QBE

2017 ANNUAL REPORT

QBE INSURANCE (MALAYSIA) BERHAD (161086-D)

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QBE Insurance (Malaysia) Berhad Annual report 2017
Reg. No.: 161086-D

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Corporate information

Board of directors

Dato' Koh Hong Sun
Master in Strategic & Security Studies
SIMP, DSAP, DIMP, DMPN, JSD, DSM,
PGPP, PSPP, KMN

Bruce Anthony Howe
Master of Economics/Fellow
(Institute of Actuaries of Australia)

Mark Thomas Lingafelter
Bachelor of Art

Dato' Tan Ang Meng
Certified Public Accountant

Arunothayam Rajatnam
Advocate & Solicitor of Singapore Bar
Chartered Insurance Practitioner
(Chartered Insurance Institute of United Kingdom)

Company secretary

Seng Soo Wy
MIA No. 18556

Registered office

No.638, Level 6, Block B1,
Pusat Dagang Setia Jaya
(Leisure Commerce Square),
No. 9, Jalan PJS 8/9,
46150 Petaling Jaya,
Selangor Darul Ehsan,
Malaysia.

Auditors

PricewaterhouseCoopers PLT

Solicitors

Skrine

Main banker

Citibank Berhad

Our Purpose and Vision

Our Purpose

We give people the confidence to achieve their ambitions

Everyone has ambitions and goals – both personal and professional. We give people the confidence to achieve them by helping them manage risks so they can focus on the outcome they desire, not the potential barriers holding them back.

Our Vision

To be the insurer that builds the strongest partnerships with customers

Our customers are defined very broadly. This means there are many different stakeholder groups we are committed to building the strongest partnerships with – they include our major trading partners, brokers, agents, insureds, policyholders, claimants as well as our most important asset, our own people.

Our Values

The key to our success is our people - who we see as our most precious asset and ultimate key differentiator.

Our people are our most precious asset and we believe a strong internal culture will provide the necessary platform for QBE to achieve its vision.

QBE has a set of values that makes us think and act as ONE global company. The six values are known by the acronym ONE QBE. These values drive the day-to-day behaviour of our people – across all of the divisions in which we operate – and are the common thread that make us ONE QBE whenever and wherever we do business in the world.

Our six ONE QBE values are:

- **O**pen Minded
- **N**etworked
- **E**mpowered
- **Q**uality Approach
- **B**usiness Acumen
- **E**xcellent Outcome

ONE QBE, and the six values it represents, makes us think and act as ONE team of people. We make it possible for our people to realise their ability and ultimate potential.

Board of Directors

Dato' Koh Hong Sun

Independent Non-Executive Director

Dato' Koh was appointed as an Independent Non-Executive Director of QBE Malaysia on April 2011. He holds Master Degree in Strategic & Security Studies from Universiti Kebangsaan Malaysia. Dato' Koh had a distinguished career with the Royal Malaysian Police (RMP) for almost 40 years, having joined RMP as a Probationary Inspector in 1971 and retired in October 2010 as the Director of Commercial Crime Investigation Department. During the period as an officer of the RMP, he has held various important command posts including as Commandant of The Police Training Centre in Kuala Lumpur, Assistant Director NCB-Interpol, Officer-in Charge of Brickfields Police District, Federal Traffic Chief, Deputy Chief Police Officer of Johor, Chief Police Officer of Penang and Commissioner of Police as Director of Commercial Crime Investigation Department. Dato' Koh is a Director of Mega First Corporation Berhad and Genting Malaysia Berhad which are both listed on Bursa Malaysia.

Bruce Anthony Howe

Non-Independent Non-Executive Director

Mr. Bruce Howe was appointed as a Non-Executive Director of QBE Malaysia on 20 March 2014, and is a member of the Risk & Capital, Nomination and Remuneration Committees. He joined QBE in May 2013 as Chief Operating Officer, Asia Pacific. Bruce sits on the Boards of all of QBE's Asian operating entities. Bruce has been involved in the insurance industry for more than 30 years. He is a veteran in mergers and acquisitions, operational and process review to unlock business growth potential, and improve profitability for both developed and new businesses. His extensive career has also covered reinsurance, risk management, actuarial management and governance. Prior to joining QBE, Bruce was the Chief Executive Officer for the UK, Europe and the Middle East operations of HSBC Insurance. He has also worked extensively in Asia for more than 16 years as an executive and a consultant in both life and non-life insurance. Bruce stepped down as Director of QBE Malaysia from 1 January 2018.

Mark Thomas Lingafelter

Executive Director

Mr. Lingafelter was appointed as an Executive Director of QBE Malaysia on 18 November 2015 , and is a member of the Nomination Committee. He joined QBE in September 2015 as Managing Director, Asia Pacific. Mark brings with him a wealth experience in product, underwriting and distribution. He also has a proven track record of growing business profitably in Asia and Australia in addition to success in implementing strategic change initiatives. Prior to joining QBE, Mark held various senior positions with Chubb Insurance Company in Australia, Hong Kong and Singapore, having spent more than 30 years with the company. His last role with Chubb was as the Managing Director and CEO for the firm's Australian operation for 10 years. Prior to this, Mark was the CEO of Federal, Hong Kong, and Country Manager for Federal, Singapore – both as part of the Chubb Group. Before taking up the country management roles, Mark was also an Underwriting Manager with Chubb in Asia as well as the United States.

Dato' Tan Ang Meng

Independent Non-Executive Director

Dato' Tan was appointed as an Independent Non-Executive Director of QBE Malaysia on 13 April 2016. He is the Chairman of the Audit Committee and Nomination Committee. He is also a member of the Remuneration Committee and Risk & Capital Committee. He is a Certified Public Accountant and was admitted to the Malaysia Institute of Certified Public Accountants in 1980. Dato' Tan started his career in 1975 with PriceWaterhouseCoopers, Kuala Lumpur in the audit division. He left the firm in 1981 to join UMW. In 1983, he joined Guinness Malaysia Berhad. Following the merger between Guinness Malaysia Berhad and Malayan Breweries (M) Sdn. Bhd., he was transferred to Malayan Breweries Limited in 1991 (which later changed its name to Asia Pacific Breweries Ltd) and served within the Group until January 2001. During that period, he held various senior management positions with his last position as Regional Director based in Singapore with responsibility for the brewery operations in China, Vietnam, Cambodia and Myanmar. In March 2001, he joined as Chief Executive Officer of Fraser & Neave Holdings Bhd, a position he held until his retirement in November 2010. Dato' Tan is also a Director of Mega First Corporation Berhad and Red Sena Berhad, which all are listed on Bursa Malaysia.

Arunothayam Rajaratnam

Independent Non-Executive Director

Ms. Arunothayam Rajaratnam (Aruno), a former Lawyer and a Chartered Insurance Practitioner has held diverse roles in the industry including being a Principle Officer, Underwriter, Broker, Reinsurer, Legal Counsel, Claims Manager and Loss Adjuster. She was awarded the "Personality Of The Year" at the 19th Asia Insurance Industry Awards (2015) in recognition of her 40 years of experience in the Asian insurance industry. In 2014, Aruno was the 1st Asian and only the 2nd woman to be awarded the prestigious PLUS 1 Award at the PLUS International Conference in Las Vegas, USA. She placed the 1st Directors & Officers Policy in Asia in 1986 and co-authored the mandatory textbook for the Certificate of General Insurance in Singapore in 1990. Aruno was the pioneer who developed and managed the First Compulsory Professional Indemnity Insurance Scheme for Lawyers in Singapore. She continues to conduct lectures for the Insurance industry and organises several workshops in Asia for PLUS and for Bima Gyaan platform in India.

Central office managers

Christopher Paul Kurinsky MBA, Bachelor of Science in Finance

Chief Executive Officer

Christopher Paul Kurinsky was appointed as the Chief Executive Officer of QBE Insurance (Malaysia) Berhad in August 2017.

Prior to this appointment, Chris was the Head of Sales and Marketing, Consumer Lines in Chubb Insurance China from September 2016, where he was responsible for leading all new consumer lines projects in China in various distribution channels. Chris was also responsible for all aspects of the project including underwriting, product development, distribution channels, marketing and overall P&L responsibility.

Chris, previously served General Manager Consumer Lines at Ace Jerneh Insurance Berhad in Kuala Lumpur since May 2014. He was responsible for Ace Jerneh's Consumer Lines success through various distributions, including Direct marketing, Brokerage, Travel, Bancassurance and Agency. Chris has more than 20 years leadership experience in underwriting and distribution including working in various roles in mainland China, Thailand, Singapore , Hong Kong and as well as the United States of America and Latin America.

Chris holds a Master of Business Administration from J.L. Kellogg School of Management and a Bachelor Degree in Science in Finance. Chris is also a proficient speaker/writer of Spanish and has basic Mandarin speaking skills.

William Foo RFP, AMII, B. Management (Hons), Senior Associate CIP (ANZIIF)

Chief Operating Officer

William Foo joined QBE Insurance (Malaysia) Berhad in July 2008 and was appointed as the Chief Operating Officer in April 2014.

William has over 25 years of insurance experience in local and multi-national general insurance companies. He has hold various senior management positions in QBE Malaysia.

William oversees the operations of the Company, National Agency channel, Branches and Information Technology. He is also responsible for the successful implementation of Company strategic business plans, branches business performance, agency development, and operational improvement initiatives.

Currently, he is also a member of Persatuan Insuran Am Malaysia (PIAM) Distribution Sub-Committee.

Muhammad Ikram Bin Kamarudin

CPA (Aust.), C.A. (M), B. Commerce in Accounting and Finance

Chief Financial Officer

Ikram Kamarudin was appointed as the Chief Financial Officer of QBE Insurance (Malaysia) Berhad in August 2016.

Prior to this appointment , Ikram was the CFO and General Manager of Business Strategy for Hong Leong Islamic Bank from 2013 , where he was responsible for the Bank's fiscal operating results, including financial control, regulatory reporting and analysis, capital and balance sheet management and investor relation. He was responsible for driving, strengthening and protecting the financial of the Bank, through the provision of key financial information and analytics, partnering businesses, and meeting the requirements of external stakeholders, whilst ensuring overall financial control and discipline. In this former capacity, he played an instrumental role to oversee key strategic initiatives across the Bank and manages corporate strategy and planning as well as programme management office functions. He works alongside the CEO and senior management in setting the strategic direction of the Bank and supports the execution of key transformational and growth initiatives.

Prior to Hong Leong Bank, Ikram spent over a decade in Sydney with HSBC Bank and Marsh & McLennan Australia in various capacity including Treasury, Group Financial Control, Trust & Securitisation, Risk Management advisory, Regulatory Compliance and Corporate Strategic Planning.

Ikram holds a Bachelor Degree of Commerce, Double Major in Finance and Accounting from The University of Sydney Business School.

He is a qualified Certified Practising Accountant with CPA Australia professional accounting body, and a Chartered Accountant with Malaysian Institute of Accountants.

Currently, he is also a Council and Investment Committee member of the Malaysian Motor Insurance Pool (MMIP) since 2016.

Nor Azima Binti Abdul B. Management (Hons)

Head, People and Culture

Nor Azima joined QBE Insurance (Malaysia) Berhad in February 2010, and is responsible of the overall People strategy of the company.

Azima has 26 years of experiences in human resource management, 18 years of which are in the insurance sector. Her experience covers a wide range of human resources and leadership expertise; including HR transformation, HR Programs, development of high performance culture, business restructuring as well as mergers and acquisitions.

Azima holds a Bachelor of Management majoring in Finance and Accounting from University Science of Malaysia and Certificate in Insurance from Malaysian Institute of Insurance.

Azima is actively engaged in the General Insurance Industry circles and contribute to the industry through her involvement as Deputy Convener of Education Sub-committee of Persatuan Insuran Am Malaysia (PIAM). She is also a member of General Insurance Agents Professional Education Committee (APEX).

Amar Singh Nihal Singh B. Management (Technology)

Head of Commercial Distribution

Amar Singh joined QBE Insurance (Malaysia) Berhad in February 2015 as the Head of Major Trading Partners and was appointed as the Head of Commercial Distribution in January 2017.

Amar has 20 years of experience in Broking. His current portfolio includes International Brokers (Major Trading Partners), Local brokers (Broking Partners) and Reinsurance Inward. He is accountable for all distribution matters for QBE Malaysia of the commercial segment and plays a major role in helping the company grow the top line. Currently, the Commercial Distribution is the largest business unit in QBE Malaysia.

Amar holds a Bachelor Degree in Management (Technology) from University Technology of Malaysia.

Seng Soo Wy C.A (M), B.A.Econs (Hons), FCCA, CIRM

Head of Compliance & Company Secretary

Soo Wy joined QBE Insurance (Malaysia) Berhad as an Internal Audit Executive in May 2003 and was transferred to the Compliance role in July 2004.

In May 2016, she was appointed as the Head of Compliance and Risk Management for the company. She is responsible to ensure the company is in compliance with Bank Negara Malaysia Guidelines and regulations and other internal requirements. She oversees implementation of compliance and risk management policies and framework of the company. At the same year, she was also appointed as the Company Secretary to oversee the corporate secretarial functions of the company.

Prior to QBE Malaysia, she was an auditor for an international audit firm, PricewaterhouseCoopers.

Apart from qualified as a Bachelor Degree in Economics, Soo Wy also holds the Fellowship of Association of Chartered Certified Accountants (FCCA) and Certificate of the Institute of Risk Management (CIRM). She is also a member of the Finance, Compliance and ERM Sub-committee of Persatuan Insuran Am Malaysia (PIAM).

Central office managers (cont'd)

Sunther Kuppan B.A. (Econs), LLB (Hons), ACII

Head of Claims

Sunther Kuppan joined QBE Insurance (Malaysia) Berhad in October 2014 as Claims Manager and was appointed as the Head of Claims in January 2017.

Sunther has more than two decades of experience in claims management, loss adjustment, legal matters involving insurance, mediation and resolving complex claims. Besides managing the claims portfolio he actively participates in risk management, risk improvement strategies and product development.

Sunther leads, directs and is accountable for all claims matters for QBE Malaysia and plays a major role in rolling out key regional and global claims transformation programs to enhance the claim service.

In addition to Bachelor Degrees in Law and Economics, Sunther holds the Associateship of Chartered Insurance Institute (ACII) of United Kingdom.

Foo Yong Chiat ACII, Diploma in Engineering Telecom

Head of Underwriting

Foo Yong Chiat joined QBE Insurance (Malaysia) Berhad in 2015 as the Head of Property and was appointed as the Head of Underwriting in 2017.

Yong Chiat started his career in Loss Adjusting before his role as a Risk Engineer and gradually a Production Underwriter. His last held position was Assistant Vice President, Global Property in a multinational Insurer.

A graduate in Electronics Telecommunication, Yong Chiat also holds the Associateship of Chartered Insurance Institute (ACII) of United Kingdom and Chartered Insurer of The Chartered Insurance Institute.

I am pleased to present QBE Insurance (Malaysia) Berhad's Annual Report and Financial Statements for the financial year ended 31 December 2017.

Economic Environment

The Malaysia economy grew 5.9% year-on-year in 2017, the highest in three years, against market sentiments of a 5.7% expansion, whilst inflation averaged at 3.7% compared with 2.1% in 2016. However, the general insurance industry contracted by 0.1% in gross written premium (GWP) to RM17.65billion compared to growth of 1.1% in 2016.

2017 Performance

2017 had been a challenging year for the general insurance industry in Malaysia. Notwithstanding, QBE Malaysia registered a growth of 1.4% in gross written premiums compared to 5.4% in 2016.

QBE Malaysia reported an underwriting profit before tax (PBT) of RM28.5million, a contraction of 19.4% against 2016's RM35.4million. The decline in profits was due primarily to increase in claims incurred from implausible large claims events in the second half of 2017.

QBE Malaysia will strive to produce good results by focusing on core markets where we have the competitive advantage. We will continue to reshape our underwriting portfolios to improve profitability.

QBE Malaysia remains committed to protect shareholders' capital and provide attractive returns and dividends. A final dividend of RM19.5million, 9.03 cents per share, for financial year 2016 was declared in August 2017 after consideration of capital retention to fund opportunities for profitable growth. QBE Malaysia continued to maintain satisfactory capital levels throughout 2017.

QBE Malaysia will continue to strengthen its organisational, distribution and services capabilities to achieve profitability.

QBE Malaysia regards its employees as one of the most important stakeholder groups as well as the key foundation to profitability and sustainability for the future. QBE Malaysia continues to invest in talent development, with several programmes being provided in 2017, including Industry Sponsorship Certification Programmes, Accelerated Professional Executive Programmes and Underwriting Academy Foundation Programmes with online modules.

2018 Outlook

The industry expects the operating and business climate to be challenging with moderated growth in the general insurance industry.

Notwithstanding the above challenges, I remain enthused and optimistic about QBE Malaysia's strengths and ability to deliver higher quality financial returns for our investors.

Acknowledgements

On behalf of the Directors, I would like to express my sincere gratitude to all valued business partners for their continuous support and loyalty in 2017 and over the years. The Board would like to extend its appreciation to the support and commitment from the CEO, senior management team and all employees for their leadership and hard work in striving through another tough year.

I would like to take this opportunity to express our appreciation to Mr. Leonardo Perazzi Zanolini, who served as Chief Executive Office of QBE Malaysia, from April 2014 to July 2017. We thank him for his dedicated leadership and invaluable commitment to the company.

The Board would like to welcome Mr. Christopher Paul Kurinsky to his appointment as Chief Executive Officer and is confident that his leadership, boundless energy and new perspectives would steer QBE Malaysia to newer heights.

We would also like to thank Mr. Bruce Anthony Howe, our Board Member who will step down from the Board effective 1 January 2018, for his dedication, expert counsel and guidance given to the Board.

In closing, I would like to thank my fellow Board Members who have provided their invaluable support throughout the year.

Dato' Koh Hong Sun
Chairman

2017 snapshot

Net combined operating ratio (NCOR%)

96.8%

2016 **93.2%**

Gross written premium

MYR**364.1**Mil

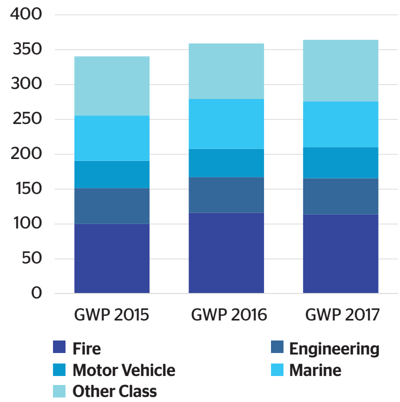
1.4% from 2016

Net claims ratio (%)

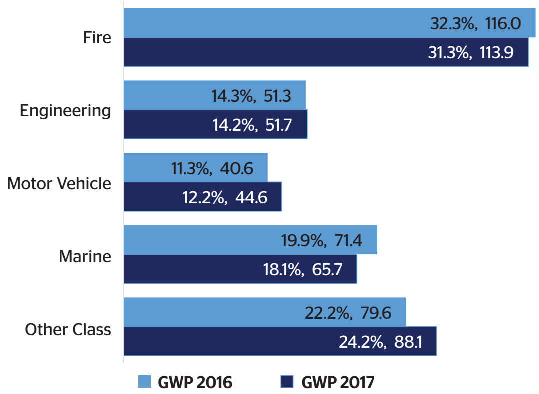
55.3%

2016 **48.9%**

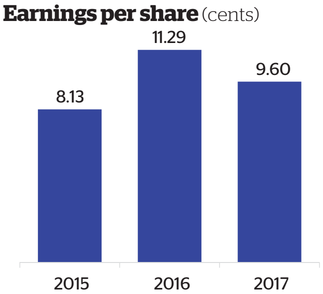
Gross written premium (RM' mil)
by class of business



Business portfolio 2017 (RM' mil)



Earnings per share (cents)

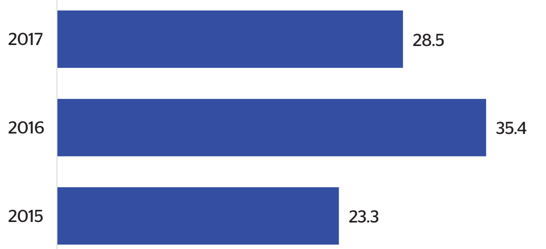


Net profit after income tax (RM' mil)

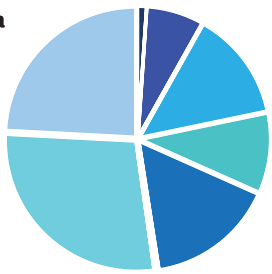
Investment 2017

	2017	2016
Money Market Placement	90%	75%
Government Bonds	10%	25%

Underwriting result (RM' mil)



Business across Malaysia



	2017	2016
Broking Partners	28%	29%
Major Trading Partners	24%	21%
Central Agency	16%	17%
Northern Agency	14%	14%
East M'sia Agency	10%	12%
Southern Agency	7%	5%
MMIP	1%	2%

QBE Insurance Malaysia recorded a strong financial performance in 2017. This performance is a testament to the strength of the company and the implementation of an effective strategy along with a collaborative underwriting and distribution culture. This result is a collaborative effort of each and every employee of our organization as the overall general insurance market presented difficult market conditions. I am optimistic about our ability to deliver into the future as we have set the proper foundation to execute in the coming years.

External Environment

In 2017, the Malaysia economy experienced challenges on several fronts. Malaysia's economy expanded 5.9% in 2017 compared to 4.2% growth in 2016. However, the general insurance industry registered a contraction of 0.1% in 2017 with gross written premium of RM17.65 billion. Notwithstanding the challenging external general insurance environment, I am pleased to report QBE Malaysia delivered a strong financial performance in 2017.

2017 Performance

Against the backdrop of market contraction and intense competition in the Malaysia insurance sector, QBE Malaysia demonstrated its resilience with a performance that was stronger than the market average. QBE Malaysia's GWP grew by 1.4% to RM364.1 million, while net earned premium increased by 20.6% to RM293.2 million. We outperformed the market in several lines of business which was quite an accomplishment.

QBE Malaysia recorded an underwriting profit before tax of RM28.5 million, which was RM6.9 million lower than previous year. This was primarily due to having a smaller MMIP reserve in 2017 and increase in the claims ratio. In 2017, we achieved targets for cost reduction, claims efficiency and capital ratio. The earnings per share stood at 9.60 cents for 2017 compared to 11.29 cents in 2016, primarily driven by the higher loss ratio. I am proud that we recorded a dividend payout of RM19.5 million in 2017.

The net claims incurred ratio increased by 6% from 49% in 2016 to 55% in 2017. We will continue to write risks that are within our risk appetite to control the loss ratio of our business.

QBE Malaysia recorded statutory Net Combined Operating Ratio (NCOR) of 96.8% in 2017, compared to 93.2% in 2016. The company maintained a sound Capital Adequacy Ratio (CAR) at all times during 2017, exceeding both the Supervisory CAR and the company's own internal capital target as per our Capital Management Plan.

The investment portfolio for 2017 was higher than 2016 by RM18.6 million despite a dividend payout of RM19.5 million during the year. QBE Malaysia remains cautious on Malaysian bonds due to the potential for currency volatility and capital outflows. The Company had positioned its investment portfolio to maintain running yield, with the view to capture term premium and an attractive spread on term deposits. In 2017, the investment income was RM18.8 million with an average investment yield of 3.97%. The investment portfolio mix is consistently maintained with 90% in money market placement and 10% in Government bonds.

Business across the country

The robust year-on-year performance was driven by effective business development activities by our distribution team across Malaysia. The major contributors to the growth of GWP were broking partners and Major Trading Partners as well as some of our agency branches. Major Trading Partners led the growth rates at 20.0%, while broking partners and agency business slightly contracted by 2.3% and 0.3% respectively.

Operations

In 2017, we implemented various strategic initiatives to strengthen the Agency channel. Recruitment activities resulted in 70 new agents. We also focused on increasing the amount of business with our current agents which solidified our agency relationship.

Our Customer Service team also continued to provide market leading service, reflecting our commitment to further enhance customer service experience.

Corporate Social Responsibility

At QBE Malaysia, corporate social responsibility is part of our business strategy. Sustainable and responsible business practices matter to all of our stakeholders: our customers, our people, potential recruits, our shareholders and investors, the communities in which we do business, and also society at large. This is reflected in our CSR activities in 2017, focused on underprivileged children and helping them overcome obstacles to live independent lives.

In November, we entered into our third year of supporting the Paediatrik Unit of Hospital Kuala Lumpur, supplying 100 aerochambers for the underprivileged patients.

This year we had a special twist to the events, kick starting The Wish Tree program, where critically ill paediatric patients made various wishes and our employees responded by delivering their wishes. This was especially gratifying as our employees voluntarily did this at their own cost and time.

We also teamed up with Grace Community Services (GCS), executing several programs such as food packing for 300 underprivileged families, The Wish Tree program benefited orphanages managed by GCS and 50 children from the Food Bank program, where they received uniforms, school supplies, as well as donations to purchase the Food Bank supplies for 300 families.

In December, 50 underprivileged children were treated to a trip to KLCC, beginning with a visit up the Petronas Twin Towers bridge and top floor, followed by QBExplorace at Petrosains, where the children teamed up with 20 QBE employees in a fun, scientific-based race.

We closed off the year with a Wish Tree program - a short and simple presentation on insurance and lunch for the underprivileged children at our office, where employees gave presents personally to the children.

World-class Human Capital

QBE Malaysia made substantial investments in building, developing and retaining the best individuals by implementing initiatives covering leadership, managerial, technical, and talent programmes that embody QBE's commitment to the Employee Value Proposition and Customer Value Proposition. In 2017, the main initiatives included a CEO Club, Underwriting Academy, and design thinking workshop.

QBE Malaysia recognizes that our largest assets are our employees and we constantly try to improve the skills of the employees to bring value to the organization.

Employee Engagement

QBE Malaysia is committed to continuous learning among employees. We create various platforms for active networking, enabling dynamic exchanges of views and information as well as connecting us more widely to the business.

The quarterly newsletters along with regular employee Townhall sessions, continue to play a vital role in our communication with employees to better align with the Company's direction and encourage knowledge sharing across all levels to meet global objectives.

In 2017, Diversity and Inclusion initiatives saw the Company celebrate International Women's Day in April and Family Day in August – both successful events with high participation rates and employee engagement. The Inter-Department Games were also held with mixed gender teams of employees showing great sportsmanship.

In closing, I remain optimistic and enthusiastic about QBE Malaysia's ability to deliver high quality financial returns. I also want to thank all our stakeholders for their confidence in us and support for QBE. As I consider our business today, the future looks bright and I look forward to reaching our ambitions in 2018 and beyond.

Today, QBE Malaysia is stronger strategically, operationally and financially. I am optimistic of what the future holds for QBE Malaysia in 2018 and beyond.

Christopher Paul Kurinsky
Chief Executive Officer

Financial report & statements contents

Directors' report

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

The Directors have pleasure in presenting their report to the member together with the annual audited financial statements of the Company for the financial year ended 31 December 2017.

Principal Activity

The Company is principally engaged in the underwriting of all classes of general insurance business. There has been no significant change in the nature of this activity during the financial year.

Financial Results

Net profit for the financial year	RM 20,730,984

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

Dividends

Since the end of the previous financial year, the Company paid a final single tier dividend of 9.0298695 sen per share, totalling RM19,504,518 in respect of the financial year ended 31 December 2016 on 15 August 2017.

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

Reserves and Provisions

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

Provision for Outstanding Claims

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

Share Capital

There was no issuance of shares by 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:

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

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

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

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

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

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

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

Directors' report (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Other Statutory Information (continued)

(e) 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 of the Company which has arisen since the end of the financial year.

(f) 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 results of the operations of the Company for the financial year in which this report is made.

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

(g) 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 the RBC Framework for insurers issued by BNM.

Corporate Governance

The Company has complied with all the prescriptive requirements of, and adopts management practices that are consistent with the principles prescribed under Financial Services Act, 2013 ("FSA") and Bank Negara Malaysia ("BNM") Guidelines in particular BNM/RH/PD_029-9 on Corporate Governance.

The Company and its Directors are committed to ensuring that the highest standards of corporate governance are practised. Integrity is a fundamental value to our business that is applied to all our activities.

a) Board Responsibility and Oversight
The Board comprises five Directors, represented by three independent non-executive directors (including the Chairman) and two executive directors. Six meetings were held during the financial year ended 31 December 2017 and six meetings have been scheduled for the year 2018, with additional meetings to be convened as necessary.

The Board is responsible for the overall governance of the Company and is committed to ensuring that the highest standards are being maintained and compliance with relevant Acts, Regulations and Guidelines are being observed. The Directors bring to the Board a wide range of business and financial experience and participate fully in decisions on the key issues of the Company.

b) Committees
The Board is supported by several committees which comprise certain members of the Board. The main committees of the Board are the Audit, Nomination, Remuneration and Risk & Capital Committees.

Committee membership is reviewed at least annually and the Committees meet regularly as required, to deal with matters that are referred by the Board or management from time to time. Details of Directors' and Committee members' attendance at Board and Committee meetings are outlined in the table of meeting attendance set out on page 18 of this report.

(i) Audit Committee
The membership of the Audit Committee comprises three independent non-executive directors. The current members of the Audit Committee are Dato' Tan Ang Meng (Chairman), Dato' Koh Hong Sun and Arunothayam Rajaratnam.

The Audit Committee operates under written terms of reference determined by the Board and the role of the Committee is to oversee and enhance credibility of the Company's financial reporting process, and to ensure all policies, procedures and all statutory and non-statutory guidelines are adhered to.

There are formal procedures in place for both internal and external auditors to report conclusions and recommendations to management and to the Audit Committee. All aspects of the system of internal controls are subjected to regular review to ensure their adequacy and effectiveness.

(ii) Nomination Committee
The membership of the Nomination Committee comprises three independent non-executive directors and two executive directors. The current members of the Committee are Dato' Tan Ang Meng (Chairman), Dato' Koh Hong Sun, Bruce Anthony Howe, Mark Thomas Lingafelter and Arunothayam Rajaratnam. The Nomination Committee operates under written terms of reference determined by the Board, taking into consideration all relevant Bank Negara Malaysia's guidelines. The role of the Committee is to establish the minimum requirements for the appointment of Board members, the Chief Executive Officer and key senior officers, including overseeing the composition, size and skills of the Board members and its effectiveness.

The Committee believes the skills, experience and qualities of Directors are conducive to the efficient running of the business.

(iii) Remuneration Committee
The membership of the Remuneration Committee comprises three independent non-executive directors. The current members of the Remuneration Committee are Arunothayam Rajaratnam (Chairman), Dato' Koh Hong Sun and Dato' Tan Ang Meng.

The Remuneration Committee operates under written terms of reference determined by the Board and is responsible for the development of the Company's remuneration policy for its Directors, Chief Executive Officer and key senior officers. The Committee considers recommendations from management and provides specific recommendations on the remuneration packages and other terms of employment for executive and non-executive directors, senior management as well as staff development to ensure that high quality people are retained.

(iv) Risk and Capital Committee
The Risk & Capital Committee comprises three independent non-executive directors. The current members of the Risk & Capital Committee are Arunothayam Rajaratnam (Chairman), Dato' Koh Hong Sun and Dato' Tan Ang Meng.

The Risk & Capital Committee operates under written terms of reference determined by the Board and is responsible for overseeing the senior management's activities in managing the key risk areas of the Company.

The Company has established internal controls to manage risk in the key areas of exposure relevant to its business and the Committee has a risk management framework to identify significant areas of business risk and to effectively and expeditiously manage those risks. Systems are designed to provide reasonable assurance that the assets of the Company are safeguarded, insurance risk exposure is within desired limits, reinsurance protections are adequate and counter-parties are subject to security assessment.

The scope of internal controls covers not only financial controls but also operational and compliance controls as well as risk management. The system is intended to provide reasonable assurance, but not an absolute guarantee, against material financial misstatement or loss.

The Committee recommends and the Board approves a comprehensive Risk Management Strategy and Reinsurance Management Strategy on an annual basis and is responsible to the shareholders for the performance of the Company and as such, fulfils a critical role in establishing and maintaining an effective risk management strategy.

c) Management Accountability
The Company has well documented and updated organisational structures showing all reporting lines as well as clearly documented job descriptions for management and executive employees.

A formal process of developing and monitoring individual goals on a consultative basis is adopted for staff performance appraisals to ensure that the goals are in line with the Company's corporate objectives and responsibilities.

Directors' report (continued)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Corporate Governance (continued)

d) Public Accountability

The Company has always ensured that its business is conducted fairly, honestly and professionally.

e) Corporate Independence

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

f) Financial Reporting

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

The Board and senior management receive regular financial and management reports to enable them to effectively monitor the financial performance and condition of the Company in relation to the corporate objectives and responsibilities.

Meetings of Directors

	Full meeting of directors	Meetings of Committees: Audit	Nomination	Remuneration	Risk & Capital
Number of meetings held during the year	6	5	4	3	6
	Number Attended	Number Attended	Number Attended	Number Attended	Number Attended
Dato' Koh Hong Sun	6	5	4	3	6
Bruce Anthony Howe (Resigned on 31 December 2017)	3	2	2	2	3
Mark Thomas Lingafelter	6	5	4	3	6
Dato' Tan Ang Meng	6	5	4	3	6
Arunothayam Rajaratnam	6	5	4	3	6

Directors and their Interests in Shares

a) The Directors who have held office since the date of the last report are as follows:
   Dato' Koh Hong Sun
   Bruce Anthony Howe (Resigned on 31 December 2017)
   Mark Thomas Lingafelter
   Dato' Tan Ang Meng
   Arunothayam Rajaratnam

b) In accordance with Regulation 63 of the Company's Constitution, Dato' Koh Hong Sun and Mark Thomas Lingafelter retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

c) According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, the interest of the Directors in office at the end of the financial year in shares in the Company or its holding company or subsidiaries of the holding company during the financial year were as follows:

   Rights over shares in QBE Insurance Group Limited granted to the Directors

	--- No. of rights over Ordinary Shares of A$1 each --- At 1.1.2017	Granted	Extinguished	At 31.12.2017
Bruce Anthony Howe	156,493	20,866	(69,087)	108,272
Mark Thomas Lingafelter	53,165	12,066	(9,442)	55,789

d) Other than the above, none of the other Directors in office at the end of the financial year held any interest in the shares in or debentures of the Company or its related corporations during the financial year.

Directors' Remuneration

Details of Directors' remuneration are set out in Note 15 to the financial statements.

Directors' Benefits

During and at the end of the financial year, no arrangements subsisted to which the Company is a party with the object or objects 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, other than the options and rights granted over the shares of the ultimate holding corporation as disclosed in this report.

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of fees and other emoluments received or due and receivable by directors shown in Note 15 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, except that certain directors received remuneration from the Company's ultimate holding corporation and other related corporations.

Share Option Scheme

No Share Option Scheme was offered during the financial year.

Ultimate Holding Corporation

The Directors regard QBE Insurance Group Limited, a corporation incorporated in Australia, as the ultimate holding corporation.

Registered Office and Principal Place of Business

The registered office and principal place of business of the Company are located at No. 638, Level 6, Block B1, Pusat Dagang Setia Jaya (Leisure Commerce Square), No 9, Jalan PJS 8/9, 46150 Petaling Jaya, Selangor.

Auditors' Remuneration

Details of auditors' remuneration are set out in Note 15 to the financial statements.

Auditors

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146) was registered on 2 January 2018 and with effect from that date, PricewaterhouseCoopers (AF 1146), a conventional partnership was converted to a limited liability partnership.

This report was approved by the Board of Directors on 9 February 2018. Signed on behalf of the Board of Directors:

Dato' Koh Hong Sun Director	Mark Thomas Lingafelter Director

Petaling Jaya

Statement by directors

PURSUANT TO SECTION 251 (2) OF THE COMPANIES ACT 2016

We, Dato' Koh Hong Sun and Mark Thomas Lingafelter, two of the Directors of QBE Insurance (Malaysia) Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 23 to 58 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2017 and financial performance of the Company for the financial year ended 31 December 2017 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated 9 February 2018.

Dato' Koh Hong Sun
Director

Mark Thomas Lingafelter
Director

Petaling Jaya

Statutory declaration

PURSUANT TO SECTION 251 (1) OF THE COMPANIES ACT 2016

I, Muhammad Ikram Kamarudin, the officer primarily responsible for the financial management of QBE Insurance (Malaysia) Berhad, do solemnly and sincerely declare that, the financial statements set out on pages 23 to 58 are, to the best of my knowledge and belief, 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.

Muhammad Ikram Bin Kamarudin

Subscribed and solemnly declared by the above named Muhammad Ikram Kamarudin at Selangor Darul Ehsan on 9 February 2018.

Before me,

PESURUHJAYA SUMPAH
No. : B381
Nama : RADZIAH BINTI ABDUL RAHMAN
MALAYSIA

Commissioner for Oaths

Alamat tempat perniagaan
No. 513, Block A3, Pusat Dagang Setia Jaya
No. 9, Jalan PJS 8/9, 46150 Petaling Jaya,
Selangor Darul Ehsan.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF

QBE Insurance (Malaysia) Berhad

(Incorporated in Malaysia)
(Company No. 161086-D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion
In our opinion, the financial statements of QBE Insurance (Malaysia) Berhad ("the Company") give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited
We have audited the financial statements of the Company, which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 23 to 58.

Basis for opinion
We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

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

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

Information other than the financial statements and auditors' report thereon
The Directors of the Company are responsible for the other information. The other information comprises Directors' Report, which we obtained prior to the date of this auditors' report, and Chairman's Statement, which is expected to be made available to us after that date. Other information does not include the financial statements of the Company and our auditors' report thereon.

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF

QBE Insurance (Malaysia) Berhad (continued)

(Incorporated in Malaysia)
(Company No. 161086-D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

Auditors' responsibilities for the audit of the financial statements (continued)
As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

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

OTHER MATTERS

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

PricewaterhouseCoopers PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Wong Hui Chern
03252/05/18 (J)
Chartered Accountant

Kuala Lumpur
9 February 2018

Statement of financial position

AS AT 31 DECEMBER 2017

	NOTE	2017 RM	2016 RM
Assets			
Property, plant and equipment	3	15,239,136	15,441,180
Investments	4	421,886,568	403,240,596
Fair value through profit and loss		46,445,835	100,973,717
Loans and receivables		375,440,733	302,266,879
Reinsurance assets	9	144,471,705	34,147,518
Insurance receivables	5	136,388,855	127,698,613
Other receivables	6	66,492,236	68,468,722
Deferred tax asset	10	2,816,798	2,654,435
Tax recoverable		1,003,050	602,669
Cash and bank balances		267,604	210,399
Total assets		788,565,952	652,464,132
Liabilities			
Insurance contract liabilities	9	554,210,783	413,403,926
Insurance payables	11	30,219,276	36,823,715
Other payables	12	25,812,032	25,139,096
Total liabilities		610,242,091	475,366,737
Shareholders' equity			
Share capital	7	108,000,000	108,000,000
Retained earnings	8	70,323,861	69,097,395
		178,323,861	177,097,395
Total liabilities and shareholders' equity		788,565,952	652,464,132

The accompanying notes are an integral part of these financial statements

Statement of comprehensive income

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	NOTE	2017 RM	2016 RM
Gross earned premiums	13(a)	360,197,790	332,971,073
Premium ceded to reinsurers	13(b)	(67,039,994)	(89,859,850)
Net earned premiums		293,157,796	243,111,223
Investment income	14	18,845,720	19,119,798
Loss on disposal of property, plant and equipment		(81,692)	(2,307)
(Loss)/Gain on disposal of investment		(324,200)	677,760
Unrealised gain/(loss) on investments	4(c)	681,350	(987,410)
Reinsurance commission income		7,522,084	9,543,460
Other operating (expense)/revenue		(79,266)	228,215
Total revenue		319,721,792	271,690,739
Gross claims paid		(158,919,210)	(119,014,105)
Claims recoveries from reinsurers		18,680,403	14,968,409
Gross change to claims liabilities		(136,946,788)	(17,083,972)
Change in claims liabilities ceded to reinsurers		115,086,902	2,367,252
Net claims		(162,098,693)	(118,762,416)
Fee and gross commission expense		(65,189,756)	(59,297,896)
Management expenses	15	(63,901,209)	(58,246,518)
Other expenses		(129,090,965)	(117,544,414)
Profit before taxation		28,532,134	35,383,909
Taxation	17	(7,801,150)	(11,003,261)
Net profit and total comprehensive income for the financial year		20,730,984	24,380,648
Earnings per share (sen)	18	9.60	11.29

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

Statement of changes in equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	NOTE	SHARE CAPITAL RM	DISTRIBUTABLE RETAINED EARNINGS RM	TOTAL RM
At 1 January 2016		108,000,000	89,018,347	197,018,347
Total comprehensive income for the financial year		-	24,380,648	24,380,648
Dividend paid	19	-	(44,301,600)	(44,301,600)
At 31 December 2016		108,000,000	69,097,395	177,097,395
At 1 January 2017		108,000,000	69,097,395	177,097,395
Total comprehensive income for the financial year		-	20,730,984	20,730,984
Dividend paid	19	-	(19,504,518)	(19,504,518)
At 31 December 2017		108,000,000	70,323,861	178,323,861

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

Cash flow statement

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	2017 RM	2016 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the financial year	20,730,984	24,380,648
Adjustments for:		
Depreciation on property, plant and equipment	3,350,077	3,040,284
Reversal of impairment loss on self-occupied properties	(5,032)	(117,224)
Loss on disposal of property, plant and equipment	81,692	2,307
Loss/(gain) on disposal of investments	324,200	(677,760)
Unrealised (gain)/loss on investments	(681,350)	987,410
Allowance for / (write back of) impairment on insurance receivables	750,134	(124,223)
Interest income	(18,845,720)	(19,118,189)
Rental income	-	(1,609)
Taxation	7,801,150	11,003,261
Profit from operations before changes in operating assets and liabilities	13,506,135	19,374,905
Proceeds from disposal of FVTPL investments	80,216,000	69,134,800
Purchase of FVTPL investments	(25,909,000)	(100,532,700)
(Decrease)/increase in LAR investments	(73,000,000)	19,000,000
Increase in premium liabilities	8,622,784	23,033,608
Increase in claims liabilities	21,859,886	14,716,720
Increase in insurance receivables	(9,440,376)	(8,330,926)
Decrease in other receivables	1,976,486	12,934,068
Decrease in insurance payables	(6,604,439)	(15,775,601)
Increase in other payables	672,936	2,817,871
Income taxes paid	(8,363,894)	(10,720,000)
Interest income received	19,249,898	16,576,164
Rental income received	-	1,609
Net cash generated from operating activities	22,786,416	42,230,518
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	51,408	34,757
Purchase of property, plant and equipment	(3,276,101)	(1,458,370)
Net cash used in investing activities	(3,224,693)	(1,423,613)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(19,504,518)	(44,301,600)
Net cash used in financing activities	(19,504,518)	(44,301,600)
Net movement in cash and cash equivalents	57,205	(3,494,695)
Cash and cash equivalents at 1 January	210,399	3,705,094
Cash and cash equivalents at 31 December	267,604	210,399
Cash and cash equivalents comprise:		
Cash and bank balances	267,604	210,399

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

Notes to the financial statements

1. Principal activity

The Company, a public limited liability Company incorporated and domiciled in Malaysia, is principally engaged in the underwriting of all classes of general insurance business. There has been no significant change in the nature of this activity during the financial year.

2. Significant accounting policies

Unless otherwise stated, the following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

2.1 Basis of Preparation

The financial statements of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The financial statements of the Company have also been prepared on a historical cost basis, except for those financial instruments that have been measured at their fair values and insurance liabilities in accordance with the valuation methods specified in the Risk-Based Capital ("RBC") Framework for insurers issued by Bank Negara Malaysia ("BNM").

The Company has met the minimum capital requirements as prescribed by the RBC Framework as at the date of the statement of financial position.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial period. It also requires Directors to exercise their judgement in the process of applying the Company's accounting policies. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ from estimates.

The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.3 to the financial statements.

(a) Standards, amendments to published standards and interpretations that are effective

The Company has applied the following amendments for the first time for the financial year beginning on 1 January 2017:

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

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

(b) Standards and amendments that have been issued but not yet effective

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2017. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

- MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 'Financial Instruments: Recognition and Measurement'.

  MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

  For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

  MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

  Based on the Company's assessment, MFRS 9 is not expected to have material changes to the Company's accounting policies.

- Amendments to MFRS 4 - Applying MFRS 9 'Financial Instruments' with MFRS 4 'Insurance Contracts' (effective for annual periods beginning on or after 1 January 2018).

  The amendments allow entities to avoid temporary volatility in profit or loss that might result from adopting MFRS 9 'Financial Instruments' before the forthcoming new insurance contracts standard. This is because certain financial assets have to be measured at fair value through profit or loss under MFRS 9; whereas, under MFRS 'Insurance Contracts', the related liabilities from insurance contracts are often measured on amortised cost basis.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

2.1 Basis of Preparation (continued)

(b) Standards and amendments that have been issued but not yet effective (continued)

The amendments provide 2 different approaches for entities: (i) a temporary exemption from MFRS 9 for entities that meet specific requirements; and (ii) the overlay approach. Both approaches are optional.

The temporary exemption enables eligible entities to defer the implementation date of MFRS 9 for annual periods beginning before 1 January 2021 at the latest. An entity may apply the temporary exemption from MFRS 9 if its activities are predominantly connected with insurance whilst the overlay approach allows an entity to adjust profit or loss for eligible financial assets by removing any accounting volatility to other comprehensive income that may arise from applying MFRS 9.

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

The Company's business activity is predominately insurance and hence, qualifies for the temporary exemption approach. Consequently, management has decided to apply the temporary exemption from MFRS 9 from its annual period beginning 1 January 2018 and will adopt MFRS 9 for its annual period beginning 1 January 2021.

- MFRS 15 'Revenue from Contracts with Customers' (effective from 1 January 2018) replaces MFRS 118 'Revenue' and MFRS 111 'Construction Contracts' and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

  Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

  A new five-step process is applied before revenue can be recognised:
  - Identify contracts with customers
  - Identify the separate performance obligations
  - Determine the transaction price of the contract;
  - Allocate the transaction price to each of the separate performance obligations; and
  - Recognise the revenue as each performance obligation is satisfied.

  Key provisions of the new standard are as follows:
  - Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
  - If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
  - The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
  - There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few.
  - As with any new standard, there are also increased disclosures.

  Based on the Company's assessment, there is no expected material changes to the Company's accounting policies.

- MFRS 16 'Leases' (effective from 1 January 2019) supersedes MFRS 117 'Leases' and the related interpretations.

  Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

  MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

  The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in the income statement.

  For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

  Based on the Company's assessment, there is no expected material changes to the Company's accounting policies.

- MFRS 17 'Insurance Contracts' (effective from 1 January 2021) replaces MFRS 4 'Insurance Contracts'.

  MFRS 17 applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features if an entity also issues insurance contracts. For fixed-fee service contracts whose primary purpose is the provision of services, an entity has an accounting policy choice to account for them in accordance with either MFRS 17 or MFRS 15 'Revenue from Contracts with Customers'. An entity is allowed to account financial guarantee contracts in accordance with MFRS 17 if the entity has asserted explicitly that it regarded them as insurance contracts. Insurance contracts, (other than reinsurance) where the entity is the policyholder are not within the scope of MFRS 17. Embedded derivatives and distinct investment and service components should be 'unbundled' and accounted for separately in accordance with the related MFRSs. Voluntary unbundling of other components is prohibited.

  MFRS 17 requires a current measurement model where estimates are remeasured at each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ("CSM") representing the unearned profit of the contract. An entity has a policy choice to recognise the impact of changes in discount rates and other assumptions that related to financial risks either in profit or loss or in other comprehensive income.

  Alternative measurement models are provided for the different insurance coverages:

  a) Simplified Premium Allocation Approach if the insurance coverage period is a year or less
  b) Variable Fee Approach should be applied for insurance contracts that specify a link between payments to the policyholder and the returns on the underlying items

  The requirements of MFRS 17 align the presentation of revenue with other industries. Revenue is allocated to the periods in proportion to the value of the expected coverage and other services that the insurer provides in the period, and claims are presented when incurred. Investment components are excluded from revenue and claims.

  Insurers are required to disclose information about amounts, judgements and risks arising from insurance contracts.

  The Company has not fully assessed the impact of MFRS 17 on its financial statements.

- IC Interpretation 23 'Uncertainty over Income Tax Treatments' effective 1 January 2019.

  IC Interpretation 23 "Uncertainty over Income Tax Treatments" provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

  If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty.

  IC Interpretation 23 will be applied retrospectively

2.2 Summary of Significant Accounting Policies

(a) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Leasehold building is amortised in equal instalments over the period of lease of 75.68 years. Depreciation on other property, plant and equipment is calculated using the straight-line basis to allocate their cost to their residual values over the expected useful lives of the assets. The expected useful lives of the assets are as follows:

Motor Vehicles	5 years
EDP Equipment	3 - 5 years
Office Equipment	4 - 10 years
Furniture & Fittings	2 - 10 years
Renovations	2 - 5 years
Freehold Building	50 years

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each date of the statement of financial position.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

2.2 Summary of Significant Accounting Policies (continued)

(a) Property, Plant and Equipment (continued)

At each date of the statement of financial position, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See Note 2.2 (b) to the financial statements on impairment of non-financial assets.

Gains and losses on disposals are determined by comparing proceeds with the carrying amounts and are included in the statement of comprehensive income.

(b) Impairment of Non-Financial Assets

The carrying values of non-financial assets that are subject to amortisation are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of the fair value less costs to sell and the value in use. Recoverable amounts are estimated for individual assets, or, if it is not possible, for the cash-generating unit. Assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

An impairment loss is charged to the statement of comprehensive income immediately.

A subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the statement of comprehensive income.

(c) Investments and Other Financial Assets

The Company classifies its investments into financial assets as fair value through profit or loss ("FVTPL") and loans and other receivables ("LAR").

FVTPL

The Company classifies its securities portfolio, comprising Malaysian Government Securities and Treasury Bills which are held-for-trading, as FVTPL. Securities are classified as FVTPL if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or it is part of a portfolio of identified securities that are managed together and for which there is evidence of a recent actual pattern of short term profit taking. FVTPL securities measured at fair value and any gain or loss arising from a change in the fair value is recognised in the statement of comprehensive income.

LAR

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

The Company classifies the cash flows for the purchase and disposal of LAR and FVTPL investments in its operating cash flows as the purchases are funded from the cash flows associated with the origination of insurance contracts, net of the cash flows for payments of insurance benefits and claims.

(d) Fair Value of Financial Instruments

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

For financial instruments where there is not an active market, the fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and/or option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument. Certain financial instruments are valued using pricing models that consider, among other factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The fair value of floating rate and over-night deposits with financial institutions is their carrying value. The carrying value is the cost of the deposit/placement and accrued interest/profit. The fair value of fixed interest/yield-bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the date of the statement of financial position.

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

(e) Impairment of Financial Instruments

The Company assesses at each date of the statement of financial position whether a financial assets or group of financial assets is impaired.

Assets Carried at Amortised Cost

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

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

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

(f) Derecognition of Financial Assets

Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred and the Company has also transferred substantially all risks and rewards of ownership.

(g) Product Classification

The Company issues contracts that transfer insurance risk.

Insurance contracts are those that transfer significant insurance risk. An insurance contract is a contract under which the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders.

(h) General Insurance Underwriting Results

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

Gross Premiums

Gross premiums are recognised in a financial year in respect of risks assumed during that particular financial year. Premiums from direct business are recognised during the financial year upon the issuance of debit notes. Premiums in respect of risks incepted for which debit notes have not been raised as of the date of the statement of financial position are accrued at that date and are recognised in the statement of comprehensive income during the year.

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

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

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

2.2 Summary of Significant Accounting Policies (continued)

(h) General Insurance Underwriting Results (continued)

Premium Liabilities

Premium liabilities refer to the higher of:

(i) the aggregate of the unearned premium reserves ("UPR"): or

(ii) the best estimate value of the insurer's unexpired risk reserves ("URR") at the valuation date and the Provision of Risk Margin for Adverse Deviation ("PRAD") calculated at the overall company level. The best estimate value is a prospective estimate of the expected future payments arising from future events insured under policies in force 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 shall allow for expected future premium refunds.

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

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

(i) 25% method for marine cargo and transit business;

(ii) 1/365th method (i.e. daily pro-rata method) for all other classes of general insurance business in respect of Malaysian general policies, reduced by the percentage of accounted gross direct business commission to the corresponding premium, not exceeding limits specified by BNM.

Claims Liabilities

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

Provision for claims liabilities is made for the estimated costs of all claims together with related expenses less reinsurance recoveries, in respect of claims notified but not settled at the date of the statement of financial position. Provision is also made for the cost of claims, together with related expenses, incurred but not reported at the date of the statement of financial position, based on an actuarial valuation.

Throughout the course of the financial year, management regularly re-assesses claims and provisions both on an individual and class basis, based on independent professional advice and reports, other available information and management's own assessment of the claims and provisions.

Acquisition Costs

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. For presentation of the financial statement purpose, the acquisition costs arose from acquiring and renewing insurance policy are deducted from premium liabilities.

(i) Reinsurance

Reinsurance ceded

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 or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contracts.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

Reinsurance costs are recognised in statement of comprehensive income immediately at the date of purchase and are not amortised.

Reinsurance assumed

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

Premium and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business. Reinsurance liabilities represent balances due to reinsurance companies. Amount payable are estimated in a manner consistent with the related reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities

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

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 statement of comprehensive income.

(j) Insurance Receivables

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

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in statement of comprehensive income. The Company gathers the objective evidence that an insurance receivable is impaired using the same processes adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets.

(k) Other receivables from MMIP

Short term advances to MMIP are measured at amortised costs using the effective interest method less impairment. The Company's share of investment return of MMIP is recognised as receivable when the right to receive is established. The advances to and receivables from MMIP are classified as part of Other Receivables.

(l) General Insurance Contract Liabilities

General insurance contract liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities comprise claims liabilities and premiums liabilities.

Claims liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the date of the statement of financial position, 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 date of the statement of financial position. The liability is calculated at the reporting data using a range of standard actuarial claim projection techniques based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

The provision for premium liabilities represents premiums received for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognised as premium income.

At each reporting date, the Company reviews its unexpired risks and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows (taking into consideration current loss ratios) after taking account of the investment return expected to arise on assets relating to the relevant general insurance technical reserves. If these estimates show that the carrying amount of the unearned premiums is inadequate, the deficiency is recognised in statement of comprehensive income by setting up a provision for liability adequacy.

(m) Other Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Rental Income

Rental income from investment property is recognised on a straight-line basis over the term of the lease.

Interest and Profit Income

Income is recognised on an accrual basis using the effective yield method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective yield of the instrument.

Dividend Income

Dividend income is recognised when the Company's right to receive payment is established.

Realised Gains and Losses on Investments

Realised gains and losses recorded in statement of comprehensive income on investments include gains and losses on financial assets and investment properties. Gain and losses on the sale of investments are calculated as the difference between net sales proceeds and the carrying value of the investments and are recorded on occurrence of the sale transaction.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

2.2 Summary of Significant Accounting Policies (continued)

(n) Reinsurance commission income

Reinsurance commission income is recognised as revenue on a basis that is consistent with the recognition of costs incurred on the acquisition of underlying insurance contracts.

(o) Income Tax

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

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

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

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

(p) Provisions

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

(q) Employee Benefits

(i) Short-term Employee Benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Company.

(ii) Post-employment Benefits

The Company's contributions to defined contribution plans are charged to the statement of comprehensive income in the period to which they relate to. Once the contributions have been paid, the Company has no further payment obligations.

(iii) Cash-Settled Share-Based Plan

The Company participates in a cash-settled, share-based plan for the employees of the Company. The fair value of the employee services received in exchange for the grant of the share appreciation rights is recognised in the statement of comprehensive income over the vesting periods of the grant with a corresponding increase in liabilities.

The total amount to be expensed off on the vesting period is determined by reference to the fair value of the share appreciation rights. At each date of the statement of financial position, the Company reviews its estimates of the number of employees expected to meet service vesting conditions and the fair value of the liability incurred. The impact of the revision of the original estimate, if any, is recognised in the statement of comprehensive income.

The cumulative liability incurred will be reversed as cash is paid, net of any directly attributable transaction costs, at the end of vesting period.

(r) Foreign Currencies

The financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

Foreign currency transactions in the Company are accounted for at exchange rates prevailing at the transaction dates. Foreign currency monetary assets and liabilities at the date of the statement of financial position are translated to Ringgit Malaysia at exchange rates prevailing at the date of the statement of financial position. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the statement of comprehensive income.

(s) Insurance Payables and Other Payables

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

(t) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, deposits held at call with financial institutions with original maturities of three months or less. It excludes deposits which are held for investment purpose.

(u) Contingent Liabilities and Contingent Assets

The Company does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation.

A contingent liability also arises in the extremely rare circumstance where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Company. The Company does not recognise a contingent asset but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

(v) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares and options are shown in equity as a deduction, net of tax, from the proceeds.

(w)Dividends

Dividends are recognised as liabilities when the obligation to pay is established in which the dividends are declared and approved by BNM and the Company's shareholders. No provision is made for a proposed dividend.

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. These factors could include:

(a) Key Sources of Estimation Uncertainty and Assumptions

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

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 date of the statement of financial position and for the expected ultimate cost of claims incurred but not yet reported ("IBNR") at the date of the statement of financial position.

It can take a significant period of time before the ultimate claims costs can be established with certainty, and hence, actual future claim payments will not develop exactly as projected. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Gluck, Chain Ladder and Bornheutter-Ferguson methods.

The main assumption underlying these techniques is that a company's past claims development experience can be used to project future claims development and hence, ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical areas, as well as by significant business lines and claims type. Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected in order to reflect their future development. Historical claims development data is adjusted for the impact of inflation, and explicit assumptions are made for the rate of future claims inflation applied to the projected losses. Additional qualitative judgement is used to assess the extent to which the 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, 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.

Refer to Note 23 to the financial statements for the disclosures on insurance risk.

Notes to the financial statements (continued)

3. Property, plant and equipment

	MOTOR VEHICLES RM	EDP EQUIPMENT RM	OFFICE EQUIPMENT RM	FURNITURE & FITTINGS RM	RENOVATIONS RM	LEASEHOLD BUILDING RM	TOTAL RM
Net book value							
At 1 January 2017	455,531	7,287,844	422,340	1,065,425	616,206	5,593,834	15,441,180
Additions	-	2,331,296	184,007	324,979	435,819	-	3,276,101
Disposals	(65,723)	-	-	-	-	-	(65,723)
Written off	-	-	(27,709)	(14,728)	(24,940)	-	(67,377)
Reversal of impairment loss	-	-	-	-	-	5,032	5,032
Depreciation	(124,129)	(2,634,187)	(114,932)	(169,395)	(232,236)	(75,198)	(3,350,077)
At 31 December 2017	265,679	6,984,953	463,706	1,206,281	794,849	5,523,668	15,239,136
At 31 December 2017							
Cost	703,252	14,551,849	1,534,278	2,102,503	2,433,467	6,587,782	27,913,131
Accumulated impairment loss	-	-	-	-	-	-	-
Accumulated depreciation	(437,573)	(7,566,896)	(1,070,572)	(896,222)	(1,638,618)	(1,064,114)	(12,673,995)
Net Book Value	265,679	6,984,953	463,706	1,206,281	794,849	5,523,668	15,239,136

	MOTOR VEHICLES RM	EDP EQUIPMENT RM	OFFICE EQUIPMENT RM	FURNITURE & FITTINGS RM	RENOVATIONS RM	LEASEHOLD BUILDING RM	TOTAL RM
Net book value							
At 1 January 2016	621,569	8,338,352	378,486	1,231,695	828,943	5,543,889	16,942,934
Additions	5,582	1,302,780	147,318	2,894	(204)	-	1,458,370
Disposals	(25,755)	(3,517)	(2,234)	-	-	-	(31,506)
Written off	-	-	-	(5,558)	-	-	(5,558)
Reversal of impairment loss	-	-	-	-	-	117,224	117,224
Depreciation	(145,865)	(2,349,771)	(101,230)	(163,606)	(212,533)	(67,279)	(3,040,284)
At 31 December 2016	455,531	7,287,844	422,340	1,065,425	616,206	5,593,834	15,441,180
At 31 December 2016							
Cost	810,573	12,275,701	1,547,001	1,876,816	2,158,411	6,587,782	25,256,284
Accumulated impairment loss	-	-	-	-	-	(5,032)	(5,032)
Accumulated depreciation	(355,042)	(4,987,857)	(1,124,661)	(811,391)	(1,542,205)	(988,916)	(9,810,072)
Net Book Value	455,531	7,287,844	422,340	1,065,425	616,206	5,593,834	15,441,180

1 Corporate information
2 Business review
3 Financial report
4 Other information

4. Investments

	2017 RM	2016 RM
The Company's investments are summarised as follows:		
Fair value through profit or loss ("FVTPL")	46,260,200	100,210,050
Accrued interest	185,635	763,667
	46,445,835	100,973,717
Loans and receivables ("LAR")	368,000,000	295,000,000
Accrued interest	7,440,733	7,266,879
	375,440,733	302,266,879
Total investments	421,886,568	403,240,596
The following investments mature after 12 months:		
FVTPL	46,445,835	100,973,717
The following investments mature within 12 months:		
LAR	375,440,733	302,266,879

(a) FVTPL

Fair value	2017 RM	2016 RM
Malaysian Government Securities	46,260,200	100,210,050
Accrued interest	185,635	763,667
Total investment at FVTPL	46,445,835	100,973,717

(b) LAR

Amortised cost	2017 RM	2016 RM
Deposits with financial institutions	368,000,000	295,000,000
Accrued interest	7,440,733	7,266,879
Total investments at LAR	375,440,733	302,266,879

The carrying value of investments in LAR as at 31 December 2017 (31 December 2016) approximates their fair value.

(c) Carrying Values of Financial Instruments

	FVTPL RM	LAR RM	TOTAL RM
At 1 January 2016	69,763,925	318,846,396	388,610,321
Purchases/deposits	100,532,700	574,000,000	674,532,700
Maturities	-	(593,000,000)	(593,000,000)
Disposals	(68,457,040)	-	(68,457,040)
Unrealised loss recorded in profit or loss	(987,410)	-	(987,410)
Movement in accrued interest	121,542	2,420,483	2,542,025
At 31 December 2016	100,973,717	302,266,879	403,240,596
Purchases/deposits	25,909,000	509,500,000	535,409,000
Maturities	-	(436,500,000)	(436,500,000)
Disposals	(80,540,200)	-	(80,540,200)
Unrealised gain recorded in profit or loss	681,350	-	681,350
Movement in accrued interest	(578,032)	173,854	(404,178)
At 31 December 2017	46,445,835	375,440,733	421,886,568

Notes to the financial statements (continued)

(d) Fair Values of Financial Instruments

The following table shows financial instruments recorded at fair value analysed as follows:-

	FVTPL RM
2017	
Level 2 - Valuation techniques - market observable input	46,445,835
2016	
Level 2 - Valuation techniques - market observable input	100,973,717

Financial instruments, which are under Level 2 of the fair value hierarchy are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are instruments for which pricing is obtained via pricing services but where prices have not been determined in an active market and instruments with fair values based on broker quotes.

5. Insurance receivables

	2017 RM	2016 RM
Due premiums including agents/brokers and co-insurers balances	105,242,116	106,268,491
Due from reinsurers and cedants	33,196,506	22,729,755
	138,438,622	128,998,246
Allowance for impairment	(2,049,767)	(1,299,633)
	136,388,855	127,698,613
Receivable within 12 months	136,388,855	127,698,613

Financial assets	2017 RM	2016 RM
Gross amounts of recognised financial assets, net of allowance for impairment	155,265,511	141,611,896
Less: Gross amounts of recognised financial liabilities set off in the statement of financial position (Note 11)	(18,876,656)	(13,913,283)
Net amounts of financial assets presented in the statement	136,388,855	127,698,613

There are no financial instruments subjected to an enforceable master netting arrangement or financial collateral (including cash collateral) pledged or received as at 31 December 2017 (31 December 2016: Nil). The carrying amount of insurance receivables as at 31 December 2017 (31 December 2016) approximate their fair values.

6. Other receivables

	2017 RM	2016 RM
Malaysian Motor Insurance Pool ("MMIP")		
- Cash calls made	25,359,477	25,359,477
- Other assets held in MMIP	34,905,769	37,708,833
	60,265,246	63,068,310
Other receivables	6,226,990	5,400,412
	66,492,236	68,468,722
Receivable within 12 months	64,822,836	66,799,322

The carrying amounts approximate the fair values due to the relatively short-term maturity of these balances.

MMIP as at 31 December 2017 is a net receivable of RM12,694,548 (2016: net receivable of RM6,407,155) after setting off the amounts receivable from MMIP against the Company's share of MMIP's claims and premium liabilities amounting RM46,525,697 (2016: RM56,661,155) included in Insurance Contract Liabilities (Note 9) to the financial statements.

7. Share capital

	2017 AUDITED NO OF SHARES	2017 AUDITED RM	2016 AUDITED NO OF SHARES	2016 AUDITED RM
Authorised ordinary shares of RM0.50 each: As at	400,000,000	200,000,000	400,000,000	200,000,000
Ordinary share issued and fully paid:				
At 1 January/31 December - Ordinary shares of RM0.50 each	216,000,000	108,000,000	216,000,000	108,000,000
Transition to no-par value regime under the Companies Act 2016*	-	-	-	-
At 31 December – Ordinary shares with no par value (2016: par value of RM0.50 each)	216,000,000	108,000,000	216,000,000	108,000,000

* The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital.

8. Retained earnings

The Company may distribute single tier exempt dividend to its shareholder out of its retained earnings. Pursuant to Section 51 (1) of the Financial Services Act, 2013, 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 position is less than its internal target capital level or if the payment of dividend would impair its Capital Adequacy Ratio position to below its internal target.

9. Insurance contract liabilities

	GROSS RM	REINSURANCE RM	NET RM
At 31 December 2017			
Provision for outstanding claims	324,369,684	(131,090,494)	193,279,190
Provision for incurred but not reported claims ("IBNR")	53,558,139	(4,622,912)	48,935,227
Claims liabilities (i)	377,927,823	(135,713,406)	242,214,417
Premium liabilities (ii)	176,282,960	(8,758,299)	167,524,661
	554,210,783	(144,471,705)	409,739,078
At 31 December 2016			
Provision for outstanding claims	195,069,143	(18,106,199)	176,962,944
Provision for incurred but not reported claims ("IBNR")	45,911,892	(2,520,305)	43,391,587
Claims liabilities (i)	240,981,035	(20,626,504)	220,354,531
Premium liabilities (ii)	172,422,891	(13,521,014)	158,901,877
	413,403,926	(34,147,518)	379,256,408

	2017 RM	2016 RM
Gross:		
Current	436,228,895	316,317,994
Non current	117,981,888	97,085,932
	554,210,783	413,403,926
Reinsurance:		
Current	(115,260,643)	(27,177,058)
Non current	(29,211,062)	(6,970,460)
	(144,471,705)	(34,147,518)
Net:		
Current	320,968,252	289,140,936
Non current	88,770,826	90,115,472
	409,739,078	379,256,408

Notes to the financial statements (continued)

9. Insurance contract liabilities (continued)

	2017 GROSS RM	2017 REINSURANCE RM	2017 NET RM
(i) Claims liabilities			
At 1 January	240,981,035	(20,626,504)	220,354,531
Claims incurred in the current accident year	318,069,422	(135,171,244)	182,898,178
Adjustment to claims incurred in prior accident years due to changes in assumptions:			
- Development factors and discount rates	(8,721,500)	1,825,460	(6,896,040)
Other claims experience movements to claims incurred	(13,481,924)	(421,521)	(13,903,445)
Claims paid during the financial year	(158,919,210)	18,680,403	(140,238,807)
At 31 December	377,927,823	(135,713,406)	242,214,417
(ii) Premium liabilities			
At 1 January	172,422,891	(13,521,014)	158,901,877
Premiums written in the financial year (note 13)	364,057,859	(62,277,279)	301,780,580
Premiums earned during the financial year (note 13)	(360,197,790)	67,039,994	(293,157,796)
At 31 December	176,282,960	(8,758,299)	167,524,661

	2016 GROSS RM	2016 REINSURANCE RM	2016 NET RM
(i) Claims liabilities			
At 1 January	223,897,063	(18,259,252)	205,637,811
Claims incurred in the current accident year	150,448,304	(8,760,017)	141,688,287
Adjustment to claims incurred in prior accident years due to changes in assumptions:			
- Development factors and discount rates	(10,585,560)	(930,349)	(11,515,909)
Other claims experience movements to claims incurred	(3,764,667)	(7,645,295)	(11,409,962)
Claims paid during the financial year	(119,014,105)	14,968,409	(104,045,696)
At 31 December	240,981,035	(20,626,504)	220,354,531
(ii) Premium liabilities			
At 1 January	146,508,170	(10,639,901)	135,868,269
Premiums written in the financial year (note 13)	358,885,794	(92,740,963)	266,144,831
Premiums earned during the financial year (note 13)	(332,971,073)	89,859,850	(243,111,223)
At 31 December	172,422,891	(13,521,014)	158,901,877

10. Deferred tax asset

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. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	2017 RM	2016 RM
As at 1 January	2,654,435	1,854,593
Recognised in income statement (note 17)	162,363	799,842
As at 31 December	2,816,798	2,654,435

The movements in deferred tax asset during the financial year comprise the tax effects of the following:

	AT 1 JANUARY RM	(CHARGED)/ CREDITED RM	AT 31 DECEMBER RM
2017			
Recognised in income statement:			
Excess of capital allowance over depreciation	(1,582,251)	446,815	(1,135,436)
Impairment loss on insurance receivables	311,910	180,034	491,944
Premium liabilities	1,925,610	(185,087)	1,740,523
Employee benefits accrued	1,340,136	(112,711)	1,227,425
Other provisions	581,594	(3,164)	578,430
Fair value changes of FVTPL investments	77,436	(163,524)	(86,088)
	2,654,435	162,363	2,816,798
2016			
Recognised in income statement:			
Excess of capital allowance over depreciation	(585,982)	(996,269)	(1,582,251)
Impairment loss on insurance receivables	341,718	(29,808)	311,910
Premium liabilities	1,469,490	456,120	1,925,610
Employee benefits accrued	184,705	1,155,431	1,340,136
Other provisions	604,204	(22,610)	581,594
Fair value changes of FVTPL investments	(159,542)	236,978	77,436
	1,854,593	799,842	2,654,435

11. Insurance payables

	2017 RM	2016 RM
Due to agents and intermediaries	12,528,043	15,168,864
Due to reinsurers and cedants	17,612,717	21,576,335
Deposits received from reinsurers	78,516	78,516
	30,219,276	36,823,715
Payable within 12 months	30,219,276	36,823,715

The carrying amount disclosed above approximates the fair value at the date of the statement of financial position.

	2017 RM	2016 RM
Gross amounts of recognised financial liabilities	49,095,932	50,736,998
Less: Gross amounts of recognised financial assets set off in the statement of financial position (Note 5)	(18,876,656)	(13,913,283)
Net amounts of financial liabilities presented in the statement of finacial position	30,219,276	36,823,715

As disclosed in Note 5 to the financial statements, there are no financial instruments subjected to an enforceable master netting arrangement or financial collateral (including cash collateral) pledged or received as at 31 December 2017 (31 December 2016: Nil).

Notes to the financial statements (continued)

12. Other payables

	2017 RM	2016 RM
Payroll liabilities	5,904,754	4,703,704
Duties and other taxes payable	67,970	76,310
Accrual for Head Office Charges (note 15)	14,096,000	12,868,000
Provision for profit commission	2,567,994	2,580,000
Other liabilities	3,175,314	4,911,082
	25,812,032	25,139,096

The carrying amount disclosed above approximates the fair value at the date of the statement of financial position.

All amounts are payable within one year.

A reconciliation of the provision for profit commission is as follows:

	2017 RM	2016 RM
At 1 January	2,580,000	2,890,667
Additional	2,567,994	2,580,000
Over provision in prior financial year	(132,152)	(598,479)
Profit commission paid	(2,447,848)	(2,292,188)
At 31 December	2,567,994	2,580,000

13. Net earned premiums

	2017 RM	2016 RM
(a) Gross earned premiums		
Written premium	364,057,859	358,885,794
Change in premium liabilities	(3,860,069)	(25,914,721)
	360,197,790	332,971,073
(b) Premiums ceded		
Ceded premium	(62,277,279)	(92,740,963)
Change in premium liabilities	(4,762,715)	2,881,113
	(67,039,994)	(89,859,850)
Net earned premiums	293,157,796	243,111,223

14. Investment income

	2017 RM	2016 RM
Investment property:		
Gross rental income	-	1,609
FVTPL investments		
Interest income	2,631,095	1,699,520
LAR investments		
Interest income	13,138,063	13,721,173
Investment income - MMIP	3,076,562	3,697,496
	18,845,720	19,119,798

15. Management expenses

	2017 RM	2016 RM
Staff salaries and bonus	24,856,608	22,909,933
Defined contribution plans	3,295,155	2,932,319
Other employee benefits	2,017,969	2,400,483
Staff costs	30,169,732	28,242,735
Non-Executive Directors:		
Fees	216,000	190,981
Others	13,500	7,500
Directors' remuneration	229,500	198,481
Depreciation of property, plant and equipment	3,350,077	3,040,284
Auditors' remuneration	220,996	219,213
Hire of equipment	66,250	68,940
Office rental	947,366	886,319
EDP expenses	3,405,245	2,728,931
Communication expenses	347,989	350,183
Travelling expenses	1,485,161	1,482,379
Bad and doubtful debts:		
Allowance of impairment on insurance receivables	750,134	-
Bad debts recoveries	(31,073)	-
Bad debts written off	56,161	-
Head office expenses	14,096,000	12,868,000
Other expenses	8,807,671	8,161,053
	33,501,977	29,805,302
	63,901,209	58,246,518

Included in the staff costs, there are benefits-in-kind attributable to the Company's Chief Executive Officer amounted to RM2,664,634 (2016: RM2,377,297).

Notes to the financial statements (continued)

16. Key management personnel

Key management personnel are those people defined as having authority and responsibility for planning, directing and controlling the activities of the Company, either directly or indirectly, including any director (executive or non-executive).

The total remuneration of the Directors is disclosed in Note 15 to the financial statements.

The compensation of the Chief Executive Officer and Non-Executive Directors are as follows:

	FEE RM	SALARY RM	BONUS RM	OTHERS RM	BENEFIT-IN-KIND RM	TOTAL RM
2017						
Chief Executive Officer						
Leonardo Perazzi Zanolini	-	631,694	1,081,279	168,811	15,630	1,897,414
Christopher Paul Kurinsky	-	473,467	-	165,925	127,828	767,220
Non-Executive Directors						
Dato' Koh Hong Sun	84,000	-	-	4,500	-	88,500
Arunothayam Rajaratnam	66,000	-	-	4,500	-	70,500
Dato' Tan Ang Meng	66,000	-	-	4,500	-	70,500
	216,000	1,105,161	1,081,279	348,236	143,458	2,894,134

	FEE RM	SALARY RM	BONUS RM	OTHERS RM	BENEFIT-IN-KIND RM	TOTAL RM
2016						
Chief Execuive Officer						
Leonardo Perazzi Zanolini	-	1,016,936	723,907	614,900	21,554	2,377,297
Non-Executive Directors						
Dato' Koh Hong Sun	73,433	-	-	3,000	-	76,433
Lau Cheong Koon	33,548	-	-	1,000	-	34,548
Arunothayam Rajaratnam	41,000	-	-	1,500	-	42,500
Dato' Tan Ang Meng	43,000	-	-	2,000	-	45,000
	190,981	1,016,936	723,907	622,400	21,554	2,575,778

The compensation of the other key management personnel is as follows:

	2017 RM	2016 RM
Salary and other remuneration	3,217,781	1,980,298
Benefits-in-kind	72,077	11,716
Share-based payment	-	2,413
	3,289,858	1,994,427

	Number of officers 2017	Number of officers 2016
Salary and other remuneration	7	5
Benefits-in-kind	7	5
Share-based payment	0	3

17. Income tax expense

	2017 RM	2016 RM
Current tax	7,963,513	11,803,103
Deferred tax (note 10)	(162,363)	(799,842)
Tax expense	7,801,150	11,003,261
Current tax		
Current financial year	8,226,189	11,592,556
Under/(Over) accrual in prior financial years	(262,676)	210,547
	7,963,513	11,803,103
Deferred tax		
Origination and reversal of temporary differences	(122,416)	(1,982,057)
Under/(Over) provision in prior financial year	(39,947)	1,182,215
	(162,363)	(799,842)
	7,801,150	11,003,261
Reconciliation of prima facie tax to income tax expense:		
Profit before tax	28,532,134	35,383,909
Tax calculated at the Malaysian tax rate of 24%	6,847,712	8,492,138
Tax effect of:		
Non-deductible expenses	1,193,893	129,166
Non-deductible foreign reinsurance expense	642,139	989,195
Non-taxable income	(579,971)	-
(Over)/under accrual in prior financial years	(302,623)	1,392,762
Income tax expense attributable to profit	7,801,150	11,003,261

18. Earnings per share

The earnings per ordinary share has been calculated based on the net profit for the financial year of RM20,730,984 (2016: RM24,380,648) and on the weighted average number of ordinary shares in issue during the financial year of 216,000,000 (2016: 216,000,000).

19. Dividend

The amount of dividends declared and paid by the Company since the end of the previous financial year was as follows:

	2017 RM PER SHARE	2017 RM	2016 RM PER SHARE	2016 RM
Dividend in respect of the financial year:				
Ordinary shares	0.0903	19,504,518	0.2051	44,301,600

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

20. Non-cancellable operating lease commitments

	FUTURE MINIMUM LEASE PAYMENTS 2017 RM	2016 RM
Not later than 1 year	51,660	54,517
Later than 1 year and not later than 5 years	70,685	47,450
	122,345	101,967

Notes to the financial statements (continued)

21. Significant related party disclosures

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party disclosures.

The related parties of, and their relationship with the Company, are as follows:

Related parties	Relationship
QBE Insurance Group Limited (Incorporated in Australia)	Ultimate holding company
QBE Insurance Holdings Pty Limited (Incorporated in Australia)	Penultimate holding company
QBE Asia Pacific Holdings Limited (Incorporated in Hongkong)	Immediate holding company
QBE Insurance (Australia) Ltd (Incorporated in Australia)	Subsidiary of ultimate holding company
QBE Group Services Pty Ltd. - Hong Kong Branch (Incorporated in Australia)	Subsidiary of ultimate holding company
Equator Reinsurances Limited (Incorporated in Bermuda)	Subsidiary of penultimate holding company
QBE Insurance (International) Pty Ltd (Incorporated in Australia)	Subsidiary of penultimate holding company
QBE Insurance (Europe) Limited (Incorporated in London)	Subsidiary of penultimate holding company
QBE Marine & Energy Services Pte Limited (Incorporated in Singapore)	Subsidiary of penultimate holding company
QBE Underwriting Limited (Incorporated in London)	Subsidiary of penultimate holding company
QBE European Operations plc (Incorporate in London)	Subsidiary of penultimate holding company
QBE Insurance (Singapore) Pte Ltd (Incorporated in Singapore)	Subsidiary of immediate holding company
QBE Insurance (Thailand) Public Company Limited (Incorporated in Thailand)	Subsidiary of immediate holding company
QBE Hongkong & Shanghai Insurance Limited (Incorporated in Hongkong)	Subsidiary of immediate holding company
PT QBE General Insurance Limited (Incorporated in Indonesia)	Subsidiary of immediate holding company

In the normal course of business, the Company undertakes various transactions with other companies deemed related on terms agreed between the Company and related parties.

The significant related party transactions during the financial year and balances at the financial year end between the Company and these related parties are set out as follows:

	2017 RM	2016 RM
Business transactions with subsidiaries of ultimate holding:		
Reinsurance claims recoveries	5,355,803	756,063
Reinsurance premium ceded	(5,840,482)	(9,337,439)
Reinsurance commission earned	1,739,430	2,568,678
Business transactions with subsidiaries of penultimate holding:		
Head Office charges*	(14,096,000)	(12,679,043)
Reinsurance claims recoveries	9,482,576	8,120,134
Reinsurance premium ceded	(42,640,530)	(66,858,347)
Reinsurance commission earned	2,498,735	3,653,196
Reinsurance commission expenses	-	(82,466)
Business transactions with subsidiaries of immediate holding:		
Reinsurance premium ceded	(43,322)	(55,369)
Reinsurance commission earned	11,992	20,121
Reinsurance premium refund	500,774	-
Reinsurance commission expenses	(177,865)	-

	2017 RM	2016 RM
Amounts due from / (due to) related entities as at the date of the statement of financial position are set out below:		
Amount due from related companies:		
Insurance receivables	2,095,384	3,210,429
Other receivables	196,252	-
Reinsurance assets - claims liabilities	118,216,008	12,172,871
Amount due to related companies:		
Insurance payables	(7,509,510)	(11,285,542)
Other payables	(14,096,181)	(14,182,136)

* The head office charges are comprise of technical services and training expenses, marketing and communication support expenses, finance and accounting support expenses, human resources supports expenses, risk management and compliance support expenses, actuarial support expenses and General IT management support expenses.

22. Risk management framework

The Board annually approves a comprehensive risk management strategy ("RMS") and a reinsurance management strategy ("REMS"), both of which are available for review by BNM when requested. The Company's risk management policy, strategy and framework are embedded in all operations, ensuring a consistent approach to managing risk across the organisation.

The Company's strategy for managing risk is to:
- achieve competitive advantage by better understanding the risk environments in which we operate;
- operate within our stated risk appetite and more effectively allocating capital and resources by assessing the balance of risk and reward; and
- avoid unwelcome surprises by reducing uncertainty and volatility through the identification and management of risks to the achievement of strategies and objectives.

The Company aims to adopt a rigorous approach to managing risk. The key objectives of the Company's approach to risk management are to:
- drive conscious and objective risk-based decisions to optimise return;
- give confidence to the business to actively take appropriate risks; and
- adopt leading practices and a single Enterprise Risk Management approach globally that allows for more consistent and improved outcomes.

It is the Company's philosophy to ensure that risk management is embedded in the business and that the risk makers or risk takers are themselves the risk managers. Embedding a risk assessment mindset in business planning and management processes assists in keeping focus on the key objectives and identifying metrics required to monitor portfolio performance and improvement initiatives. The management of risk must occur at each point in the business management cycle.

Risk management is a key part of strategic and business planning. It underpins the setting of limits and authorities and it is embedded in the monitoring and evaluation of performance. This approach to risk management supports the Company in ensuring the Company's risks are managed in an integrated manner.

The Company is in the business of managing risk. The Company's ability to satisfy customers' risk management needs is central to what it does. The Company aims to generate wealth and maximise returns for its shareholders by pursuing opportunities that involve risk. The Company's people have the responsibility to ensure that the key risks are managed and controlled on a day-to-day basis. The Company aims to use its ability to properly manage risk to provide more certainty and improved outcome for all stakeholders.

The Company seeks to only take on risks that fall within the Company's stated risk appetite and aims to manage them in a way to achieve an optimal return overall. The Company's ERM Framework is designed to support this approach and enhance decision-making by its people. A strong approach to risk management informs decision-making and enables the Company to measure and judge its risk exposures. Ultimately, this gives the Company greater confidence and expands its capacity to take on risks to improve returns.

The Company's risk profile is assessed under the following broad risk categories:

- Strategic risk
- Insurance risk
- Credit risk
- Market risk
- Liquidity risk
- Operational risk
- Group Risk

Each of these is described more fully in sections (a) to (g) below.

(a) Strategic risk

Strategic risk is the current and prospective impact on earnings and/or capital arising from strategic business decisions and responsiveness to external change. Strategic risk includes the following sub categories:
- business product, market, and distribution approach;
- capital structure and management;
- acquisition decision and negotiation;
- tax planning and decisioning; and
- investment strategy.

Notes to the financial statements (continued)

22. Risk management framework (continued)

(b) Insurance risk

Insurance risk is the risk of fluctuation in the timing, frequency and severity of insured events and claims settlements, relative to expectations. Insurance risk includes the following sub categories:
- underwriting/pricing;
- insurance concentrations;
- reserving; and
- reinsurance.

(c) Credit risk

Credit risk is the risk of not covering money owed to the company by third parties as well as the loss of value of assets due to deterioration in credit quality. QBE's exposure to credit risk results from financial transactions with securities issuers, debtors, brokers, policyholders, reinsurers and guarantors. Credit risk includes the following sub categories:
- reinsurance counterparty credit and other recoveries;
- premium and other counterparty credit; and
- investment counterparty credit.

d) Market risk

Market risk is the risk of variation in the value of investments due to movements in market factors. Market factors include but are not limited to interest rates, credit spreads, foreign exchange rates, equity prices and commodity derivatives. Market risk includes the following sub categories:
- investment market movement (including equity, interest rate, credit spreads); and
- foreign exchange rate movement.

(e) Liquidity risk

Liquidity risk is the risk of insufficient liquid assets to meet liabilities as they fall due to policyholders and creditors or only being able to do so at excessive cost.

(f) Operational risk

Operational risk is the risk of financial loss resulting from inadequate or failed internal processes, people and systems or from external events (including legal risk). Operational risk includes the following sub categories:
- internal fraud;
- external fraud;
- employment practices (people risks);
- improper business practices;
- disasters and other events;
- technology and infrastructure failures; and
- business and transaction processing

(g) Group risk

Group Risk is the risk to the Company arising specifically from being part of the wider QBE Group, including financial impact and loss of support from the parent company.

23. Insurance risk

The table below sets out the concentration of General insurance contracts liabilities by type of contract..

	2017			2016		
	GROSS RM	REINSURANCE RM	NET RM	GROSS RM	REINSURANCE RM	NET RM
Motor	86,029,011	(1,218,739)	84,810,272	92,262,848	(1,218,245)	91,044,603
Fire	218,078,431	(119,732,781)	98,345,650	88,283,210	(5,826,981)	82,456,228
Marine, Aviation & Transit	70,729,553	(14,770,087)	55,959,466	82,501,720	(20,564,174)	61,937,547
Miscellaneous	179,373,788	(8,750,098)	170,623,690	150,356,148	(6,538,118)	143,818,030
Insurance contract liabilities	554,210,783	(144,471,705)	409,739,078	413,403,926	(34,147,518)	379,256,408

Key Assumptions

The principal assumptions underlying the estimation of liabilities is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumption in respect of average claims costs, claim handling costs and average number of claims for each accident year. Assumptions are also made in relation to the rate of claims inflation in the future.

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

Other key circumstances affecting the reliability of assumption include variation in interest rates and delays in settlement.

Sensitivities

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

The analysis below is performed for reasonably possible movement in key assumptions with all other assumptions held constant, showing the impact on Gross and Net Liabilities, Profit before Tax and Equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

	CHANGE IN ASSUMPTIONS	IMPACT ON GROSS LIABILITIES RM	IMPACT ON NET LIABILITIES RM	DECREASE OF PROFIT BEFORE TAX RM	DECREASE OF EQUITY RM
2017					
Average claim cost	+10%	37,792,782	24,221,442	24,221,442	18,408,296
Number of claims	+10%	7,026,863	4,503,525	4,503,525	3,422,679
Inflation	+1%	3,867,544	2,743,616	2,743,616	2,085,148
Discount rate	-1%	3,916,362	2,777,829	2,777,829	2,111,150
Ultimate loss ratio	+5%	17,907,063	14,430,514	14,430,514	10,967,191
2016					
Average claim cost	+10%	24,098,104	22,035,453	22,035,453	16,746,944
Number of claims	+10%	3,973,243	3,633,158	3,633,158	2,761,200
Inflation	+1%	3,105,943	2,892,203	2,892,203	2,198,074
Discount rate	-1%	3,137,166	2,921,072	2,921,072	2,220,015
Ultimate loss ratio	+5%	16,412,298	11,933,047	11,933,047	9,069,116

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

Claims development table

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

In setting provisions for claims, the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercise a degree of caution in setting reserves when there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin maintained should decrease.

Gross General Insurance Claims Liabilities for 2017:

INCURRED CLAIMS ACCIDENT YEAR	NOTE	BEFORE 2010 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	TOTAL RM'000
At end of accident year			55,473	72,342	92,620	94,132	137,702	147,906	150,448	318,070	
One year later			52,442	69,753	85,299	91,690	132,111	153,306	144,840		
Two years later			54,092	61,654	82,245	87,219	126,849	146,455			
Three years later			51,404	61,295	79,046	83,941	121,899				
Four years later			50,298	59,382	76,173	82,380					
Five years later			49,832	57,519	76,272						
Six years later			48,522	58,267							
Seven years later			48,413								
Current estimate of cumulative claims incurred			48,413	58,267	76,272	82,380	121,899	146,455	144,840	318,070	
Claims payment Accident year											
At end of accident year			14,649	18,991	19,869	20,147	40,951	30,387	29,013	55,141	
One year later			33,292	44,800	49,758	54,947	83,131	93,762	91,043		
Two years later			39,434	46,411	59,861	62,620	96,948	119,597			
Three years later			41,730	50,733	66,122	68,426	106,400				
Four years later			44,205	52,422	69,057	71,272					
Five years later			45,307	53,933	70,497						
Six years later			46,413	55,504							
Seven years later			46,839								
Cumulative payments to-date			46,839	55,504	70,497	71,272	106,400	119,597	91,043	55,141	
Gross general insurance contract liabilities per statement of financial position	9	(2,375)	1,574	2,763	5,775	11,108	15,499	26,858	53,797	262,929	377,928
Current estimate of surplus % surplus of initial gross reserve			13%	19%	18%	12%	11%	1%	4%	0%	

Notes to the financial statements (continued)

23. Insurance risk (continued)

Net General Insurance Claims Liabilities for 2017:

INCURRED CLAIMS ACCIDENT YEAR	NOTE	BEFORE 2010 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	TOTAL RM'000
At end of accident year			48,393	56,118	79,184	85,959	116,455	135,095	141,688	182,898	
One year later			43,488	54,023	73,057	82,605	113,209	130,217	133,720		
Two years later			45,618	46,717	69,338	77,868	108,363	122,328			
Three years later			43,098	46,097	66,952	73,183	101,061				
Four years later			42,123	44,902	64,033	71,807					
Five years later			41,617	42,874	64,824						
Six years later			40,112	44,123							
Seven years later			40,352								
Current estimate of cumulative claims incurred			40,352	44,123	64,824	71,807	101,061	122,328	133,720	182,898	
Claims payment Accident year											
At end of accident year			14,000	13,129	17,676	18,900	25,372	28,684	28,137	47,443	
One year later			29,021	30,788	38,942	46,684	65,743	80,636	86,273		
Two years later			33,174	32,314	48,184	54,181	79,712	99,378			
Three years later			33,707	36,513	54,125	57,993	86,539				
Four years later			36,083	38,184	56,919	60,995					
Five years later			37,174	39,530	59,094						
Six years later			38,111	41,478							
Seven years later			38,781								
Cumulative payments to-date			38,781	41,478	59,094	60,995	86,539	99,378	86,273	47,443	
Net general insurance contract liabilities per statement of financial position	9	1,082	1,571	2,645	5,730	10,812	14,522	22,950	47,447	135,455	242,214
Current estimate of surplus											
% surplus of initial net reserve			17%	21%	18%	16%	13%	9%	6%	0%	

Gross General Insurance Claims Liabilities for 2016:

INCURRED CLAIMS ACCIDENT YEAR	NOTE	BEFORE 2009 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	TOTAL RM'000
At end of accident year			54,093	55,473	72,342	92,620	94,132	137,702	147,905	150,448	
One year later			59,702	52,442	69,753	85,299	91,690	132,111	153,306		
Two years later			58,117	54,092	61,654	82,245	87,219	126,849			
Three years later			57,527	51,404	61,295	79,046	83,941				
Four years later			54,010	50,298	59,382	76,173					
Five years later			53,524	49,832	57,519						
Six years later			53,066	48,522							
Seven years later			52,187								
Current estimate of cumulative claims incurred			52,187	48,522	57,519	76,173	83,941	126,849	153,306	150,448	
Claims payment Accident year											
At end of accident year			17,861	14,649	18,991	19,869	20,147	40,951	30,387	29,013	
One year later			40,243	33,292	44,800	49,758	54,947	83,131	93,762		
Two years later			47,708	39,434	46,411	59,861	62,620	96,948			
Three years later			50,242	41,730	50,733	66,122	68,426				
Four years later			49,585	44,205	52,422	69,057					
Five years later			50,695	45,307	53,933						
Six years later			50,969	46,413							
Seven years later			51,492								
Cumulative payments to-date			51,492	46,413	53,933	69,057	68,426	96,948	93,762	29,013	
Gross general insurance contract liabilities per statement of financial position	9	1,080	695	2,109	3,586	7,116	15,515	29,901	59,544	121,435	240,981
Current estimate of surplus											
% surplus of initial gross reserve			4%	13%	20%	18%	11%	8%	-4%	0%	

Notes to the financial statements (continued)

23. Insurance risk (continued)

Net General Insurance Claims Liabilities for 2016:

INCURRED CLAIMS ACCIDENT YEAR	NOTE	BEFORE 2009 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	TOTAL RM'000
At end of accident year			46,202	48,393	56,118	79,184	85,959	116,455	135,095	141,688	
One year later			48,569	43,488	54,023	73,057	82,605	113,209	130,217		
Two years later			46,337	45,618	46,717	69,338	77,868	108,363			
Three years later			45,603	43,098	46,097	66,952	73,183				
Four years later			41,952	42,123	44,902	64,033					
Five years later			41,598	41,617	42,874						
Six years later			41,150	40,112							
Seven years later			40,541								
Current estimate of cumulative claims incurred			40,541	40,112	42,874	64,033	73,183	108,363	130,217	141,688	
Claims payment Accident year											
At end of accident year			12,888	14,000	13,129	17,676	18,900	25,372	28,683	28,137	
One year later			30,328	29,021	30,788	38,942	46,684	65,743	80,636		
Two years later			36,074	33,174	32,314	48,184	54,181	79,712			
Three years later			38,550	33,707	36,513	54,125	57,993				
Four years later			37,736	36,083	38,184	56,919					
Five years later			38,813	37,174	39,530						
Six years later			39,084	38,111							
Seven years later			39,847								
Cumulative payments to-date			39,847	38,111	39,530	56,919	57,993	79,712	80,636	28,137	
Net general insurance contract liabilities per statement of financial position	9	229	694	2,001	3,344	7,114	15,190	28,651	49,581	113,551	220,355
Current estimate of surplus % surplus of initial net reserve			12%	17%	24%	19%	15%	7%	4%	0%	

24. Financial risks

(1) Credit Risk

In the normal course of business, the Company incurs credit risk from trade receivables and financial institutions. There is no significant concentration of credit risk.

The credit risk on financial assets of the Company is generally the carrying amount, which is net of any allowances. Credit risk exposures are calculated regularly and compared to authorised credit limits before further transactions are undertaken with each counter-party. The Company does not expect any counter-parties to fail to meet their obligations given their high credit ratings and therefore does not require collateral or other security.

Credit Exposure

The table below shows the maximum exposure to credit risk for the components on the statement of financial position and items such as future commitments.

	NOTE	2017 RM	2016 RM
Investments at FVTPL:			
Malaysian Government Securities	4(a)	46,445,835	100,973,717
LAR:			
Fixed and call deposits	4(b)	375,440,733	302,266,879
Reinsurance assets - claims liabilities	9	135,713,406	20,626,504
Insurance receivables	5	136,388,855	127,698,613
Other receivables	6	66,492,236	68,133,995
Cash and bank balances		267,604	210,399
		760,748,669	619,910,107

To manage the credit risks of insurance receivables, the Company has established credit policies that govern credit approval, review and monitoring processes and impairment assessment processes. The credit policies also lay down the actions to be taken to handle debts overdue for a certain period of time. There are also monthly management reports showing the ageing analysis of balance overdue, and the management will monitor the ageing analysis on a regular basis.

The following table summarises the credit quality of financial assets and reinsurance assets at the date of the statement of financial position.

	NEITHER PAST-DUE NOR IMPAIRED NOT RATED RM	PAST DUE BUT NOT IMPAIRED RM	PAST DUE AND IMPAIRED RM	TOTAL RM
2017				
Investments at FVTPL:				
Malaysian Government Securities	46,445,835	-	-	46,445,835
LAR:				
Fixed deposits and call deposits	375,440,733	-	-	375,440,733
Reinsurance assets - claims liabilities	135,713,406	-	-	135,713,406
Insurance receivables	107,809,849	28,579,006	2,049,767	138,438,622
Other receivables	66,492,236	-	-	66,492,236
Cash and bank balances	267,604	-	-	267,604
	732,169,663	28,579,006	2,049,767	762,798,436
Allowance for impairment	-	-	(2,049,767)	(2,049,767)
	732,169,663	28,579,006	-	760,748,669

24. Financial risks (continued)

(1) Credit Risk (continued)

Credit Exposure (continued)

	NEITHER PAST-DUE NOR IMPAIRED NOT RATED RM	PAST DUE BUT NOT IMPAIRED RM	PAST DUE AND IMPAIRED RM	TOTAL RM
2016				
Investments at FVTPL:				
Malaysian Government Securities	100,973,717	-	-	100,973,717
LAR:				
Fixed deposits and call deposits	302,266,879	-	-	302,266,879
Reinsurance assets - claims liabilities	20,626,504	-	-	20,626,504
Insurance receivables	102,401,256	25,297,357	1,299,633	128,998,246
Other receivables	68,133,995	-	-	68,133,995
Cash and bank balances	210,399	-	-	210,399
	594,612,750	25,297,357	1,299,633	621,209,740
Allowance for impairment	-	-	(1,299,633)	(1,299,633)
	594,612,750	25,297,357	-	619,910,107

Credit Exposure by Credit Rating

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the recognised local or international rating agencies' credit ratings of counterparties. AAA is the highest possible rating. Rated assets fall outside the range of AAA to BBB are classified as speculative grade and thus are considered as non-investment grade.

2017	AAA RM	AA RM	A RM	NOT RATED RM	TOTAL RM
Investments at FVTPL:					
Malaysian Government Securities	-	-	-	46,445,835	46,445,835
LAR:					
Fixed and call deposits	185,176,853	190,263,880	-	-	375,440,733
Reinsurance assets - claims liabilities	-	310,433	128,336,204	7,066,769	135,713,406
Insurance receivables	-	21,874	620,575	135,746,406	136,388,855
Other receivables	-	-	-	66,492,236	66,492,236
Cash and bank balances	245,961	10,643	-	11,000	267,604
	185,422,814	190,606,830	128,956,779	255,762,246	760,748,669

2016	AAA RM	AA RM	A RM	NOT RATED RM	TOTAL RM
Investments at FVTPL:					
Malaysian Government Securities	-	-	-	100,973,717	100,973,717
LAR:					
Fixed and call deposits	189,014,801	113,252,078	-	-	302,266,879
Reinsurance assets - claims liabilities	-	14,356,750	2,520,305	3,749,449	20,626,504
Insurance receivables	-	220,946	-	127,477,667	127,698,613
Other receivables	-	-	-	68,133,995	68,133,995
Cash and bank balances	197,286	-	2,113	11,000	210,399
	189,212,087	127,829,774	2,522,418	300,345,828	619,910,107

During the financial year, no credit exposure limits were exceeded.

The Company actively manages its product mix to ensure that there is no significant concentration of credit risk.

Aged Analysis of Financial Assets Past-Due But Not Impaired*

	<30 DAYS	31-60 DAYS	61-90 DAYS	>90 DAYS	TOTAL
2017					
Insurance receivables	6,841,237	3,729,654	6,008,055	12,000,060	28,579,006
2016					
Insurance receivables	7,047,865	4,707,446	6,296,631	7,245,415	25,297,357

* Past-due but not impaired refers to amounts outstanding more than 90 days from the effective date of the transactions. The above balances had been aged according to the period subsequent to classification of these balances as past-due.

Impaired Financial Assets

A receivable is considered as individually impaired if the counterparty is in the process of liquidation or legal action has been taken to recover the outstanding balances.

At 31 December 2017, based on individual assessment of insurance receivables, there are impaired insurance receivables of RM2,049,767 (2016: RM1,299,633). The Company considers insurance receivables classified as "past due and impaired" as those which the Company has remote chance to recover. No collateral is held as security for any past due or impaired assets. The Company records impairment allowance for insurance receivables in separate allowance for impairment losses account. A reconciliation of the allowance for impairment losses for insurance receivables is as follows:

	2017 RM	2016 RM
At 1 January	1,299,633	1,423,856
Allowance/(write back)	750,134	(124,223)
At 31 December	2,049,767	1,299,633

(2) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments.

The following policies and procedures are in place to mitigate the Company's exposure to liquidity risk:

- In addition to treasury cash held for working capital requirements, and in accordance with the Company's liquidity policy, a minimum percentage of investments and cash are held in liquid short-term money market securities to ensure that there are sufficient liquid funds available to meet insurance obligations.
- The Company limits the risk of liquidity shortfalls resulting from mismatches in the timing of claims payments and receipts of claims recoveries by negotiating cash call clauses in reinsurance contracts and seeking accelerated settlements for large claims.

Maturity Profiles

The table below summarises the maturity profile of the financial assets and financial liabilities of the Company based on remaining undiscounted contractual obligations, including interest/profit payable and receivables.

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

Premium liabilities and the corresponding reinsurers' share of premium liabilities have been excluded from the analysis as they do not contain any contractual obligations.

Notes to the financial statements (continued)

24. Financial risks (continued)

(2) Liquidity Risk (continued)

Maturity Profiles (continued)

	CARRYING VALUE RM	UP TO A YEAR RM	1-3 YEARS RM	3-5 YEARS RM	5-15 YEARS RM	TOTAL RM
2017						
Investments:						
FVTPL	46,445,835	1,674,930	9,955,165	40,411,800	-	52,041,895
LAR	375,440,733	365,801,714	17,264,000	-	-	383,065,714
Reinsurance assets -						
claims liabilities	135,713,406	106,502,344	24,509,242	3,446,156	1,255,664	135,713,406
Insurance receivables	136,388,855	136,388,855	-	-	-	136,388,855
Cash and bank balances	267,604	267,604	-	-	-	267,604
Total assets	694,256,433	610,635,447	51,728,407	43,857,956	1,255,664	707,477,474
Insurance contract liabilities -						
claims liabilities	377,927,823	259,945,935	95,840,850	17,013,006	5,128,032	377,927,823
Insurance payables	30,219,276	30,219,276	-	-	-	30,219,276
Other payables	19,839,308	19,839,308	-	-	-	19,839,308
Total liabilities	427,986,407	310,004,519	95,840,850	17,013,006	5,128,032	427,986,407

	CARRYING VALUE RM	UP TO A YEAR RM	1-3 YEARS RM	3-5 YEARS RM	5-15 YEARS RM	TOTAL RM
2016						
Investments:						
FVTPL	100,973,717	-	62,666,075	50,692,493	-	113,358,568
LAR	302,266,879	307,367,699	-	-	-	307,367,699
Reinsurance assets -						
claims liabilities	20,626,504	13,656,044	5,853,308	927,770	189,382	20,626,504
Insurance receivables	127,698,613	127,698,613	-	-	-	127,698,613
Cash and bank balances	210,399	210,399	-	-	-	210,399
Total assets	551,776,112	448,932,755	68,519,383	51,620,263	189,382	569,261,783
Insurance contract liabilities -						
claims liabilities	240,981,035	143,895,103	71,803,291	18,058,900	7,223,741	240,981,035
Insurance payables	36,823,715	36,823,715	-	-	-	36,823,715
Other payables	20,359,082	20,359,082	-	-	-	20,359,082
Total liabilities	298,163,832	201,077,900	71,803,291	18,058,900	7,223,741	298,163,832

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

	CURRENT* RM	NON-CURRENT RM	TOTAL RM
2017			
Property, plant and equipment	-	15,239,136	15,239,136
Investments:			
- FVTPL	-	46,445,835	46,445,835
- LAR	375,440,733	-	375,440,733
Reinsurance assets	115,260,643	29,211,062	144,471,705
Insurance receivables	136,388,855	-	136,388,855
Other receivables	64,822,836	1,669,400	66,492,236
Deferred tax asset	-	2,816,798	2,816,798
Tax recoverable	1,003,050	-	1,003,050
Cash and bank balances	267,604	-	267,604
Total assets	693,183,721	95,382,231	788,565,952
2016			
Property, plant and equipment	-	15,441,180	15,441,180
Investments:			
- FVTPL	-	100,973,717	100,973,717
- LAR	302,266,879	-	302,266,879
Reinsurance assets	27,177,058	6,970,460	34,147,518
Insurance receivables	127,698,613	-	127,698,613
Other receivables	66,464,595	1,669,400	68,133,995
Deferred tax asset	-	2,654,435	2,654,435
Tax recoverable	602,669	-	602,669
Cash and bank balances	210,399	-	210,399
Total assets	524,420,213	127,709,192	652,129,405

* expected utilisation or settlement within 12 months from the date of the statement of financial position.

(3) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three (3) types of risk – foreign exchanges rates (Currency risk), market interest rates/profit yields (Interest Rate/Profit Yield risk) and market prices (Price risk).

The key features of the Company's market risk management practices and policies are as follows:

- The Company is exposed to market risk on its investments in fixed interest securities. It is not the Company's policy to hedge its market risks.
- The risk management process is subject to regular internal audit and close senior management scrutiny, including regular Board and other management reporting.
- All investments are made in accordance with the Company's investments guidelines which are approved by the Board of Directors.

Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's primary transactions are carried out in Ringgit Malaysia (RM) and the Company undertakes transactions denominated in foreign currencies from time to time and resulting from these activities, exposures in foreign currency arise. It is not the Company's policy to hedge its foreign currency risks.

The Company's main foreign exchange risk come from recognised assets and liabilities that arises from reinsurance transactions for which the balances are expected to be settled and realised in less than a year. The impact arising from sensitivity in foreign exchange rates on reinsurance assets and liabilities is deemed minimal as the Company has no significant concentration of foreign currency risk.

Notes to the financial statements (continued)

24. Financial risks (continued)

(3) Market Risk (continued)

Interest Rate/Profit Yield Risk
Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate/profit yield.

The Company's risk management approach is to minimise interest rate risk by investing in high quality, liquid fixed interest securities and cash and actively managing the duration of the fixed interest portfolio.

Price Risk
Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate/profit yield risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting similar financial instruments traded in the market.

The Company complies with BNM stipulated limits during the financial year and has no significant concentration of price risk.

(4) Operational Risks
Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss.

The Company manages operational risk within the same robust control framework as its other risks. One of the cornerstones of the Company's risk management framework is the recruitment and retention of high quality people who are entrusted with appropriate levels of autonomy within the parameters of disciplined risk management practices. The Company operates a system of delegated authorities based on expertise and proven performance, and compliance is closely monitored. Other controls include effective segregation of duties, access controls and authorisation and reconciliation procedures.

25. Regulatory capital requirements

As per the Risk Based Capital ("RBC") Framework issued by BNM, the Company is required to assess its capital profile and develop appropriate plans towards developing internal capital target/plans. In line with this requirement, management had developed a Capital Management Plan ("CMP") that takes into account the Company's strategic business direction and changing business environment, and adequate processes to monitor and ensure the maintenance of an appropriate level of capital which commensurate with the current risk profile of the Company. The Board had approved and adopted the CMP for implementation with effect from 1 January 2009.

The Risk Management Committee is responsible for the oversight of the Company's capital management. All proposals for any deviation from capital targets or capital raising exercise must be approved by the Risk Management Committee prior to recommendation to the Board of Directors for approval and implementation.

The capital structure of the company as at 31 December 2017 and 31 December 2016 as prescribed under the RBC Framework is as below:

	NOTE	2017 RM	2016 RM
Eligible Tier 1 Capital			
Share capital (paid-up)	7	108,000,000	108,000,000
Reserves, including retained earnings		70,323,861	69,097,395
		178,323,861	177,097,395
Amounts deducted from Capital	10	(2,816,798)	(2,654,435)
Total Capital Available		175,507,063	174,442,960

26. Approval of financial statements

The financial statements were authorised for issue by the Board of Directors with a resolution of the Directors on 9 February 2018.

Branch network

QBE Insurance (Malaysia) Berhad
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