10, KPMG Tower  
8, First Avenue, Bandar Utama  
47800 Petaling Jaya  
Selangor Darul Ehsan, Malaysia

Telephone +60 (3) 7721 3388  
Fax +60 (3) 7721 3399  
Internet [www.kpmg.com.my](http://www.kpmg.com.my)

## **Independent auditors' report to the member of Prudential Assurance Malaysia Berhad**

(Company No. 107655-U)  
(Incorporated in Malaysia)

### **Report on the Financial Statements**

We have audited the financial statements of Prudential Assurance Malaysia Berhad, which comprise the statement of financial position as at 31 December 2015, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 20 to 90.

#### *Directors' Responsibility for the Financial Statements*

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

#### *Auditors' Responsibility*

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

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

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

Company No. 107655-U

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

**Other Matter**

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



**KPMG**  
Firm Number: AF 0758  
Chartered Accountants



**Loh Kam Hian**  
Approval Number: 2941/09/16(J)  
Chartered Accountant

Petaling Jaya, Selangor

Date: 24 March 2016

## Prudential Assurance Malaysia Berhad

(Company No. 107655-U)

(Incorporated in Malaysia)

### Statement of financial position as at 31 December 2015

	Note	2015 RM'000	2014 RM'000
<b>Assets</b>			
Property and equipment	3	185,254	131,804
Investments	4	24,241,649	21,892,325
Reinsurance assets	5	13,136	16,589
Insurance receivables	6	40,765	45,014
Other receivables	7	350,113	242,772
Tax recoverable		82,163	54,919
Cash and bank balances		22,770	34,262
<b>Total assets</b>		<u>24,935,850</u>	<u>22,417,685</u>
<b>Equity, policyholders' funds and liabilities</b>			
Share capital	8	100,000	100,000
Retained earnings	9	1,759,335	1,304,060
<b>Total equity</b>		<u>1,859,335</u>	<u>1,404,060</u>
Insurance contract liabilities	10	21,695,662	19,807,085
Deferred taxation	11	490,278	434,124
Provisions	12	206,565	177,197
Insurance payables	13	362,530	317,472
Tax payable		16,758	33,168
Other payables	14	304,722	244,579
<b>Total liabilities</b>		<u>23,076,515</u>	<u>21,013,625</u>
<b>Total equity, policyholders' funds and liabilities</b>		<u>24,935,850</u>	<u>22,417,685</u>

The statement of financial position of the Company presented by funds is disclosed in Note 32.

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

## Prudential Assurance Malaysia Berhad

(Company No. 107655-U)

(Incorporated in Malaysia)

### Statement of profit or loss and other comprehensive income for the year ended 31 December 2015

	Note	2015 RM'000	2014 RM'000
<b>Operating revenue</b>	15	<u>6,729,248</u>	<u>6,296,662</u>
Gross earned premiums	16(a)	5,827,095	5,482,868
Premiums ceded to reinsurers	16(b)	<u>(89,603)</u>	<u>(76,242)</u>
<b>Net earned premiums</b>		<u>5,737,492</u>	<u>5,406,626</u>
Investment income	17	906,628	813,789
Realised gains and losses	18	22,291	270,035
Fair value gains and losses	19	(40,144)	(662,962)
Fee and commission income	20	264,142	247,252
Other operating income		<u>73,303</u>	<u>52,761</u>
<b>Other revenue</b>		<u>1,226,220</u>	<u>720,875</u>
Gross benefits and claims paid	21(a)	(2,719,219)	(2,472,528)
Claims ceded to reinsurers	21(b)	23,447	14,323
Gross change in contract liabilities	21(c)	(1,735,750)	(1,603,376)
Change in contract liabilities ceded to reinsurers	21(d)	<u>(3,274)</u>	<u>13,008</u>
<b>Net benefits and claims</b>		<u>(4,434,796)</u>	<u>(4,048,573)</u>
Fee and commission expense		(1,093,918)	(1,038,720)
Depreciation of property and equipment	3	(13,267)	(13,082)
Management expenses	22	(567,763)	(445,590)
Other operating expenses		<u>(81,302)</u>	<u>(83,870)</u>
<b>Other expenses</b>		<u>(1,756,250)</u>	<u>(1,581,262)</u>
<b>Profit before taxation</b>		772,666	497,666
Taxation	23	<u>(184,391)</u>	<u>(84,218)</u>
<b>Net profit/Total comprehensive income for the year</b>		<u>588,275</u>	<u>413,448</u>
<b>Earnings per share (sen)</b>			
Basic	24	<u>588.28</u>	<u>413.45</u>

The statement of profit or loss and other comprehensive income of the Company presented by funds is disclosed in Note 32.

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

## Prudential Assurance Malaysia Berhad

(Company No. 107655-U)

(Incorporated in Malaysia)

### Statement of changes in equity for the year ended 31 December 2015

	Note	Share capital RM'000	Retained earnings			Total equity RM'000
			Non- Distributable* RM'000	Distributable RM'000	Total RM'000	
<b>At 1 January 2014</b>		100,000	780,086	546,526	1,326,612	1,426,612
Net profit/Total comprehensive income for the year		-	(206)	413,654	413,448	413,448
Dividends paid during the year	25	-	-	(436,000)	(436,000)	(436,000)
<b>At 31 December 2014/ 1 January 2015</b>		100,000	779,880	524,180	1,304,060	1,404,060
Net profit/Total comprehensive income for the year		-	227,455	360,820	588,275	588,275
Dividends paid during the year	25	-	-	(133,000)	(133,000)	(133,000)
<b>At 31 December 2015</b>		100,000	1,007,335	752,000	1,759,335	1,859,335
		Note 8		Note 9		

\* Non-distributable retained earnings comprises of the surplus from non-participating life insurance business net of deferred tax. This amount is only distributable upon the annual recommendation by the Appointed Actuary to transfer requisite amount of the Life fund surplus to the shareholder's fund.

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

# Prudential Assurance Malaysia Berhad

(Company No. 107655-U)

(Incorporated in Malaysia)

## Statement of cash flows for the year ended 31 December 2015

	2015 RM'000	2014 RM'000
<b>Cash flows from operating activities</b>		
Profit before taxation	772,666	497,666
Adjustments for:		
Gain on disposal of property and equipment	(168)	(694)
Fair value loss on investments	40,144	662,962
Depreciation of property and equipment	13,267	13,082
Property and equipment written off	227	89
	<u>826,136</u>	<u>1,173,105</u>
<b>Operating gain before changes in working capital</b>	826,136	1,173,105
Changes in operating assets and liabilities:		
Investments	(2,389,468)	(2,210,799)
Reinsurance assets	3,453	(12,964)
Insurance receivables	4,249	(18,764)
Other receivables	(107,341)	(20,645)
Insurance contract liabilities	1,888,577	1,681,086
Provisions	29,368	28,963
Insurance payables	45,058	36,015
Other payables	60,143	(51,340)
	<u>360,175</u>	<u>604,657</u>
<b>Cash generated from operations</b>	360,175	604,657
Tax paid	(171,891)	(142,625)
	<u>188,284</u>	<u>462,032</u>
<b>Net cash from operating activities</b>	188,284	462,032
<b>Cash flows from investing activities</b>		
Acquisition of property and equipment	(66,984)	(27,997)
Proceeds from disposal of property and equipment	208	2,684
	<u>(66,776)</u>	<u>(25,313)</u>
<b>Net cash used in investing activities</b>	(66,776)	(25,313)
<b>Cash flows from financing activity</b>		
Dividend paid to owners of the Company	(133,000)	(436,000)
	<u>(133,000)</u>	<u>(436,000)</u>
<b>Net cash used in financing activity</b>	(133,000)	(436,000)

Company No. 107655-U
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## **Statement of cash flows for the year ended 31 December 2015 (continued)**

	<b>2015 RM'000</b>	<b>2014 RM'000</b>
<b>Net (decrease)/increase in cash and bank balances</b>	(11,492)	719
<b>Cash and bank balances at beginning of year</b>	<u>34,262</u>	<u>33,543</u>
<b>Cash and bank balances at end of year</b>	<u>22,770</u>	<u>34,262</u>

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

# **Prudential Assurance Malaysia Berhad**

(Company No. 107655-U)

(Incorporated in Malaysia)

## **Notes to the financial statements**

### **Corporate information**

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The addresses of its registered office and principal place of business are as follows:

#### **Registered office**

RDL Corporate Services Sdn Bhd  
16<sup>th</sup> Floor, Wisma Sime Darby  
Jalan Raja Laut  
50350 Kuala Lumpur

#### **Principal place of business**

Level 17, Menara Prudential  
No. 10, Jalan Sultan Ismail  
50250 Kuala Lumpur

The Company is principally involved in the underwriting of life insurance business, which includes linked business and, related thereto, the investment of funds and general insurance business. There has been no significant change in the nature of these principal activities during the year.

The holding company is Sri Han Suria Sdn. Bhd., a company incorporated in Malaysia. The ultimate holding company is Prudential plc., a company incorporated in the United Kingdom which is listed on the London, New York, Hong Kong and Singapore Stock Exchanges.

The financial statements were approved by the Board of Directors on 24 March 2016.

## **1. Basis of preparation**

### **1.1 Statement of compliance**

These financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards (“IFRS”) and the Companies Act, 1965 in Malaysia.

## 1. Basis of preparation (continued)

### 1.1 Statement of compliance (continued)

The following are accounting standards, amendments and interpretations of the MFRSs that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Company:

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016***

- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018***

- MFRS 9, *Financial Instruments* (2014)
- MFRS 15, *Revenue from Contracts with Customers*

## 1. Basis of preparation (continued)

### 1.1 Statement of compliance (continued)

#### *MFRSs, Interpretations and amendments effective for date yet to be confirmed*

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Company plans to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016, except for MFRS 14, amendments to MFRS 10, MFRS 11, MFRS 12, MFRS 127, MFRS 128 and MFRS 141 which are not applicable to the Company.
- from the annual period beginning on 1 January 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018.

The initial application of the abovementioned applicable accounting standards, amendments or interpretations are not expected to have any material financial impact to the current period and prior period financial statements of the Company except as mentioned below:

#### (i) **MFRS 15, *Revenue from Contracts with Customers***

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*. Upon adoption of MFRS 15, it is expected that the timing of revenue recognition for non-insurance contracts might be different as compared with the current practice.

The adoption of MFRS 15 may result in a change of accounting policy. The Company is currently assessing the financial impact that may arise from the adoption of MFRS 15.

## **1. Basis of preparation (continued)**

### **1.1 Statement of compliance (continued)**

#### **(ii) MFRS 9, *Financial Instruments***

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost. It is expected that the Company's investments in unquoted shares will be measured at fair value through other comprehensive income.

The adoption of MFRS 9 will result in a change of accounting policy. The Company is currently assessing the financial impact that may arise from the adoption of MFRS 9.

### **1.2 Basis of measurement**

The financial statements of the Company have been prepared on a historical cost basis, other than as disclosed in Note 2.

### **1.3 Functional and presentation currency**

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All values are rounded to the nearest thousand ("RM'000") except where otherwise indicated.

### **1.4 Use of estimates and judgements**

The preparation of financial statements in conformity with Malaysian Financial Reporting Standards ("MFRSs") requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

## **1. Basis of preparation (continued)**

### **1.4 Use of estimates and judgements (continued)**

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 2(d)(ii) - Fair value measurement of financial instruments
- Note 2(t)(i) - Valuation of life insurance contract liabilities
- Note 2(t)(ii) - Valuation of general insurance contract liabilities

## **2. Significant accounting policies**

The accounting policies set out below have been applied consistently to the periods presented in these financial statements unless otherwise stated.

### **(a) Foreign currency**

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies are translated at exchange rates at the dates of the transactions except for those that are measured at fair value, which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

### **(b) Property and equipment**

#### **(i) Recognition and measurement**

Freehold land and capital work-in-progress are stated at cost less any accumulated impairment losses. Other items of property and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

## 2. Significant accounting policies (continued)

### (b) Property and equipment (continued)

#### (i) Recognition and measurement (continued)

When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised net within “realised gains and losses” in profit or loss.

#### (ii) Subsequent costs

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

#### (iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Freehold land is not depreciated. Capital work-in-progress are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

Leasehold land	50 - 800 years
Buildings	50 years
Motor vehicles	5 years
Computer equipment	3 years
Office furniture, fittings and equipment	10 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period and adjusted as appropriate.

## 2. Significant accounting policies (continued)

### (c) Leased assets

#### (i) Finance lease

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property and equipment.

#### (ii) Operating lease

Leases, where the Company does not assume substantially all the risks and rewards of the ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the Company's statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

## 2. Significant accounting policies (continued)

### (d) Financial instruments

#### (i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

#### (ii) Financial instrument categories and subsequent measurement

The Company categorises and measures financial instruments as follows:-

##### Financial assets

#### (a) Fair value through profit or loss

Fair value through profit or loss (“FVTPL”) category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition. Investments typically bought with the intention to sell in the near future are classified as held-for-trading (“HFT”). For investments designated at fair value through profit or loss, the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment such as asset-liability mismatch, 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.

## **2. Significant accounting policies (continued)**

### **(d) Financial instruments (continued)**

#### **(ii) Financial instrument categories and subsequent measurement (continued)**

##### **Financial assets (continued)**

##### **(a) Fair value through profit or loss (continued)**

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are remeasured at fair value with the gain or loss recognised in profit or loss.

##### **(b) Loans and receivables (“LAR”), excluding insurance receivables**

LAR category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as LAR are subsequently measured at amortised cost using the effective interest method.

##### **(c) Insurance receivables**

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

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivables accordingly and recognises that impairment loss in profit or loss. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2(e)(ii).

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2(d)(iv), have been met.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(e)(i)).

## **2. Significant accounting policies (continued)**

### **(d) Financial instruments (continued)**

#### **(ii) Financial instrument categories and subsequent measurement (continued)**

##### **Financial liabilities**

All financial liabilities are initially measured at fair value and subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must otherwise be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

#### **(iii) Regular way purchase or sale of financial assets**

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
- (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

## **2. Significant accounting policies (continued)**

### **(d) Financial instruments (continued)**

#### **(iv) Derecognition**

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the financial asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

### **(e) Impairment**

#### **(i) Financial assets, excluding insurance receivables**

All financial assets (except for financial assets categorised as fair value through profit or loss and fixed and call deposits) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset recoverable amount is estimated.

An impairment loss in respect of loans and receivables (excluding insurance receivables as set out in Note 2(e)(ii) below) is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of an unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

## **2. Significant accounting policies (continued)**

### **(e) Impairment (continued)**

#### **(i) Financial assets, excluding insurance receivables (continued)**

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

#### **(ii) Insurance receivables**

Insurance receivables are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. An objective evidence of impairment is deemed to exist where the principal or interest or both for insurance receivables is past due for more than 90 days or 3 months, as prescribed in the Guidelines on Financial Reporting for Insurers issued by BNM.

An impairment loss in respect of insurance receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

If, in a subsequent period, the fair value of insurance receivables increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the profit or loss.

#### **(iii) Other assets**

The carrying amounts of other assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

## **2. Significant accounting policies (continued)**

### **(e) Impairment (continued)**

#### **(iii) Other assets (continued)**

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating unit.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. 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 or cash-generating unit.

An impairment loss is recognised if the estimated carrying amount of an asset or its related cash-generating unit exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

### **(f) Equity instruments**

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

#### **(i) Ordinary shares**

Ordinary shares are classified as equity.

## 2. Significant accounting policies (continued)

### (g) Product classification

The Company issues life insurance contracts that transfer insurance risk. These are classified as insurance contracts and investment contracts with discretionary participating features.

Insurance contracts are those contracts under which the Company accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event adversely affects the policyholder or other beneficiary. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

Disclosures on the various life insurance contracts are classified into the principal components as follows:

- Life insurance participating contracts
- Life insurance non-participating contracts
- Investment-linked contracts

The Company does not unbundle any insurance contracts as its accounting policy recognises all insurance premiums, claims and benefit payments, expenses and valuation of future benefit payments, inclusive of the investment component, through the profit or loss.

### (i) Life insurance participating contracts

Insurance contracts that contain discretionary participating features (“DPF”) are classified as participating policies. The DPF entitles the policyholder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the Company; and
- that are contractually based on:
  - (a) the performance of a specified pool of contracts or a specified type of contract;
  - (b) realised and/or unrealised investment returns on a specified pool of assets held by the Company; or
  - (c) the profit or loss of the Company or fund that issues the contract.

## 2. Significant accounting policies (continued)

### (g) Product classification (continued)

#### (i) Life insurance participating contracts (continued)

Local statutory regulations and the terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based and within which the Company may exercise its discretion as to the quantum and timing of their payment to policyholders.

The DPF is classified as a liability in the Company's statement of financial position and as part of claims and benefits incurred in the profit or loss, as it does not recognise the guaranteed element separately.

#### (ii) Life insurance non-participating contracts

These are contracts that are predominantly protection based. For protection based contracts, the Company usually guarantees a fixed level of benefit that is payable upon a claim event (eg. death, disability, critical illness). In return, the policyholders will pay contractual premiums that may be guaranteed over the term of the contract.

#### (iii) Investment-linked contracts

These are contracts that transfer only insurance risk from policyholders to the Company. Policyholders of such contracts use their premium to purchase units of investment funds set up by the Company. The amount of benefits is directly linked to the performance of these investment funds. In addition, units are deducted from the investment-linked account balances for mortality and morbidity charges and policy administration fees. The investment returns derived from the variety of investment funds as elected by the policyholder accrue directly to the policyholder.

### (h) Life insurance underwriting results

#### *Surplus transfer*

The surplus transferable from the Life fund to the profit or loss is based on the surplus determined by an annual actuarial valuation of the long term liabilities to policyholders.

#### *Premium income*

Premium is recognised as soon as the amount of the premium can be reliably measured.

## 2. Significant accounting policies (continued)

### (h) Life insurance underwriting results (continued)

#### *Premium income (continued)*

##### **i) *Investment-linked business***

First premium income is recognised on the assumption of risk and subsequent premiums are recognised on a cash basis. Subsequent risk is assumed based on sufficiency of units of the policyholder.

##### **ii) *Non-linked business***

First premium is recognised from inception date and subsequent premium is recognised when it is due. At the end of the financial period, all due premiums are accounted for to the extent that they can be reliably measured and are recoverable.

#### *Reinsurance premium*

Gross reinsurance premium are recognised as an expense when payable or on the date on which the policy is effective.

#### *Commission and agency expenses*

Commission and agency expenses, which are costs directly incurred in securing premium on insurance policies, net of income derived from reinsurers in the course of ceding of premium to reinsurers, are charged to the profit or loss in the period in which they are incurred.

#### *Benefits, claims and expenses*

Claims and settlement costs that are incurred during the financial period are recognised when a claimable event occurs and/or the insurer is notified.

Benefits and claims arising on life insurance policies, including settlement costs, are accounted for using the case basis method and for this purpose, the benefits payable under a life insurance policy are recognised as follows:

- (a) maturity or other policy benefit payments due on specified dates are treated as claims payable on the due dates.
- (b) death, surrender and other benefits without due dates are treated as claims payable on the date of receipt of intimation of death of the assured or occurrence of contingency covered.

## 2. Significant accounting policies (continued)

### (h) Life insurance underwriting results (continued)

#### *Benefits, claims and expenses (continued)*

- (c) for accident and health business, provision is made for the cost of claims, together with related expenses, and Incurred but Not Reported (“IBNR”) is estimated at reporting date, using a mathematical method of estimation by the Appointed Actuary based on past claims experience. As with all projections, there are elements of uncertainty and thus the projected future claims experience may be different from its actual claims experience due to the level of uncertainty involved in projecting future claims experience based on past claims experience. These uncertainties arise from changes in underlying risks, changes in spread of risks, timing and amounts of claims settlement as well as uncertainties in the projection model and underlying assumptions.

### (i) Life insurance liabilities

The insurance liabilities for contracts held within the participating insurance fund are taken as the higher of the following at the fund level:

- (i) sum of the present value of future guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the risk-free discount rate.
- (ii) sum of the present value of future guaranteed and non-guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at a suitable rate, taking into account historical yields and the future investment outlook of the fund.

The insurance liabilities for traditional non-participating contracts are determined as the sum of the present value of future guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the risk-free discount rate.

For investment-linked and universal life type policies, insurance liabilities were set up based on a cash flow projection method set to ensure that any future negative cash flows that would otherwise arise are eliminated. The liabilities include an appropriate amount to cover the guaranteed minimum benefits offered under certain contracts, calculated using a stochastic method.

## 2. Significant accounting policies (continued)

### (i) Life insurance liabilities (continued)

The insurance liabilities are based on best estimate assumptions and with due regard to significant recent experience. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefits insurance liabilities of participating life policies, and non-unit liabilities of investment-linked policies.

The valuation of insurance contract liabilities is determined according to the RBC Framework which meets the requirement of liability adequacy test under MFRS 4.

The unallocated surplus on participating insurance fund remains to be presented as part of life insurance liabilities, in accordance with the requirements of the BNM's Guidelines on Financial Reporting (BNM/RH/STD 032-5).

Non-participating life insurance business unallocated surplus represents the residual interest in the assets of the non-participating life funds after consideration of all liabilities. It comprises of surplus arising within the life funds but not yet transferred to the shareholder's fund and the amount is only distributed upon recommendation by the Appointed Actuary at financial year end.

### (j) General insurance underwriting results

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

#### *Premium income*

Premium is recognised in a financial period in respect of risks assumed during that particular financial period.

#### *Premium liabilities*

Premium liabilities is the higher of the aggregate of the Unearned Premium Reserves ("UPR") for all lines of business and the best estimate value of the Unexpired Risk Reserves ("URR") at the required risk margin for adverse deviation.

#### *Unearned Premium Reserves*

The UPR represents the portion of net premium income of insurance policies written that relates to the unexpired periods of the policies at the end of the financial year.

The 1/24<sup>th</sup> method is used for all general policies business of the Company.

## 2. Significant accounting policies (continued)

### (j) General insurance underwriting results (continued)

#### *Unexpired Risk Reserves*

The URR is the prospective estimate of the expected future payments arising from future events insured under policies in force as at the valuation date and also includes allowance for the insurer's 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.

#### *Claims liabilities*

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

Estimating the outstanding claims provision involves projection of the Company's future claims experience based on current claims experience. As with all projections, there are elements of uncertainty and thus the projected future claims experience may be different from its actual claims experience due to the level of uncertainty involved in projecting future claims experience based on past claims experience. These uncertainties arise from changes in underlying risks, changes in spread of risks, timing and amounts of claims settlement as well as uncertainties in the projection model and underlying assumptions.

#### *Acquisition cost*

The cost of acquiring and renewing insurance policies net of income derived from ceding reinsurance premiums is recognised as incurred and properly allocated to the periods in which it is probable they give rise to income. Acquisition costs or ceding income which are not recoverable or not payable in the event of a termination of the policy to which they relate, are not deferred but are recognised in the period in which they occur.

## 2. Significant accounting policies (continued)

### (k) Reinsurance

The Company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision.

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

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

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

### (l) Employee benefits

#### Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Company's contributions to the Employee's Provident Fund ("EPF") are charged to the profit or loss in the financial year to which they relate. Once the contributions have been paid, the Company has no further payment obligations.

Gratuities payable to entitled employees are computed based on a certain percentage of the monthly basic salaries and are remitted to the EPF when due.

## 2. Significant accounting policies (continued)

### (m) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits held with financial institutions which have an insignificant risk of changes in fair value with original maturities of three months or less and are used by the Company in the management of their short-term commitments. It excludes deposits which are held for investment purpose.

### (n) Non-current asset held for sale

Non-current assets, or disposal group comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale.

Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Company's accounting policies. Thereafter, generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs of disposal.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to financial assets, deferred tax assets and employee benefit assets which continue to be measured in accordance with the Company's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Property and equipment once classified as held for sale are not depreciated.

### (o) Provision

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

#### **Long-term life field agents benefits**

The Company is also obligated under the agreement with the life field agents to pay retirement benefits to eligible agents upon retirement. Such retirement benefits have been provided for in the financial statements to the extent of the Company's contractual liability.

## 2. Significant accounting policies (continued)

### (p) Other revenue recognition

Interest on loans is recognised on an accrual basis except where a loan is considered non-performing, i.e. where repayment is in arrears for more than six months, in which case recognition of such interest is suspended. Subsequent to suspension, interest is recognised on the receipt basis until all arrears have been paid.

Other interest is recognised on a time proportion basis that takes into account the effective yield of the asset.

Rental is recognised on an accrual basis except where default in payment of rent has already occurred and rent due remains outstanding for over six months, in which case recognition of rental income is suspended. Subsequent to suspension, income is recognised on the receipt basis until all arrears have been paid.

Dividend is recognised in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Gains or losses arising on disposal of investments are credited or charged to the profit or loss.

### (q) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity, or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantially enacted by the end of the reporting date, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax base. Deferred tax is not recognised for temporary differences arises from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax liability is for all temporary differences.

## **2. Significant accounting policies (continued)**

### **(q) Income tax (continued)**

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### **(r) Earnings per share**

The Company presents basic earnings per share (“EPS”) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

### **(s) Contingent liabilities**

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statement of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### **(t) Significant accounting judgements, estimates and assumptions**

#### **(i) Valuation of life insurance contract liabilities (including investment contract liabilities with DPF)**

The liability for life insurance contracts and investment contracts with DPF is based on current assumptions, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management’s best current estimate of future cash flows.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Company base mortality and morbidity rates on established industry and Malaysian tables which reflect historical experiences, adjusted when appropriate to reflect the Company’s unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk to longevity, prudent allowance is made for expected future mortality improvements.

## **2. Significant accounting policies (continued)**

### **(t) Significant accounting judgements, estimates and assumptions (continued)**

#### **(i) Valuation of life insurance contract liabilities (including investment contract liabilities with DPF) (continued)**

Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

Assumptions on future expenses are based on current expense levels, adjusted for expected expense inflation adjustments, if appropriate.

Lapse and surrender rates are based on the Company's historical experience of lapses and surrenders.

Discount rate for non-participating policies, guaranteed benefits of participating policies and the non-unit liability of investment-linked policies accord a level of guarantee which is no less certain than that accorded by a Malaysian government security. In the case of the total benefits liabilities of participating policies, the discount rate is based on the historical yield and future investment outlook of the participating fund, net of tax on investment income of the life fund.

#### **(ii) Valuation of general insurance contract liabilities**

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

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 statement of financial position liability. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder method.

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

## **2. Significant accounting policies (continued)**

### **(t) Significant accounting judgements, estimates and assumptions (continued)**

#### **(ii) Valuation of general insurance contract liabilities (continued)**

Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected in order to reflect their future development.

In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historic claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (for example, to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels 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.

#### **(u) Fair value measurements**

Fair value of an asset or a liability is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transactions between market participations at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement 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.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible.

The Company recognises transfers between levels of the fair value hierarchy as of the event or change in circumstances that carried the transfers.

### 3. Property and equipment

	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Motor vehicles RM'000	Computer equipment RM'000	Office furniture, fittings and equipment RM'000	Capital work-in-progress RM'000	Total RM'000
<b>Cost</b>								
At 1 January 2014	8,728	5,550	60,577	3,178	54,404	111,719	11,069	255,225
Additions	-	-	-	570	1,578	7,088	18,761	27,997
Disposals	-	(1,040)	(1,330)	(270)	(58)	(228)	-	(2,926)
Written off	-	-	-	-	(628)	(545)	-	(1,173)
Transfer from capital work-in-progress	-	-	-	-	2,372	960	(3,332)	-
At 31 December 2014/1 January 2015	8,728	4,510	59,247	3,478	57,668	118,994	26,498	279,123
Additions	-	-	-	338	138	8,957	57,551	66,984
Disposals	-	-	-	(630)	-	-	-	(630)
Written off	-	-	-	-	(1,795)	(1,273)	-	(3,068)
Transfer from capital work-in-progress	-	-	-	-	14,135	2,509	(16,644)	-
At 31 December 2015	8,728	4,510	59,247	3,186	70,146	129,187	67,405	342,409

### 3. Property and equipment (continued)

	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Motor vehicles RM'000	Computer equipment RM'000	Office furniture, fittings and equipment RM'000	Capital work-in-progress RM'000	Total RM'000
<b>Accumulated depreciation</b>								
At 1 January 2014	-	1,888	17,582	1,457	50,903	64,427	-	136,257
Charge for the year	-	111	1,176	680	2,719	8,396	-	13,082
Disposals	-	-	(421)	(234)	(58)	(223)	-	(936)
Written off	-	-	-	-	(624)	(460)	-	(1,084)
At 31 December 2014/1 January 2015	-	1,999	18,337	1,903	52,940	72,140	-	147,319
Charge for the year	-	111	1,185	675	2,999	8,297	-	13,267
Disposals	-	-	-	(590)	-	-	-	(590)
Written off	-	-	-	-	(1,789)	(1,052)	-	(2,841)
At 31 December 2015	-	2,110	19,522	1,988	54,150	79,385	-	157,155
<b>Net carrying amount</b>								
At 1 January 2014	8,728	3,662	42,995	1,721	3,501	47,292	11,069	118,968
At 31 December 2014/1 January 2015	8,728	2,511	40,910	1,575	4,728	46,854	26,498	131,804
At 31 December 2015	8,728	2,400	39,725	1,198	15,996	49,802	67,405	185,254

### 3. Property and equipment (continued)

Included in property and equipment are the costs of the following fully depreciated assets which are still in use:

	<b>2015</b> <b>RM'000</b>	<b>2014</b> <b>RM'000</b>
<b>At cost</b>		
Motor vehicles	452	-
Computer equipment	45,807	43,415
Office furniture, fittings and equipment	40,129	29,476
	<u>86,388</u>	<u>72,891</u>

The strata titles of land and buildings with a cost of RM17,148,439 (2014 : RM17,148,439) are in the process of being transferred to the Company.

### 4. Investments

	<b>2015</b> <b>RM'000</b>	<b>2014</b> <b>RM'000</b>
Malaysian government securities	741,830	750,753
Debt securities	9,249,905	8,236,702
Equity securities	9,615,422	8,917,572
Unit and property trust funds	426,195	424,623
Foreign managed funds	1,063,107	889,950
Investment in structured products	9,731	101,840
Loans	577,735	553,490
Deposits with financial institutions	2,557,724	2,017,395
	<u>24,241,649</u>	<u>21,892,325</u>

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

	<b>2015</b> <b>RM'000</b>	<b>2014</b> <b>RM'000</b>
Loans and receivables ("LAR")	3,135,459	2,570,885
Held-for-trading ("HFT")	21,106,190	19,321,440
	<u>24,241,649</u>	<u>21,892,325</u>

#### 4. Investments (continued)

The following investments mature after 12 months:

	<b>2015</b> <b>RM'000</b>	<b>2014</b> <b>RM'000</b>
LAR	2,917	3,193
HFT	9,684,822	8,430,315
	<u>9,687,739</u>	<u>8,433,508</u>

##### (a) LAR

	<b>2015</b> <b>RM'000</b>	<b>2014</b> <b>RM'000</b>
<b>Amortised cost</b>		
Fixed and call deposits with financial institutions	2,557,724	2,017,395
Policy loans	549,882	532,744
Mortgage loans	898	1,332
Unsecured loans	26,955	19,414
	<u>3,135,459</u>	<u>2,570,885</u>

##### (b) HFT

	<b>2015</b> <b>RM'000</b>	<b>2014</b> <b>RM'000</b>
<b>Fair value</b>		
Malaysian government securities	741,830	750,753
Debt securities	9,249,905	8,236,702
Equity securities	9,615,422	8,917,572
Unit and property trust funds	426,195	424,623
Foreign managed funds	1,063,107	889,950
Investment in structured products	9,731	101,840
	<u>21,106,190</u>	<u>19,321,440</u>

#### 4. Investments (continued)

##### (c) Carrying values of financial instruments

	LAR RM'000	HFT RM'000	Total RM'000
<b>At 1 January 2014</b>	2,657,748	17,686,740	20,344,488
Purchases	48,859,026	5,508,102	54,367,128
Maturities	(48,981,113)	(398,112)	(49,379,225)
Disposals	-	(2,812,427)	(2,812,427)
Fair value losses recorded in:			
Profit or loss	-	(662,962)	(662,962)
New loans	175,276	-	175,276
Redemption or repayment	(151,339)	-	(151,339)
Interest receivable	11,287	-	11,287
Movement in foreign exchange rate	-	99	99
<b>At 31 December 2014/ 1 January 2015</b>	2,570,885	19,321,440	21,892,325
Purchases	53,409,280	3,578,072	56,987,352
Maturities	(52,868,951)	(602,371)	(53,471,322)
Disposals	-	(1,150,324)	(1,150,324)
Fair value losses recorded in:			
Profit or loss	-	(40,144)	(40,144)
New loans	203,378	-	203,378
Redemption or repayment	(185,740)	-	(185,740)
Interest receivable	6,607	-	6,607
Movement in foreign exchange rate	-	2,677	2,677
Realised losses	-	(3,160)	(3,160)
<b>At 31 December 2015</b>	<b>3,135,459</b>	<b>21,106,190</b>	<b>24,241,649</b>

#### 5. Reinsurance assets

	Note	2015 RM'000	2014 RM'000
Reinsurance of insurance contracts - current	10	<u>13,136</u>	<u>16,589</u>

## 6. Insurance receivables

	<b>2015</b> <b>RM'000</b>	<b>2014</b> <b>RM'000</b>
Due premiums including agents/brokers and co-insurers balances	26,243	29,770
Due from reinsurers and cedants	15,350	16,072
	<hr/> 41,593	<hr/> 45,842
Allowance for impairment	(828)	(828)
	<hr/> 40,765	<hr/> 45,014

### (a) Offsetting of financial assets and financial liabilities

The following table provides information of financial assets and liabilities that have been set off for presentation purpose:

	<b>Gross amount RM'000</b>	<b>Balances that are set off RM'000</b>	<b>Net carrying amount in the statement of financial position RM'000</b>
<b>2015</b>			
Due from reinsurers and cedants	90,869	(75,519)	15,350
Due to reinsurers and cedants	(75,519)	75,519	-
	<hr/> 15,350	<hr/> -	<hr/> 15,350
<b>2014</b>			
Due from reinsurers and cedants	59,635	(43,563)	16,072
Due to reinsurers and cedants	(43,563)	43,563	-
	<hr/> 16,072	<hr/> -	<hr/> 16,072

Certain amount due from reinsurers and cedants and amount due to reinsurers and cedants were set off for presentation purpose because they have enforceable right to set off or to realise the asset and settle the liability simultaneously.

**7. Other receivables**

	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Other receivables, deposits and prepayments	159,233	86,661
Income due and accrued	157,956	144,325
Amounts due from related companies	32,924	11,786
	<u>350,113</u>	<u>242,772</u>

The amounts due from related companies are unsecured, interest free and receivable on demand.

**8. Share capital**

	<b>Amount</b>	<b>Number</b>	<b>Amount</b>	<b>Number</b>
	<b>2015</b>	<b>of shares</b>	<b>2014</b>	<b>of shares</b>
	<b>RM'000</b>	<b>2015</b>	<b>RM'000</b>	<b>2014</b>
		<b>'000</b>		<b>'000</b>
Authorised:				
Ordinary shares of RM1 each				
At beginning and end of year	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
Issued and fully paid:				
Ordinary shares of RM1 each				
At beginning and end of year	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>

**9. Retained earnings**

The Company may distribute single tier exempt dividend to its shareholder out of its distributable retained earnings. Pursuant to Section 51(1) of the Financial Services Act, 2013 ("FSA"), the Company is required to obtain Bank Negara Malaysia's written approval prior to declaring or paying any dividend.

Pursuant to the RBC Framework for Insurers, the Company shall not pay dividends if its Capital Adequacy Ratio ("CAR") position is less than the Company's Individual Target Capital Level or if the payment of dividend would impair its CAR position to below its individual target.

**10. Insurance contract liabilities**

Note	2015			2014		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
10(a)	21,617,020	(10,439)	21,606,581	19,726,037	(13,101)	19,712,936
10(b)	78,642	(2,697)	75,945	81,048	(3,488)	77,560
	21,695,662	(13,136)	21,682,526	19,807,085	(16,589)	19,790,496

Note 5

Note 5

**(a) Life insurance**

The life insurance contract liabilities and its movements are further analysed as follows:

	2015			2014		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Actuarial liabilities	8,639,813	(10,439)	8,629,374	7,710,122	(13,101)	7,697,021
Net asset value attributable to unit holders	12,464,157	-	12,464,157	11,660,167	-	11,660,167
Provision for outstanding claims	513,050	-	513,050	355,748	-	355,748
	21,617,020	(10,439)	21,606,581	19,726,037	(13,101)	19,712,936

**10. Insurance contract liabilities (continued)****(a) Life insurance (continued)**

	<b>Non Par RM'000</b>	<b>Par RM'000</b>	<b>Unit Reserves RM'000</b>	<b>Non-Unit Reserves RM'000</b>	<b>Claim Liabilities RM'000</b>	<b>Total RM'000</b>
<b>At 1 January 2014</b>	328,208	6,281,960	10,979,123	188,525	278,043	18,055,859
Valuation premiums	298,059	-	-	-	-	298,059
Premium received, net of reinsurance	-	1,006,497	1,713,849	(29,293)	-	2,691,053
Fees deducted from account balances of investment-linked contracts	-	-	(146,918)	-	-	(146,918)
Liabilities released for payments on death, surrender and other terminations	(339,361)	(402,845)	(900,603)	(9,595)	(1,418,050)	(3,070,454)
Claims incurred during the year	-	-	-	71,277	1,495,755	1,567,032
Accretion of interest	7,264	-	-	17,283	-	24,547
Other movements	(26,422)	-	-	22,797	-	(3,625)
New business	88,881	-	-	5,133	-	94,014
Change in valuation basis	55,401	-	-	27,057	-	82,458
Investment income	-	304,810	-	-	-	304,810
Expenses: Operating	-	(124,244)	-	-	-	(124,244)
- Commission and agency expenses	-	(73,712)	-	-	-	(73,712)
- Management expenses	-	(1,011)	-	-	-	(1,011)
Other income	-	(22,864)	-	-	-	(22,864)
Movement in tax	-	-	14,716	-	-	14,716
Changes in unit prices	48,483	-	-	-	-	48,483
Policyholder's liability	-	(25,267)	-	-	-	(25,267)
Transfer to shareholder's fund	-	-	-	-	-	-
<b>At 31 December 2014</b>	<b>460,513</b>	<b>6,943,324</b>	<b>11,660,167</b>	<b>293,184</b>	<b>355,748</b>	<b>19,712,936</b>

**10. Insurance contract liabilities (continued)****(a) Life insurance (continued)**

	<b>Non Par RM'000</b>	<b>Par RM'000</b>	<b>Unit Reserves RM'000</b>	<b>Non-Unit Reserves RM'000</b>	<b>Claim Liabilities RM'000</b>	<b>Total RM'000</b>
<b>At 1 January 2015</b>	460,513	6,943,324	11,660,167	293,184	355,748	19,712,936
Valuation premiums	289,172	-	-	-	-	289,172
Premium received, net of reinsurance	-	1,161,642	1,727,157	(34,204)	-	2,854,595
Fees deducted from account balances of investment-linked contracts	-	-	(154,809)	-	-	(154,809)
Liabilities released for payments on death, surrender and other terminations	(209,296)	(499,040)	(1,064,903)	(15,122)	(1,224,451)	(3,012,812)
Claims incurred during the year	-	-	-	88,108	1,381,753	1,469,861
Accretion of interest	4,754	-	-	9,846	-	14,600
Other movements	-	-	-	16,061	-	16,061
New business	85,846	-	-	5,694	-	91,540
Change in valuation basis	(73,281)	-	-	(68,523)	-	(141,804)
Investment income	-	351,948	-	-	-	351,948
Expenses: Operating	-	-	-	-	-	-
- Commission and agency expenses	-	(136,462)	-	-	-	(136,462)
- Management expenses	-	(122,840)	-	-	-	(122,840)
Other income	-	90,947	-	-	-	90,947
Movement in tax	-	(33,221)	-	-	-	(33,221)
Changes in unit prices	-	-	296,545	-	-	296,545
Policyholder's liability	47,705	-	-	-	-	47,705
Transfer to shareholder's fund	-	(27,381)	-	-	-	(27,381)
<b>At 31 December 2015</b>	<b>605,413</b>	<b>7,728,917</b>	<b>12,464,157</b>	<b>295,044</b>	<b>513,050</b>	<b>21,606,581</b>



## 11. Deferred taxation

	Note	2015 RM'000	2014 RM'000
<b>At 1 January</b>		434,124	488,935
Recognised in profit or loss	23	<u>56,154</u>	<u>(54,811)</u>
<b>At 31 December</b>		<u><u>490,278</u></u>	<u><u>434,124</u></u>

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.

Movement in recognised temporary differences during the year presented after appropriate offsetting:

	At 1.1.2014 RM'000	Recognised in profit or loss (Note 23) RM'000	At 31.12.2014/ 1.1.2015 RM'000	Recognised in profit or loss (Note 23) RM'000	At 31.12.2015 RM'000
Property and equipment capital allowances	654	308	962	(486)	476
Fair value gains and losses	228,252	(55,050)	173,202	(1,506)	171,696
Unallocated surplus	260,029	(69)	259,960	58,146	318,106
Net tax liabilities	<u>488,935</u>	<u>(54,811)</u>	<u>434,124</u>	<u>56,154</u>	<u>490,278</u>

## 12. Provisions

	Note	2015 RM'000	2014 RM'000
<b>At 1 January</b>		177,197	148,234
Provision for the year		<u>48,682</u>	<u>49,665</u>
		225,879	197,899
Utilised during the year		<u>(19,314)</u>	<u>(20,702)</u>
<b>At 31 December</b>		<u><u>206,565</u></u>	<u><u>177,197</u></u>
Payable after 12 months	30	<u><u>193,274</u></u>	<u><u>165,609</u></u>

Provisions consist of Retirement Gratuity Benefits payable to eligible life field agents upon retirement.

**13. Insurance payables**

	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Due to agents and intermediaries	128,925	129,715
Advance premiums and premium deposits	233,605	187,757
	<u>362,530</u>	<u>317,472</u>

**14. Other payables**

	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Other payables and accrued liabilities	277,651	201,319
Amounts due to related companies	27,071	43,260
	<u>304,722</u>	<u>244,579</u>

The amounts due to related companies are unsecured, interest free and repayable on demand.

**15. Operating revenue**

	<b>Note</b>	<b>2015</b>	<b>2014</b>
		<b>RM'000</b>	<b>RM'000</b>
Gross earned premiums	16	5,822,620	5,482,873
Investment income	17	906,628	813,789
		<u>6,729,248</u>	<u>6,296,662</u>

**16. Net premiums**

	<b>Note</b>	<b>2015</b>	<b>2014</b>
		<b>RM'000</b>	<b>RM'000</b>
<b>(a) Gross earned premiums</b>			
Insurance contracts:			
Life		5,794,207	5,445,721
General	10(b)(i)	28,413	37,152
		<u>5,822,620</u>	<u>5,482,873</u>
Change in unearned premiums provision		4,475	(5)
		<u>5,827,095</u>	<u>5,482,868</u>
<b>(b) Premiums ceded to reinsurers</b>			
Insurance contracts:			
Life		(86,423)	(72,506)
General	10(b)(ii)	(3,001)	(3,692)
		<u>(89,424)</u>	<u>(76,198)</u>
Change in unearned premiums provision		(179)	(44)
		<u>(89,603)</u>	<u>(76,242)</u>
<b>Net earned premiums</b>		<u>5,737,492</u>	<u>5,406,626</u>

**17. Investment income**

	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Rental income	7,143	3,018
Financial assets at FVTPL - held for trading		
Interest income		
- Malaysian government securities	32,171	30,484
- Cagamas bonds	11,745	13,175
- Unquoted debentures, bonds and loan stocks of corporations	415,601	361,408
Dividend income		
- Equity securities quoted in Malaysia	300,692	288,530
- Equity securities unquoted in Malaysia	229	316
Financial assets at LAR		
Interest income		
- Fixed deposits	95,633	81,525
- Policy loans	34,283	33,696
- Mortgage loans	58	92
- Other loans	29	31
- Others	9,044	1,514
	<u>906,628</u>	<u>813,789</u>

**18. Realised gains and losses**

	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Property and equipment</b>		
Realised gains	168	694
<b>FVTPL financial assets - held for trading</b>		
Realised gains:		
Equity securities		
- quoted in Malaysia	77,592	310,321
Debt securities		
- unquoted in Malaysia	3,957	20,969
Other securities		
- collective investment scheme	2,413	29,028
- investment in structured products	3,598	21
	<u>87,560</u>	<u>360,339</u>

**18. Realised gains and losses (continued)****FVTPL financial assets - held for trading (continued)**

	<b>2015</b> <b>RM'000</b>	<b>2014</b> <b>RM'000</b>
Realised losses:		
Equity securities		
- quoted in Malaysia	(59,266)	(88,315)
Debt securities		
- unquoted in Malaysia	(6,154)	(2,313)
Other securities		
- collective investment scheme	-	(320)
- investment in structured products	(17)	(50)
	<u>(65,437)</u>	<u>(90,998)</u>
Total net realised gains from FVTPL financial assets	<u>22,123</u>	<u>269,341</u>
	<u>22,291</u>	<u>270,035</u>

**19. Fair value gains and losses**

	<b>2015</b> <b>RM'000</b>	<b>2014</b> <b>RM'000</b>
Financial assets - held for trading	<u>(40,144)</u>	<u>(662,962)</u>

**20. Fee and commission income**

	<b>2015</b> <b>RM'000</b>	<b>2014</b> <b>RM'000</b>
Policyholder administration and investment management services	<u>264,142</u>	<u>247,252</u>

**21. Net benefits and claims**

	<b>Note</b>	<b>2015</b> <b>RM'000</b>	<b>2014</b> <b>RM'000</b>
<b>(a) Gross benefits and claims paid</b>			
Insurance contracts:			
Life		(2,702,014)	(2,453,483)
General	10(b)(i)	<u>(17,205)</u>	<u>(19,045)</u>
		<u>(2,719,219)</u>	<u>(2,472,528)</u>
<b>(b) Claims ceded to reinsurers</b>			
Insurance contracts:			
Life		22,303	13,116
General	10(b)(i)	<u>1,144</u>	<u>1,207</u>
		<u>23,447</u>	<u>14,323</u>

**21. Net benefits and claims (continued)**

	Note	2015 RM'000	2014 RM'000
<b>(c) Gross change in contract liabilities</b>			
Insurance contracts:			
Life		(1,733,681)	(1,592,473)
General		(2,069)	(10,903)
		<u>(1,735,750)</u>	<u>(1,603,376)</u>
<b>(d) Change in contract liabilities ceded to reinsurers</b>			
Insurance contracts:			
Life		(2,662)	13,101
General		(612)	(93)
		<u>(3,274)</u>	<u>13,008</u>

**22. Management expenses**

	Note	2015 RM'000	2014 RM'000
Employee benefits expense	22(a)	273,519	192,152
Directors' remuneration	22(b)	822	412
Auditors' remuneration:			
Statutory audit			
- current year		975	888
Bad debts written off		9	34
Rental of premises		28,906	23,832
Retirement benefits		3,720	3,254
Property and equipment written off		227	89
Outsourcing fees (#)		36,318	26,052
Other expenses		<u>223,267</u>	<u>198,877</u>
		<u>567,763</u>	<u>445,590</u>

# - This amount is in relation to fees for outsourcing services provided by a related company.

	2015 RM'000	2014 RM'000
<b>(a) Employee benefits expense</b>		
Wages and salaries	219,782	160,463
Social security contributions	920	858
Contributions to defined contribution plan, EPF	25,449	17,867
Other benefits	<u>27,368</u>	<u>12,964</u>
	<u>273,519</u>	<u>192,152</u>

## 22. Management expenses (continued)

### (b) Directors' remuneration

The total remuneration (including benefits-in-kind) of the Chief Executive Officer and Directors are as follows:

	2015 RM'000	2014 RM'000
Chief Executive Officer/Executive Director:		
- Philip Seah Cheng Chua		
Salaries and other emoluments	1,494	1,546
Bonus	563	569
Long Term Incentive Plan Dividend	59	43
Contributions to defined contribution plan, EPF	192	208
Estimated money value of benefits-in-kind	206	366
	<u>2,514</u>	<u>2,732</u>
- Gan Leong Hin		
Salaries and other emoluments	317	-
Bonus	-	-
Long Term Incentive Plan Dividend	-	-
Contributions to defined contribution plan, EPF	43	-
Estimated money value of benefits-in-kind	39	-
	<u>399</u>	<u>-</u>
Non-Executive Directors:		
- Ho Yik	148	77
- Abdul Khalil bin Abdul Hamid	156	85
- Dato' Dr Gan Khuan Poh @ Gan Miew Chee	166	96
- Chan Wan Siew	148	77
- Richard Patrick George Duxbury	148	77
- Kevin Lee Holmgren	56	-
	<u>822</u>	<u>412</u>
	<u>3,735</u>	<u>3,144</u>

Non-Executive Directors only received director's fees as remuneration.

## 23. Taxation

	Note	2015 RM'000	2014 RM'000
Current income tax:			
Malaysian income tax		126,056	143,112
Under/(Over) provision in prior years		<u>2,181</u>	<u>(4,083)</u>
		<u>128,237</u>	<u>139,029</u>
Deferred tax:			
Relating to origination and reversal of temporary differences			
Current year		(1,992)	(54,742)
Unallocated surplus		<u>58,146</u>	<u>(69)</u>
	11	<u>56,154</u>	<u>(54,811)</u>
		<u>184,391</u>	<u>84,218</u>

The income tax for the Shareholder's and General funds are calculated based on the tax rate of 25% (2014: 25%) of the estimated assessable profit for the financial year. The income tax for the Life fund is calculated based on tax rate of 8% (2014: 8%) of the estimated assessable surplus for the financial year. The taxes of the respective funds are disclosed in Note 32 – Insurance funds.

The income tax rates for the Shareholder's and General funds will remain at 25% for the year of assessment 2015 and 24% for the subsequent years of assessment. Consequently, deferred tax assets and liabilities are measured using these rates.

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

	2015 RM'000	2014 RM'000
Profit before taxation	<u>772,666</u>	<u>497,666</u>
Taxation at Malaysian statutory tax rate of 25% (2014: 25%)	193,167	124,417
Taxation rate differential of 17% in respect of Life Fund	(17,559)	(1,305)
Income not subject to tax	(479,918)	(474,557)
Non deductible expenses	486,520	439,746
Under/(Over) provision in prior years	<u>2,181</u>	<u>(4,083)</u>
Tax expense for the year	<u>184,391</u>	<u>84,218</u>

## 24. Earnings per share

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

	2015	2014
Profit attributable to ordinary equity holders (RM'000)	588,275	413,448
Weighted average number of shares in issue ('000)	100,000	100,000
Basic earnings per share (sen)	<u>588.28</u>	<u>413.45</u>

Diluted earnings per share are not presented as there were no dilutive potential ordinary shares as at the reporting date.

There have been no other transactions involving ordinary shares between the reporting date and the date of completion of these financial statements.

## 25. Dividends

Dividends recognised by the Company:

	Sen per share	Total amount RM'000	Date of Payment
<b>2015</b>			
Final 2014 single tier	133.0	<u>133,000</u>	19 June 2015
<b>2014</b>			
Final 2013 single tier	213.0	213,000	28 May 2014
Interim 2014 single tier	223.0	<u>223,000</u>	29 October 2014
Total amount		<u>436,000</u>	

## 26. Capital commitments

	2015 RM'000	2014 RM'000
Capital expenditure		
Approved and contracted for:		
Property and equipment	<u>5,752</u>	<u>2,168</u>

## 27. Related party disclosures

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

	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Transactions:</b>		
Outsourcing fees and other charges		
- Prudential Services Asia Sdn Bhd	36,593	26,418
Recharge expenses		
- Prudential Holdings Limited	19,344	18,744
Recharge income		
- Prudential BSN Takaful Berhad	(63,598)	(41,838)
Management fees		
- Eastspring Investments Berhad	<u>50,407</u>	<u>47,815</u>
<b>Balances:</b>		
Amount due to related companies:		
- Prudential Services Asia Sdn Bhd	(2,267)	(2,060)
- Prudential Holdings Limited	(9,632)	(25,465)
- Eastspring Investments Berhad	(10,404)	(13,515)
- Pru Life Insurance Corporation of UK	(169)	(262)
- Prudential Plc	(226)	(25)
- Eastspring Investments (Singapore) Limited	(29)	-
- Prudential Services Singapore Pte Ltd	(53)	-
Amount due from related companies:		
- Prudential BSN Takaful Berhad	28,594	9,643
- CITIC-Prudential Life Insurance Co Ltd	<u>-</u>	<u>174</u>

- (b) Compensation of key management personnel

Members of key management comprise those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Company.

## 27. Related party disclosures (continued)

### (b) Compensation of key management personnel (continued)

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

	<b>Note</b>	<b>2015 RM'000</b>	<b>2014 RM'000</b>
Short-term employee benefits		21,421	17,982
Contributions to defined contribution plan, EPF		1,349	943
		22,770	18,925
Included in the total key management personnel are:			
Directors' remuneration	22(b)	3,735	3,144

## 28. Risk management framework

The Board of Directors assumes the overall responsibility for the Company's financial risk management. In order to fulfil this responsibility, the Board approves the overall framework for managing the risks faced by the Company. The Risk Management Committee is responsible for risk management strategies, policies and risk tolerance limits and meets every quarter to consider reports on key risks identified and the management of such risks.

Detailed policies and procedures exist at the Company and the items of particular relevance to financial risk management include:

- i) Actuarial Procedures Manuals: Policies for all aspects of actuarial management including for regulatory reporting and asset-liability management.
- ii) Financial Procedures Manuals: Financial control policies including for financial reporting, capital commitments and business planning.
- iii) Investment Guidelines: Investment management policies including the setting out of mandates between the Company and its fund managers.

## **28. Risk management framework (continued)**

### **Capital management framework**

The Company's capital management policy is to maintain a strong capital base to meet policyholders' obligation and regulatory requirement, to create shareholder value, deliver sustainable returns to shareholders and to support future business growth.

The RBC Framework for the insurance industry came into effect on 1 January 2009. Under the RBC Framework, the insurer is responsible for setting an individual target capital level and maintaining the capital adequacy level above the target. The Company considers the business direction, the changing business environment and risk profile in setting the individual target capital level. The individual target capital level is higher than the minimum capital requirement of 130% under the RBC Framework regulated by BNM.

In addition to satisfying the RBC Framework, the Company is also subject to Prudential Group's economic capital framework. Stress tests are conducted on the statement of financial position of the Company to ensure that the Company will have adequate economic capital to qualify for its targeted minimum financial strength rating in a comprehensive array of scenarios.

There were no changes in the Company's approach to capital management during the year.

### **Governance and regulatory framework**

The Company is required to comply with the requirements of the Financial Services Act, relevant laws and guidelines from BNM, LIAM and Persatuan Insurans Am Malaysia ("PIAM").

The Company is also required to comply with the Prudential Group's Corporate Governance Manual Framework. If there is any conflict with the local laws or regulations, the stricter will apply.

## **29. Insurance risk**

### **(i) Life insurance contracts**

The risk under any insurance contract is the uncertainty as to when the insured event occurs and the severity of the claim.

Insurance risk to the Company includes mortality, morbidity, expenses, lapse and surrenders. Concentrations of insurance risk may arise from events such as catastrophe which could impact heavily on the Company's liabilities. Such concentrations may arise from a single insurance contract or through a group of related contracts, and relate to circumstances where significant liabilities could arise.

## 29. Insurance risk (continued)

### (i) Life insurance contracts (continued)

For life insurance participating contracts, the participating nature of these contracts results in a significant portion of the insurance risk being shared with the policyholder.

For life insurance non-participating contracts, the risk arises from the Company's obligation to pay guaranteed policy benefits even when investment returns are poor, or when claim experience is worse than expected.

For investment-linked contracts, the investment risks are borne by policyholder while charges to cover the cost of insurance are usually fully reviewable to allow for any deterioration in experience.

The Company has in place policies, guidelines and limits in managing the insurance risk which include monitoring of actual experience, or using reinsurance to diversify risk and limit net losses potential. The Company has catastrophe reinsurance to limit the catastrophic losses.

The concentration of risk for each type of insurance contract is reflected by the insurance contract liabilities as disclosed in Note 10(a).

Stress test is performed half-yearly while dynamic solvency test is performed annually to assess the Company's solvency under various scenarios. Through this exercise, the Company can make an informed decision on future business growth and risk management.

### Key assumptions

The determination of insurance contract liabilities is dependent on the assumptions made by the management of the Company. These estimates are reviewed and adjusted (if necessary) each year in order to establish contract liabilities which reflect best estimate assumptions and Provision of Risk Margin for Adverse Deviation (PRAD).

Information on key assumptions to which the estimation of liabilities is sensitive is provided below.

### Mortality

Mortality refers to the rates at which death occurs for a defined group of people. Insurance mortality assumptions are generally based on five-year averages of Company's own experience as well as industry past and emerging experience.

## **29. Insurance risk (continued)**

### **(i) Life insurance contracts (continued)**

#### **Morbidity**

Morbidity refers to both the rates of accidents or sickness and the rates of recovery therefrom. Generally, the assumptions are based on reinsurer's morbidity rates, adjusted to reflect Company's own experience.

#### **Persistency**

Insurance contracts are terminated through lapses and surrenders, where lapses represent termination of policies due to non-payment of premiums and surrender represent voluntary termination of policies by policyholder. Generally, persistency assumptions are based on five-year averages of the Company's own experience, with allowance for any trend after taking into account policyholders' behaviour. The assumption varies by product type and policy duration.

#### **Discount rate**

Generally, the time value of money is considered by discounting the insurance contract liabilities using risk free rate. The RBC Framework requires all insurers to use Malaysian government securities yield as the risk free rate.

#### **Expenses**

Insurance contract liabilities provide for future policy-related expenses which includes cost of premium collection, preparation and mailing of policy statements and related direct and indirect expenses and overheads. Expense assumptions are mainly based on the Company's recent experience using an internal expense allocation methodology. Future expense assumptions reflect inflation.

## 29. Insurance risk (continued)

### (i) Life insurance contracts (continued)

#### Sensitivities

The sensitivity analysis below shows the impact on Shareholder's Equity from movements in key assumptions used to value life insurance contract liabilities.

	Change in assumptions	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity net of tax RM'000
<b>2015</b>				
<b>(Dr)/Cr</b>				
Risk-free discount rate	+1%	(110,717)	112,342	84,257
Mortality/Morbidity	+10%	222,063	(195,255)	(146,441)
Expenses	+10%	38,783	(28,315)	(21,236)
Lapse and surrender rates	+10%	15,631	(30,475)	(22,856)
<b>2014</b>				
<b>(Dr)/Cr</b>				
Risk-free discount rate	+1%	(65,613)	67,751	50,813
Mortality/Morbidity	+10%	212,046	(181,965)	(136,474)
Expenses	+10%	34,558	(24,148)	(18,111)
Lapse and surrender rates	+10%	7,721	(25,518)	(19,139)

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

### (ii) General insurance contracts

#### Insurance risk

The principal risk the Company faces under its general insurance contracts arises from the risk that actual claims and benefit payments differ from expectations, due to fluctuations in timings, frequencies and severities of claims.

The Company is also exposed to external risks, such as risks arising from climate changes, natural disasters, terrorism activities, operational risks within its business units and concentration risks in its portfolio of risks insured. For longer tail claims which take some years to settle, claims amounts will also be subject to inflationary risks.

## **29. Insurance risk (continued)**

### **(ii) General insurance contracts (continued)**

#### **Insurance risk (continued)**

To address the risks identified above, the Company has adopted the following measures to manage its risks:

- Application of underwriting procedures which aim to accept risks consistent with guidelines and capacity, to ensure underwriting profitability.
- Claims management controls which aim to ensure valid claims are properly paid. Inflation risk is mitigated by taking expected inflation into account when estimating claims liabilities and when conducting the annual review of outstanding claims.
- Purchase of Excess of Loss reinsurance with the purpose of reducing concentration risks, increasing the Company's ability to write more diversified portfolios of risks by limiting its maximum losses.
- Inclusion of an appropriate adjustment of the outstanding claims liabilities to allow for expected IBNR claims.

#### **Key assumptions**

The key assumption used in the underlying liability estimates is that the Company's future claims development will be in line with past claims experience. Additionally, consideration will be given to the latest information available in establishing the case estimates.

IBNR claims are calculated based on internal statistics for all general insurance business lines rather than industry averages to reflect the higher relevancy of the Company's own past experience. The UPR is calculated by assuming that the premium liability is proportional to the outstanding policy term and risk margin is factored in the IBNR.

Overall, the Company's general insurance business is relatively small with a net premium income of RM30 million and net outstanding claims provision of RM63 million as at end of 2015. Therefore, any mis-estimation of liability is not likely to have any meaningful impact on the Company's capital adequacy level.

### 30. Financial risks

#### Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer, an intermediary or counterparty to settle its financial or contractual obligations to the Company as and when they fall due.

The Company's exposure to credit risk arises mainly from investment in corporate debt securities as well as deposits placed with licensed financial institutions in Malaysia. To manage this, the Company regularly evaluates minimum credit ratings of financial instruments issued and the strict adherence to the credit exposure guidelines for fixed income securities and deposits.

There is no significant concentration of credit risk as at end of the reporting date.

#### Credit exposure

The table below shows the maximum exposure to credit risk for the components on the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements.

	Note	Insurance and shareholder's funds RM'000	Investment -linked funds RM'000	Total RM'000
<b>2015</b>				
LAR	4(a)			
Fixed and call deposits		2,035,880	521,844	2,557,724
Policy loans		549,882	-	549,882
Mortgage loans		898	-	898
Unsecured loans		26,955	-	26,955
Financial investments at FVTPL	4(b)			
Malaysian government securities		660,992	80,838	741,830
Debt securities		6,737,742	2,512,163	9,249,905
Investment in structured products		1,385	8,346	9,731
Reinsurance assets	5	13,136	-	13,136
Insurance receivables	6	40,765	-	40,765
Other receivables	7	271,354	78,759	350,113
Cash and bank balances		22,097	673	22,770
		<u>10,361,086</u>	<u>3,202,623</u>	<u>13,563,709</u>

### 30. Financial risks (continued)

#### Credit risk (continued)

#### Credit exposure (continued)

	Note	Insurance and shareholder's funds RM'000	Investment -linked funds RM'000	Total RM'000
<b>2014</b>				
LAR	4(a)			
Fixed and call deposits		1,580,990	436,405	2,017,395
Policy loans		532,744	-	532,744
Mortgage loans		1,332	-	1,332
Unsecured loans		19,414	-	19,414
Financial investments at FVTPL	4(b)			
Malaysian government securities		683,920	66,833	750,753
Debt securities		5,904,048	2,332,654	8,236,702
Investment in structured products		1,377	100,463	101,840
Reinsurance assets	5	16,589	-	16,589
Insurance receivables	6	45,014	-	45,014
Other receivables	7	194,602	48,170	242,772
Cash and bank balances		33,585	677	34,262
		<u>9,013,615</u>	<u>2,985,202</u>	<u>11,998,817</u>

#### Credit exposure by credit rating

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

	Investment grade*(BB B to AAA) RM'000	Not rated RM'000	Investment -linked funds RM'000	Total RM'000
<b>2015</b>				
LAR				
Fixed and call deposits	1,890,120	145,760	521,844	2,557,724
Policy loans	-	549,882	-	549,882
Mortgage loans	-	898	-	898
Unsecured loans	-	26,955	-	26,955
Financial investments at FVTPL				
Malaysian government securities	660,992	-	80,838	741,830
Debt securities	6,737,742	-	2,512,163	9,249,905
Investment in structured products	211	1,174	8,346	9,731
Reinsurance assets	13,136	-	-	13,136
Insurance receivables	-	40,765	-	40,765
Other receivables	90,373	180,981	78,759	350,113
Cash and bank balances	21,874	223	673	22,770
	<u>9,414,448</u>	<u>946,638</u>	<u>3,202,623</u>	<u>13,563,709</u>

### 30. Financial risks (continued)

#### Credit risk (continued)

#### Credit exposure by credit rating (continued)

	Investment grade*(BBB to AAA) RM'000	Not rated RM'000	Investment -linked funds RM'000	Total RM'000
<b>2014</b>				
LAR				
Fixed and call deposits	1,271,280	309,710	436,405	2,017,395
Policy loans	-	532,744	-	532,744
Mortgage loans	-	1,332	-	1,332
Unsecured loans	-	19,414	-	19,414
Financial investments at FVTPL				
Malaysian government securities	683,920	-	66,833	750,753
Debt securities	5,904,048	-	2,332,654	8,236,702
Investment in structured products	1,377	-	100,463	101,840
Reinsurance assets	16,589	-	-	16,589
Insurance receivables	-	45,014	-	45,014
Other receivables	102,772	91,830	48,170	242,772
Cash and bank balances	33,737	(152)	677	34,262
	<u>8,013,723</u>	<u>999,892</u>	<u>2,985,202</u>	<u>11,998,817</u>

\* Based on public ratings assigned by external rating agencies including RAM Holdings (RAM), Malaysian Rating Corporation Berhad (MARC) and other equivalent rating agencies.

The ageing of receivables as at the end of the reporting period was:

	Gross RM'000	Individual impairment RM'000	Collective impairment RM'000	Net RM'000
<b>2015</b>				
Not past due	390,878	-	-	390,878
Past due 0 - 3 months	-	-	-	-
Past due 4 - 6 months	-	-	-	-
Past due 7 - 12 months	-	-	-	-
Past due more than 12 months	828	(828)	-	-
	<u>391,706</u>	<u>(828)</u>	<u>-</u>	<u>390,878</u>
<b>2014</b>				
Not past due	287,780	-	-	287,780
Past due 0 - 3 months	-	-	-	-
Past due 4 - 6 months	-	-	-	-
Past due 7 - 12 months	-	-	-	-
Past due more than 12 months	834	(828)	-	6
	<u>288,614</u>	<u>(828)</u>	<u>-</u>	<u>287,786</u>

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### 30. Financial risks (continued)

#### Liquidity risk

Liquidity risk is the risk that the Company may be unable to generate sufficient cash reserves to meet payment of its obligation in a timely manner at a reasonable cost or the risk of unexpected increases in the cost of funding the portfolio at appropriate maturities or rates. Liquidity management seeks to ensure that even under adverse conditions, the Company has access to the funds necessary to cover surrender, withdrawals, claims and maturing liabilities.

#### Maturity profiles

The table below summarises the maturity profile of the Company's financial liabilities based on remaining undiscounted contractual obligations, including interest payable.

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

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

2015	Carrying value RM'000	Under 1 year RM'000	1 - 5 years RM'000	More than 5 years RM'000	No maturity date RM'000	Total RM'000
Insurance contract liabilities:						
Par	7,728,917	200,384	686,022	4,454,364	2,388,147	7,728,917
Non-par	605,413	148	188,652	(52,029)	468,642	605,413
Investment-linked:						
Non-unit	295,044	-	-	-	295,044	295,044
Unit	12,464,157	-	-	-	12,464,157	12,464,157
Provision for outstanding claims:						
Life insurance	513,050	513,050	-	-	-	513,050
General insurance	64,609	64,609	-	-	-	64,609
Provisions	206,565	6,494	50,890	142,384	6,797	206,565
Insurance payables	362,530	362,530	-	-	-	362,530
Other payables	304,722	304,722	-	-	-	304,722
Total liabilities	22,545,007	1,451,937	925,564	4,544,719	15,622,787	22,545,007

**30. Financial risks (continued)****Liquidity risk (continued)****Maturity profiles (continued)**

<b>2014</b>	<b>Carrying value RM'000</b>	<b>Under 1 year RM'000</b>	<b>1 - 5 years RM'000</b>	<b>More than 5 years RM'000</b>	<b>No maturity date RM'000</b>	<b>Total RM'000</b>
Insurance contract liabilities:						
Par	6,943,324	165,302	668,831	3,794,414	2,314,777	6,943,324
Non-par	460,513	238	125,172	(57,367)	392,470	460,513
Investment-linked:						
Non-unit	293,184	-	-	-	293,184	293,184
Unit	11,660,167	-	-	-	11,660,167	11,660,167
Provision for outstanding claims:						
Life insurance	355,748	355,748	-	-	-	355,748
General insurance	62,540	62,540	-	-	-	62,540
Provisions	177,197	5,332	45,538	120,071	6,256	177,197
Insurance payables	317,472	317,472	-	-	-	317,472
Other payables	244,579	244,579	-	-	-	244,579
<b>Total liabilities</b>	<b>20,514,724</b>	<b>1,151,211</b>	<b>839,541</b>	<b>3,857,118</b>	<b>14,666,854</b>	<b>20,514,724</b>

### 30. Financial risks (continued)

#### Market risk

Market risk is the risk of an unexpected change in fair value of a financial instrument due to adverse movement in prices, interest rate, or foreign currency exchange rates.

Price risk is the risk that the market values of financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the financial instrument or its issuer or factors affecting similar financial instruments traded in the market.

Interest rate risk is the risk that the value of future cash flow of a financial instrument will fluctuate due to impact of changes in market interest rates on interest income from cash and bank balances and other fixed income instruments.

In managing this risk, the Company monitors interest rate movements and other economic indicators and takes appropriate measures to ensure that the investment objectives can continue to be met. In addition, this risk is mitigated as the Company holds a diversified portfolio of securities.

The Company faces foreign currency risk, primarily because some of its investments in equity, debt securities and collective investment schemes are held in currencies other than Malaysia Ringgit to improve the diversification of its portfolio.

Such foreign investments are limited to 10% with no country limit, subject to foreign investments being in jurisdiction with sovereign ratings at least equivalent to that of Malaysia.

The sensitivity analysis on price risk, as below is analysed based on the assumption that all other variables remain constant and the Company's equity investments moved in correlation with FTSE Bursa Malaysia KLCI (FBMKLCI).

	Change in market price		Impact on profit or loss		Impact on insurance contract liabilities	
	2015	2014	2015	2014	2015	2014
			RM'000	RM'000	RM'000	RM'000
FBMKLCI	+/-10%	+/-10%	+/-17,822	+/-15,503	+/-1,021,117	+/-936,962

### 30. Financial risks (continued)

#### Market risk (continued)

The sensitivity analysis on interest rate risk, as below is analysed based on the assumption that all other variables remain constant and the Company's debt securities fair value moved in correlation with the prevailing market profit rates:

	Change in interest rate		Impact on profit or loss		Impact on insurance contract liabilities	
	2015	2014	2015	2014	2015	2014
			RM'000	RM'000	RM'000	RM'000
Interest rate	+25bp	+25bp	(22,754)	(20,878)	(156,809)	(136,667)
Interest rate	<u>-25bp</u>	<u>-25bp</u>	<u>23,339</u>	<u>21,446</u>	<u>161,159</u>	<u>140,531</u>

The Company faces foreign currency risk, primarily because some of its investments in equity, debt securities and collective investment schemes are held in currencies other than Malaysia Ringgit to improve the diversification of its portfolio. Below is the sensitivity analysis on foreign currency risk which the Company has exposed to:

Denominated in	Change in variables		Impact on profit or loss		Impact on insurance contract liabilities	
	2015	2014	2015	2014	2015	2014
			RM'000	RM'000	RM'000	RM'000
USD	+/-5%	+/-5%	-	-	+/-33,219	+/-27,998
EURO	<u>+/-5%</u>	<u>+/-5%</u>	<u>-</u>	<u>-</u>	<u>+/-15,684</u>	<u>+/-12,940</u>

#### Operational risk

Operational risk relates to the risk of potential loss from a breakdown in internal processes, systems, deficiencies in people and management or operational failure arising from external events. The Company mitigates operational risk by establishing appropriate policies, internal control and procedures and contingency planning.

#### Fair value information

The carrying amount of fixed and call deposits with financial institutions, policy loans, mortgage loans, unsecured loans, cash and bank balances, short-term receivables and short-term payables reasonably approximate their fair value due to relatively short-term nature of these financial instruments.

The table below analyses financial instruments carried at fair value, by valuation hierarchy. There is no financial instrument not carried at fair value for which fair value is disclosed during the financial year.

**30. Financial risks (continued)****Fair value information (continued)**

	Financial instruments carried at fair value				Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	
<b>2015</b>					
<b>Financial assets</b>					
Malaysian government securities	-	741,830	-	741,830	741,830
Debt securities	-	9,249,905	-	9,249,905	9,249,905
Equity securities	9,610,126	-	5,296	9,615,422	9,615,422
Unit and property trust funds	426,195	-	-	426,195	426,195
Foreign managed funds	-	1,063,107	-	1,063,107	1,063,107
Investment in structured products	1,385	8,346	-	9,731	9,731
	10,037,706	11,063,188	5,296	21,106,190	21,106,190
<b>2014</b>					
<b>Financial assets</b>					
Malaysian government securities	-	750,753	-	750,753	750,753
Debt securities	-	8,236,702	-	8,236,702	8,236,702
Equity securities	8,912,276	-	5,296	8,917,572	8,917,572
Unit and property trust funds	424,623	-	-	424,623	424,623
Foreign managed funds	-	889,950	-	889,950	889,950
Investment in structured products	1,377	40,293	60,170	101,840	101,840
	9,338,276	9,917,698	65,466	19,321,440	19,321,440

### 30. Financial risks (continued)

#### Fair value information (continued)

##### **Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities**

Level 1 principally includes exchange listed equities, mutual funds with quoted prices and exchange traded derivatives such as futures and options, unless there is evidence that trading in a given instrument is so infrequent that the market could not possibly be considered active. It also includes other financial instruments (including net assets attributable to unit-holders of consolidated unit trusts and similar funds) where there is clear evidence that the year end valuation is based on a traded price in an active market.

##### **Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices)**

Level 2 principally includes corporate bonds, foreign managed funds, national and non-national government debt securities which are valued using observable inputs, together with over-the-counter derivatives such as forward exchange contracts and non-quoted investment funds valued with observable inputs. It also includes net assets attributable to unit-holders of consolidated unit trusts and similar funds and investment contract liabilities that are valued using observable inputs.

There has been no transfer between Level 1 and 2 fair values during the financial year (2014: no transfer in either directions).

##### **Level 3: Significant inputs for the asset or liability that are not based on observable market data (unobservable inputs)**

Level 3 principally includes investment in private equity funds, investments in property funds which are exposed to bespoke properties or risks, investment which are internally valued or subject to a significant number of unobservable assumptions and certain derivatives which are bespoke or long dated. It also includes debt securities which are rarely traded or traded in only privately negotiated transactions and where it is difficult to assert that these have been based on observable market data. The inherent nature of the vast majority of these assets means that, in normal market conditions, there is unlikely to be significant change in the specific underlying assets classified as Level 3.

### 30. Financial risks (continued)

#### Fair value information (continued)

Financial assets measured at fair value based on Level 3:

	Unquoted equity securities RM'000	Investment in structured products RM'000	Total RM'000
<b>At 1 January 2014</b>	5,296	59,189	64,485
Disposals	-	(1,026)	(1,026)
Fair value gains	-	2,007	2,007
<b>At 31 December 2014/1 January 2015</b>	5,296	60,170	65,466
Maturities	-	(57,889)	(57,889)
Fair value losses	-	(2,281)	(2,281)
<b>At 31 December 2015</b>	5,296	-	5,296

### 31. Regulatory capital requirements

The capital structure of the Company as at 31 December 2015, as prescribed under the RBC Framework is provided below:

	Note	2015 RM'000	2014 RM'000
<b>Eligible Tier 1 Capital</b>			
Share capital (paid-up)	8	100,000	100,000
Reserves, including retained earnings		<u>2,077,443</u>	<u>1,564,020</u>
		<u>2,177,443</u>	<u>1,664,020</u>
<b>Deduction</b>			
Intangible assets and deferred tax assets		<u>428</u>	<u>1,030</u>
<b>Total capital available</b>		<u><u>2,177,015</u></u>	<u><u>1,662,990</u></u>

The Company is in compliance with the RBC Framework.

### 32. Insurance funds

The Company's activities are organised by funds and segregated into the Life, General and Shareholder's funds in accordance with the Financial Services Act, 2013.

The statement of financial position and statement of profit or loss and other comprehensive income have been further analysed by funds and the Shareholders' and General Funds have been presented together as one fund.

The life insurance business offers a wide range of participating and non-participating Whole Life, Term Assurance, Endowment and Annuity products, as well as investment-linked products. The general insurance business offers general insurance products which include Motor, Fire and Personal Accidents products.

**32. Insurance funds (continued)****Statement of financial position by funds as at 31 December 2015**

	Shareholder's and General funds		Life fund		Elimination*		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Assets</b>								
Property and equipment	568	680	184,686	131,124	-	-	185,254	131,804
Investments	556,954	295,648	23,684,695	21,596,677	-	-	24,241,649	21,892,325
Reinsurance assets	2,697	3,488	10,439	13,101	-	-	13,136	16,589
Insurance receivables	-	-	40,765	45,014	-	-	40,765	45,014
Other receivables	381,883	446,291	112,124	136,732	(143,894)	(340,251)	350,113	242,772
Tax recoverable	68,749	36,056	13,414	18,863	-	-	82,163	54,919
Cash and bank balances	2,154	2,649	20,616	31,613	-	-	22,770	34,262
<b>Total assets</b>	<b>1,013,005</b>	<b>784,812</b>	<b>24,066,739</b>	<b>21,973,124</b>	<b>(143,894)</b>	<b>(340,251)</b>	<b>24,935,850</b>	<b>22,417,685</b>
<b>Equity, policyholders' funds and liabilities</b>								
<b>Total equity</b>	<b>852,000</b>	<b>624,180</b>	<b>1,007,335</b>	<b>779,880</b>	<b>-</b>	<b>-</b>	<b>1,859,335</b>	<b>1,404,060</b>
Insurance contract liabilities	78,642	81,048	21,617,020	19,726,037	-	-	21,695,662	19,807,085
Deferred taxation	70	(739)	490,208	434,863	-	-	490,278	434,124
Provisions	72,124	74,629	134,441	102,568	-	-	206,565	177,197
Insurance payables	870	903	361,660	316,569	-	-	362,530	317,472
Tax payable	2,514	862	14,244	32,306	-	-	16,758	33,168
Other payables	6,785	3,929	441,831	580,901	(143,894)	(340,251)	304,722	244,579
<b>Total liabilities</b>	<b>161,005</b>	<b>160,632</b>	<b>23,059,404</b>	<b>21,193,244</b>	<b>(143,894)</b>	<b>(340,251)</b>	<b>23,076,515</b>	<b>21,013,625</b>
<b>Total equity, policyholders' funds and liabilities</b>	<b>1,013,005</b>	<b>784,812</b>	<b>24,066,739</b>	<b>21,973,124</b>	<b>(143,894)</b>	<b>(340,251)</b>	<b>24,935,850</b>	<b>22,417,685</b>

\* Refers to elimination of Interfund balances.

### 32. Insurance funds (continued)

#### Statement of profit or loss and other comprehensive income by funds for the year ended 31 December 2015

	Shareholder's and General funds		Life fund		Total	
	2015	2014	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Operating revenue</b>	47,799	51,493	6,681,449	6,245,169	6,729,248	6,296,662
Gross earned premiums	32,888	37,147	5,794,207	5,445,721	5,827,095	5,482,868
Premiums ceded to reinsurers	(3,180)	(3,736)	(86,423)	(72,506)	(89,603)	(76,242)
<b>Net earned premiums</b>	29,708	33,411	5,707,784	5,373,215	5,737,492	5,406,626
Investment income	19,387	14,340	887,241	799,449	906,628	813,789
Realised gains and losses	(103)	(41)	22,394	270,076	22,291	270,035
Fair value gains and losses	83	(1,211)	(40,227)	(661,751)	(40,144)	(662,962)
Fee and commission income	-	-	264,142	247,252	264,142	247,252
Other operating income	66,613	49,699	6,690	3,062	73,303	52,761
<b>Other revenue</b>	85,980	62,787	1,140,240	658,088	1,226,220	720,875
Gross benefits and claims paid	(17,205)	(19,045)	(2,702,014)	(2,453,483)	(2,719,219)	(2,472,528)
Claims ceded to reinsurers	1,144	1,207	22,303	13,116	23,447	14,323
Gross change in contract liabilities	(2,069)	(10,903)	(1,733,681)	(1,592,473)	(1,735,750)	(1,603,376)
Change in contract liabilities ceded to reinsurers	(612)	(93)	(2,662)	13,101	(3,274)	13,008
<b>Net benefits and claims</b>	(18,742)	(28,834)	(4,416,054)	(4,019,739)	(4,434,796)	(4,048,573)
Fee and commission expense	(4,226)	(5,351)	(1,089,692)	(1,033,369)	(1,093,918)	(1,038,720)
Depreciation of property and equipment	(121)	(108)	(13,146)	(12,974)	(13,267)	(13,082)
Management expenses	(18,092)	(6,760)	(549,671)	(438,830)	(567,763)	(445,590)
Other operating expenses	(59,444)	(43,180)	(21,858)	(40,690)	(81,302)	(83,870)
<b>Other expenses</b>	(81,883)	(55,399)	(1,674,367)	(1,525,863)	(1,756,250)	(1,581,262)

**32. Insurance funds (continued)****Statement of profit or loss and other comprehensive income by funds  
for the year ended 31 December 2015 (continued)**

	Shareholder's and General funds		Life fund		Total	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Profit before transfer	15,063	11,965	757,603	485,701	772,666	497,666
Transfer from revenue accounts	426,858	478,227	(426,858)	(478,227)	-	-
<b>Profit before taxation</b>	441,921	490,192	330,745	7,474	772,666	497,666
Taxation	(81,101)	(76,538)	(103,290)	(7,680)	(184,391)	(84,218)
<b>Net profit/Total comprehensive income for the year</b>	360,820	413,654	227,455	(206)	588,275	413,448

**32. Insurance funds (continued)****Investment-linked funds****Statement of financial assets and liabilities as at  
31 December 2015**

	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Assets</b>		
Investments	12,685,957	11,834,477
Other receivables	(51,371)	11,149
Cash and bank balances	673	677
<b>Total assets</b>	<u>12,635,259</u>	<u>11,846,303</u>
<b>Liabilities</b>		
Deferred taxation	138,203	149,444
Tax payable	13,826	23,014
Other payables	19,073	13,678
<b>Total liabilities</b>	<u>171,102</u>	<u>186,136</u>
<b>Net asset value of funds</b>	<u>12,464,157</u>	<u>11,660,167</u>

**Statement of income and expenditure for the year ended  
31 December 2015**

	<b>2015</b>	<b>2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Investment income	419,357	395,564
Realised gains and losses	26,462	157,608
Fair value gains and losses	(137,204)	(548,811)
Fee and commission income	47,181	43,482
Other operating income	3,377	427
	<u>359,173</u>	<u>48,270</u>
Gross change in contract liabilities	(141,737)	132,198
Fee and commission expense	(213,231)	(199,989)
Other operating expenses	68	(5)
<b>Profit before taxation</b>	<u>4,273</u>	<u>(19,526)</u>
Taxation	(4,273)	19,526
<b>Net profit/Total comprehensive income for the year</b>	<u>-</u>	<u>-</u>

**32. Insurance funds (continued)****Information on cash flows by funds as at 31 December 2015**

	Shareholder's and General funds		Life fund		Total	
	2015	2014	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Cash flows from/(used in):</b>						
Operating activities	132,515	435,905	55,769	26,127	188,284	462,032
Investing activities	(10)	(270)	(66,766)	(25,043)	(66,776)	(25,313)
Financing activities	(133,000)	(436,000)	-	-	(133,000)	(436,000)
Net (decrease)/increase in cash and bank balances	(495)	(365)	(10,997)	1,084	(11,492)	719
<b>Cash and bank balances at beginning of year</b>	2,649	3,014	31,613	30,529	34,262	33,543
<b>Cash and bank balances at end of year</b>	2,154	2,649	20,616	31,613	22,770	34,262



**Always Listening. Always Understanding.**

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