Company No.

| 457556 | X |
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# TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

31 DECEMBER 2015

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Company No.

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TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
(Incorporated in Malaysia)

# CONTENTS

Company No.

| 457556 | X |
|---|---|

TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
(Incorporated in Malaysia)

# DIRECTORS' REPORT

The Directors are pleased to submit their report to the member together with the audited financial statements of the Company for the financial year ended 31 December 2015.

## PRINCIPAL ACTIVITY

The principal activity of the Company is the underwriting of all classes of life insurance business, including investment-linked business. There has been no significant change in the nature of this activity during the financial year.

## FINANCIAL RESULTS

| | RM'000 |
|---|---|
| Net profit for the financial year | 92,655 |

## DIVIDENDS

No dividends have been paid or declared by the Company since the end of the previous financial year.

The Directors do not recommend the payment of any final dividend for the financial year ended 31 December 2015.

## SHARE CAPITAL

There have been no changes in the authorised share capital of the Company during the financial year. On 26 March 2015, the Company increased its issued and paid-up share capital via an issuance of 126,000,000 new ordinary shares of RM1.00 per share for cash. The new ordinary shares issued during the financial year ended 31 December 2015 rank pari passu in all respects to the existing ordinary shares of the Company.

## RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are disclosed in the financial statements.

## PROVISION FOR INSURANCE LIABILITIES

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that there was adequate provision for the 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.

## BAD AND DOUBTFUL DEBTS

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that 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 adequate allowance had been made for doubtful debts.

At the date of this report, the Directors of the Company are not aware of any circumstances which would render the amounts written off for bad debts or the amounts of the allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent.

## CURRENT ASSETS

Before the financial statements of the Company were made out, the Directors took reasonable steps to ensure that any current assets other than debts, which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Company have been written down to an amount which they might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Company misleading.

## VALUATION METHODS

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

## CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

(a) any charge on the assets of the Company that has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Company which has arisen since the end of the financial year.

No contingent or other liability of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Company to meet its obligations as and when they fall due.

For the purpose of this paragraph, contingent or other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Company.

## CHANGE OF CIRCUMSTANCES

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

## ITEMS OF AN UNUSUAL NATURE

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

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Company for the financial year in which this report is made.

## CORPORATE GOVERNANCE

The Company has taken concerted steps to ensure compliance with Prudential Framework of Corporate Governance for Insurers ("Framework") issued by BNM, and its best practical applications. The Board of Directors ("the Board") is committed to the principles prescribed in the Framework.

In compliance with Minimum Standards for Prudential Management of Insurers (Consolidated), the Board has established four (4) sub-committees as set out below.

## NOMINATING COMMITTEE

Membership

Leong Kam Weng (Chairman) (appointed on 8 November 2015)
Yip Jian Lee
Tan Sri Dato' Dr Yahya Bin Awang
Lee King Chi Arthur
Hideyuki Ishii
Yeoh Chong Keng (resigned on 8 November 2015)

NOMINATING COMMITTEE (CONTINUED)

Responsibilities

The Committee is responsible for:

(a) establishing the minimum requirements for the Board and the Chief Executive Officer to perform their responsibilities effectively. The Committee shall ensure that the requirements adhere with the guidelines from BNM;

(b) recommending and assessing the nominees for directorship, the Directors to fill the Board Committees, as well as nominees for the Chief Executive Officer position. This includes assessing Directors and the Chief Executive Officer proposed for reappointment, before an application for approval is submitted to BNM;

(c) establishing mechanisms for the assessment on the effectiveness of the Board, and the performance of the Chief Executive Officer and key senior officers;

(d) recommending to the Board the removal of Directors, Chief Executive Officer and key senior officers if they are found to be ineffective or negligent in discharging their duties;

(e) overseeing the management succession planning; and

(f) ensuring that all Directors undergo appropriate induction programmes and receive continuous training.

The procedures for appointment and assessment must be approved by the Board and disclosed to the shareholders. The Committee is required to report its recommendations to the Board for decision.

The Committee held two (2) meetings during the financial year which were attended by the members as follows:

| Members of the Committee: | Number of meetings attended: |
|---|---|
| Yip Jian Lee | 2/2 |
| Tan Sri Dato' Dr Yahya Bin Awang | 2/2 |
| Lee King Chi Arthur | 2/2 |
| Hideyuki Ishii | 2/2 |
| Yeoh Chong Keng | 1/1 |
| Leong Kam Weng | 1/1 |

Having assessed the Directors retiring by rotation in respect of compliance with the prescriptive requirements under Article 95 of the Company's Articles of Association, as well as their participation on the Board and Board Committees, the Committee recommended the reappointment of Tan Sri Dato' Dr Yahya Bin Awang at the 2016 Annual General Meeting.

Pursuant to Article 100 of the Company's Articles of Association, Leong Kam Weng, being a newly appointed Director after the last Annual General Meeting, will retire at the forthcoming Annual General Meeting.

The Committee is of the view that the current Board comprises person who as a group provide core competencies necessary to meet the Company's goals.

NOMINATING COMMITTEE (CONTINUED)

Responsibilities (continued)

The Committee evaluates the contribution of each Director to the Company. Assessment parameters include demonstration of integrity, commitment and competence, attendance record at meetings of the Board and Committees, vigour and intensity of participation at meetings and special contributions.

The Committee also evaluates the Board's performance as a whole. The assessment process looks at both quantitative and qualitative criteria, which include review of discussions as reported in minutes of Board and Committee meetings, various financial benchmarks and performance ratios, the structural characteristics of the Board, the combined contributions and competencies of individual Directors and the effectiveness of the Board in monitoring management's performance. The Committee is of the view that the Board as a whole has provided effective policy and strategic direction for the Company and took active participation in monitoring the performance of the management and accordingly, is satisfied with the effectiveness of the Board as a whole.

REMUNERATION COMMITTEE

Membership

Yip Jian Lee (Chairperson)
Lee King Chi Arthur
Hideyuki Ishii
Leong Kam Weng (appointed on 8 November 2015)
Yeoh Chong Keng (resigned on 8 November 2015)

Responsibilities

The Committee is responsible for:

(a) developing a framework of remuneration for Directors, Chief Executive Officer and key senior officers. The framework should be approved by the Board and any changes are subjected to the approval of the Board and shareholders, if applicable; and

(b) recommending specific remuneration packages for Directors, Chief Executive Officer and key senior officers. The remuneration packages should be based on objective considerations and approved by the Board.

The Committee held one (1) meeting during the financial year and the attendance of the members are as follows:

| Members of the Committee: | Number of meetings attended: |
|---|---|
| Yip Jian Lee | 1/1 |
| Lee King Chi Arthur | 1/1 |
| Hideyuki Ishii | 1/1 |
| Yeoh Chong Keng | 1/1 |
| Leong Kam Weng | - |

## AUDIT COMMITTEE

Membership

Yip Jian Lee (Chairperson)
Lee King Chi Arthur
Leong Kam Weng (appointed on 8 November 2015)
Yeoh Chong Keng (resigned on 8 November 2015)

Responsibilities

The Committee is established pursuant to the requirements of BNM/RH/GL/003-22: Guidelines on Audit Committees and Internal Audit Departments to assist the Board in fulfilling its oversight responsibilities by reviewing the financial information that will be provided to stakeholders, the system of internal controls that the management and the Board have established and the audit processes. In doing so, the Committee is providing an avenue for external and internal auditors to effectively voice their findings.

The Committee is responsible for:

(a) appointing the external auditors having regarded their independence, nature and scope of audit, as well as approving any provision of non-audit services by them where required;

(b) reviewing the financial statements of the Company, including the discussion of the results and findings arising from the external audits;

(c) considering any related-party transactions that may arise within the Company or Tokio Marine group of companies;

(d) reviewing the adequacy of the scope, functions and resources of internal audit function, including assessing the necessary authority and performance of its members; and

(e) reviewing the internal audit programme and findings of the internal audit process and where necessary, ensuring that appropriate actions are taken on the recommendations of internal audit function.

The Committee held four (4) meetings during the financial year which were attended by the members as follows:

| Members of the Committee: | Number of meetings attended: |
|---|---|
| Yip Jian Lee | 4/4 |
| Lee King Chi Arthur | 4/4 |
| Yeoh Chong Keng | 3/3 |
| Leong Kam Weng | 1/1 |

RISK MANAGEMENT AND COMPLIANCE COMMITTEE

Membership

Leong Kam Weng (Chairman) (appointed on 8 November 2015)
Yip Jian Lee
Tan Sri Dato' Dr Yahya Bin Awang
Lee King Chi Arthur
Hideyuki Ishii
Yeoh Chong Keng (resigned on 8 November 2015)

Responsibilities

The Committee is responsible for:

(a) reviewing and recommending risk management strategies, policies and risk tolerance for the Board's approval;

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

(c) ensuring there are adequate infrastructure, resources and systems are in place for effective risk management. This includes ensuring that the staff responsible for implementing risk management systems perform their responsibilities independently of the Company's risk taking activities;

(d) reviewing reports from management on risk exposure, risk portfolio composition and risk management activities;

(e) reviewing and evaluating the adequacy of the compliance management framework in the Company;

(f) reviewing the management of any compliance incidents reported to and managed by the management as well as to provide oversight on compliance reporting requirements; and

(g) ensuring that adequate infrastructure, resources and systems are in place for effective compliance management. This includes ensuring that the staff responsible for managing compliance is duly empowered to perform their responsibilities independently.

RISK MANAGEMENT AND COMPLIANCE COMMITTEE (CONTINUED)

Responsibilities (continued)

The Committee held four (4) meetings during the financial year and the attendance of the members are as follows:

| Members of the Committee: | Number of meetings attended: |
|---|---|
| Yip Jian Lee | 4/4 |
| Tan Sri Dato' Dr Yahya Bin Awang | 4/4 |
| Lee King Chi Arthur | 4/4 |
| Hideyuki Ishii | 4/4 |
| Yeoh Chong Keng | 3/3 |
| Leong Kam Weng | 1/1 |

The Committee is supported by the Company's Senior Management, the Risk Management Working Team and the Compliance and Risk Management Department.

DIRECTORS

The Directors who have held office during the period since the date of the last report are as follows:

Tan Sri Dato' Dr Yahya Bin Awang (Chairman)
Yip Jian Lee
Lee King Chi Arthur
Hideyuki Ishii
Leong Kam Weng (appointed on 1 July 2015)
Yeoh Chong Keng (resigned on 8 November 2015)

In accordance with Article 95 of the Company's Articles of Association, Tan Sri Dato' Dr Yahya Bin Awang retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

Pursuant to Article 100 of the Company's Articles of Association, Leong Kam Weng, being a newly appointed Director after the last Annual General Meeting, will retire at the forthcoming Annual General Meeting.

## DIRECTORS' INTERESTS IN SHARES

According to the register of Directors' shareholdings, the particulars of interests of Directors who held office at the end of the financial year in shares of the related corporations, are as follows:

| | Number of ordinary shares | | | |
|---|---|---|---|---|
| | At 1.1.2015 | Acquired | Disposed | At 31.12.2015 |
| Asia General Holdings Limited | | | | |
| Lee King Chi Arthur * | 1 | - | - | 1 |
| Tokio Marine Life Insurance Singapore Ltd. | | | | |
| Lee King Chi Arthur ** | 1 | - | - | 1 |

* As nominee of Tokio Marine & Nichido Fire Insurance Co., Ltd.
** As nominee of Asia General Holdings Limited

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

## 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.

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than Directors' remuneration disclosed in the Note 23 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.

# DIRECTORS' REPORT (CONTINUED)

## ULTIMATE HOLDING CORPORATION

The Directors regard Tokio Marine Holdings, Inc., a company incorporated in Japan, as the Company's ultimate holding corporation.

## AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 30 March 2016.

| | |
|---|---|
| LEONG KAM WENG<br>DIRECTOR | YIP JIAN LEE<br>DIRECTOR |

Company No.

| 457556 | X |
|---|---|

TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
(Incorporated in Malaysia)

## STATEMENT BY DIRECTORS
## PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Leong Kam Weng and Yip Jian Lee, two of the Directors of Tokio Marine Life Insurance Malaysia Bhd., state that, in the opinion of the Directors, the financial statements set out on pages 14 to 88 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2015 and of its financial performance and cash flows for the financial year ended on that date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated 30 March 2016.

LEONG KAM WENG
DIRECTOR

YIP JIAN LEE
DIRECTOR

## STATUTORY DECLARATION PURSUANT TO
## SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Toi See Jong, the officer primarily responsible for the financial management of Tokio Marine Life Insurance Malaysia Bhd., do solemnly and sincerely declare that the financial statements set out on pages 14 to 88 are, in my opinion, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

TOI SEE JONG

Subscribed and solemnly declared by the above named Toi See Jong at Kuala Lumpur in Malaysia on 30 March 2016, before me.

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
(Incorporated in Malaysia)
(Company No. 457556-X)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Tokio Marine Life Insurance Malaysia Bhd. on pages 14 to 88, which comprise the statement of financial position as at 31 December 2015, the statements of income, comprehensive income, changes in equity and cash flows of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Note 2 to Note 35.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

*PricewaterhouseCoopers (AF 1146), Chartered Accountants,*
*Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia*
*T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my*

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
(CONTINUED)
(Incorporated in Malaysia)
(Company No. 457556-X)

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Opinion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

OTHER MATTERS

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

| | |
|---|---|
| PRICEWATERHOUSECOOPERS | MANJIT SINGH |
| (No. AF: 1146) | (No. 2954/03/17 (J)) |
| Chartered Accountants | Chartered Accountant |

Kuala Lumpur
30 March 2016

Company No.

| 457556 | X |
|---|---|

TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
(Incorporated in Malaysia)

## STATEMENT OF FINANCIAL POSITION
## AS AT 31 DECEMBER 2015

| | Note | 2015 RM'000 | 2014 RM'000 |
|---|---|---|---|
| ASSETS | | | |
| Property, plant and equipment | 3 | 164,545 | 148,854 |
| Investment properties | 4 | 138,149 | 127,657 |
| Intangible assets | 5 | 108,932 | 729 |
| Financial investments | | | |
| Available-for-sale financial assets | 6a | 4,705,320 | 4,332,857 |
| Fair value through profit or loss financial assets | 6b | 543,507 | 480,329 |
| Held-to-maturity financial assets | 6c | 967,525 | 796,390 |
| Loans and receivables | 6d | 540,333 | 579,054 |
| Insurance receivables | 7 | 29,574 | 26,556 |
| Financial receivables | 8 | 9,934 | 16,488 |
| Other assets | 9 | 4,845 | 2,081 |
| Cash and cash equivalents | | 310,981 | 520,341 |
| TOTAL ASSETS | | 7,523,645 | 7,031,336 |
| EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES | | | |
| Share capital | 10 | 226,000 | 100,000 |
| Retained earnings | 11 | 417,989 | 325,334 |
| Available-for-sale reserve | | (4,434) | (2,603) |
| Asset revaluation reserve | | 2,799 | 1,794 |
| TOTAL EQUITY | | 642,354 | 424,525 |
| Insurance contract liabilities | 12 | 6,239,097 | 5,984,985 |
| Insurance payables | 13 | 438,068 | 406,949 |
| Other financial liabilities | 14 | 3,831 | 8,810 |
| Other payables | 15 | 39,721 | 54,892 |
| Provision for agency long association benefits | 16 | 27,884 | 27,566 |
| Current tax liabilities | | 3,530 | 7,602 |
| Deferred tax liabilities | 17 | 129,160 | 116,007 |
| TOTAL POLICYHOLDERS' FUNDS AND LIABILITIES | | 6,881,291 | 6,606,811 |
| TOTAL EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES | | 7,523,645 | 7,031,336 |

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

Company No.

| 457556 | X |
|---|---|

TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
(Incorporated in Malaysia)

## STATEMENT OF INCOME
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

| | Note | 2015<br>RM'000 | 2014<br>RM'000 |
|---|---|---|---|
| Gross earned premium revenue | | 1,065,579 | 1,072,808 |
| Premiums ceded to reinsurers | | (52,212) | (61,248) |
| Net earned revenue | | 1,013,367 | 1,011,560 |
| Investment income | 18 | 291,751 | 275,874 |
| Net realised gains | 19 | 12,046 | 37,683 |
| Net fair value gains/(losses) | 20 | 31,972 | (9,067) |
| Fee and commission income | 21 | 196 | 494 |
| Other income | | 335,965 | 304,984 |
| Gross benefits and claims paid | | (700,328) | (705,112) |
| Claims ceded to reinsurers | | 47,089 | 43,977 |
| Gross/net change to insurance contract liabilities | | (310,528) | (277,502) |
| Net insurance benefit and claims | | (963,767) | (938,637) |
| Commission and agency expenses | | (113,631) | (113,702) |
| Management expenses | 23 | (133,801) | (142,689) |
| Other operating expenses – net | 22 | (2,533) | (377) |
| Other expenses | | (249,965) | (256,768) |
| Profit before taxation | | 135,600 | 121,139 |
| Taxation | 24 | (42,945) | (41,428) |
| Net profit for the financial year | | 92,655 | 79,711 |
| Basic earnings per share (sen) | 25 | 47.03 | 79.71 |

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

TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
(Incorporated in Malaysia)

## STATEMENT OF COMPREHENSIVE INCOME
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

| | Note | 2015<br>RM'000 | 2014<br>RM'000 |
|---|---|---|---|
| Net profit for the financial year | | 92,655 | 79,711 |
| Other comprehensive (loss)/income: | | | |
| Items that may be subsequently recycled to profit or loss | | | |
| Fair value change on available-for-sale financial assets: | | | |
| Net unrealised losses arising during the financial year | 6e | (73,205) | (41,774) |
| Net realised gains transferred to statement of income | 19 | (12,046) | (37,683) |
| Tax effects thereon | | 7,133 | 6,419 |
| Fair value losses, net of tax | | (78,118) | (73,038) |
| Change in insurance contract liabilities arising from net fair value losses | 12 | 76,287 | 74,905 |
| Net fair value change | | (1,831) | 1,867 |
| Asset revaluation reserve: | | | |
| Gross asset revaluation surplus | 3 | 16,412 | - |
| Tax effects thereon | | (3,044) | - |
| Asset revaluation surplus, net of tax | | 13,368 | - |
| Change in insurance contract liabilities arising from net asset revaluation surplus | 12 | (12,363) | - |
| Net asset revaluation surplus | | 1,005 | - |
| Total other comprehensive (loss)/income | | (826) | 1,867 |
| Total comprehensive income for the financial year | | 91,829 | 81,578 |

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

Company No.

| 457556 | X |
|---|---|

TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
(Incorporated in Malaysia)

# STATEMENT OF CHANGES IN EQUITY
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

| | Note | Issued and fully paid ordinary shares of RM1.00 each: Number of shares '000 | Nominal value RM'000 | Available -for-sale reserve RM'000 | Asset revaluation reserve RM'000 | Retained earnings RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| At 1 January 2014 | | 100,000 | 100,000 | (4,470) | 1,794 | 283,433 | 380,757 |
| Total comprehensive income for the financial year | | - | - | 1,867 | - | 79,711 | 81,578 |
| Dividends paid | 26 | - | - | - | - | (37,810) | (37,810) |
| At 1 January 2015 | | 100,000 | 100,000 | (2,603) | 1,794 | 325,334 | 424,525 |
| Increase in share capital | 10 | 126,000 | 126,000 | - | - | - | 126,000 |
| Total comprehensive (loss)/income for the financial year | | - | - | (1,831) | 1,005 | 92,655 | 91,829 |
| At 31 December 2015 | | 226,000 | 226,000 | (4,434) | 2,799 | 417,989 | 642,354 |

During the financial year ended 31 December 2015, there is a capital injection of RM126,000,000 from the Shareholders' Fund into the unallocated surplus of non-discretionary participation features ("non-DPF") fund.

Included in the retained earnings as at 31 December 2015 is unallocated surplus in the non-DPF fund (net of deferred tax) of RM429,767,000 (2014: RM231,110,000). These amounts are only distributable upon the actual recommended transfer from non-DPF fund to the Shareholders' Fund by the Appointed Actuary.

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

Company No.

| 457556 | X |
|---|---|

TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
(Incorporated in Malaysia)

# STATEMENT OF CASH FLOWS
# FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

| | 2015<br>RM'000 | 2014<br>RM'000 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net profit for the financial year | 92,655 | 79,711 |
| Adjustments: | | |
| Investment income | (291,751) | (275,874) |
| Realised gains of AFS financial assets | (12,046) | (37,683) |
| Fair value gain of investment properties | (9,838) | (6,835) |
| Fair value gain of FVTPL financial assets | (26,083) | (7,153) |
| Loss on early redemption of HTM financial assets | - | 10 |
| Depreciation of property, plant and equipment | 5,531 | 4,972 |
| Write-offs of property, plant and equipment | 7 | 1 |
| Loss on disposal of property, plant and equipment | 28 | 11 |
| Amortisation of intangible assets | 25,306 | 18,442 |
| Impairment of available-for-sale financial assets | 3,949 | 23,045 |
| Impairment loss of insurance receivables | 2,544 | 397 |
| Provision for agency long association benefits | 4,970 | 4,276 |
| Taxation | 42,945 | 41,428 |
| Changes in working capital: | | |
| Purchases of financial assets | (1,971,451) | (1,562,513) |
| Proceeds from maturity or disposal of financial assets | 1,324,860 | 1,381,663 |
| Decrease in fixed and call deposits | 26,101 | 52,000 |
| Decrease/(increase) in loans | 11,950 | (7,056) |
| Increase in insurance receivables | (5,562) | (2,480) |
| Decrease/(increase) in financial receivables | 8,542 | (4,053) |
| (Increase)/decrease in other assets | (2,764) | 631 |
| Increase in insurance contract liabilities | 320,413 | 291,584 |
| Decrease in other financial liabilities | (4,979) | (2,935) |
| Increase in insurance payables | 31,119 | 70,990 |
| (Decrease)/increase in other payables | (15,171) | 20,662 |
| | (438,725) | 83,241 |
| Dividend income received | 50,255 | 53,681 |
| Interest income received | 226,984 | 212,605 |
| Rental income received | 1,938 | 2,406 |
| Agency long association benefits paid | (4,652) | (1,980) |
| Income tax paid | (32,152) | (27,566) |
| Net cash (outflows)/inflows from operating activities | (196,352) | 322,387 |

TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
(Incorporated in Malaysia)

## STATEMENT OF CASH FLOWS
## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

| | Note | 2015<br>RM'000 | 2014<br>RM'000 |
|---|---|---|---|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | | (5,553) | (4,605) |
| Proceeds from disposal of property, plant and equipment | | 54 | 69 |
| Purchase of intangible assets | | (133,509) | (237) |
| Net cash outflows from investing activities | | (139,008) | (4,773) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Dividends paid | 26 | - | (37,810) |
| Proceeds from issuance of share capital | 10 | 126,000 | - |
| Net cash inflows/(outflows) from financing activities | | 126,000 | (37,810) |
| Net (decrease)/increase in cash and cash equivalents | | (209,360) | 279,804 |
| Cash and cash equivalents at 1 January | | 520,341 | 240,537 |
| Cash and cash equivalents at 31 December | | 310,981 | 520,341 |
| Cash and cash equivalents comprise: | | | |
| Cash and bank balances | | 28,700 | 38,017 |
| Fixed and call deposits with maturity of less than three months | | 282,281 | 482,324 |
| | | 310,981 | 520,341 |

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

## 1 PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The Company is principally engaged in the underwriting of all classes of life insurance business, including investment-linked business. There has been no significant change in the nature of this activity during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at Level 7, Menara Tokio Marine Life, 189 Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia. The principal place of business of the Company is located at Ground Floor, Menara Tokio Marine Life, 189 Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia.

The holding corporation is Tokio Marine Life Insurance Singapore Ltd., a corporation incorporated in Singapore. The Directors regard Tokio Marine Holdings, Inc., a corporation incorporated in Japan, as the Company's ultimate holding corporation.

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 30 March 2016.

## 2 SIGNIFICANT ACCOUNTING POLICIES

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 under the historical cost convention except as disclosed in this summary of significant accounting policies, and comply with the provisions of the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965, in Malaysia.

Insurance liabilities have been computed in accordance with the valuation methods specified in the Risk-Based Capital ("RBC") Framework issued by 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.

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

As at 31 December 2015, the Company does not offset its financial assets with financial liabilities.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of Preparation (continued)

The preparation of financial statements in conformity with MFRS requires the Directors to exercise their judgement in the process of applying the Company's accounting policies. It also requires the use of 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 year. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results could differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving a higher degree of judgement or complexity, are disclosed in Note 2.3 to the financial statements.

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

2.2 Summary of Significant Accounting Policies

(a) Property, plant and equipment

Property, plant and equipment are initially stated at cost. Land and buildings are subsequently shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less accumulated depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the assets, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

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 income during the financial year in which they are incurred.

Surpluses arising on revaluation are credited to revaluation reserve. Any deficit arising from revaluation is charged against the revaluation reserve to the extent of a previous surplus held in the revaluation reserve for the same asset. In all other cases, a decrease in carrying amount is charged to the statement of income.

Freehold land is not depreciated as it has an infinite life. Depreciation is provided so as to write off the cost of other property, plant and equipment on a 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 summarised as follows:

| | |
|---|---|
| Motor vehicles | 5 years |
| Office equipment, furniture and fittings | 10 years |
| Computer equipment | 4 years |
| Renovation | 10 years |
| Leasehold land | Lease period ranging from 51 to 913 years |
| Leasehold buildings | Lease period subject to a maximum of 50 years |
| Freehold buildings | 50 years |

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Summary of Significant Accounting Policies (continued)

(a) Property, plant and equipment (continued)

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

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 accounting policy Note 2.2(d) on impairment of non-financial assets.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are credited or charged to the statement of income. On disposal of revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained earnings.

(b) Investment properties

Investment properties, comprising principally land and buildings, are held for long-term rental yields or for capital appreciation or both, and are not occupied by the Company.

Investment properties are initially stated at cost including related and incidental expenditure incurred, and are subsequently carried at fair value, representing open market value determined by independent professional valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. The fair values of investment properties are reviewed annually, and a formal valuation by an independent professional valuer is carried out once in every three years or earlier if the carrying values of the investment properties are materially higher than the fair values. Changes in fair values are recognised in the statement of income.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be derecognised (eliminated from the statement of financial position). The difference between the net disposal proceeds and the carrying amount is recognised in the statement of income in the financial year of the retirement or disposal.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(c) Intangible assets

All intangible assets are stated at cost less accumulated depreciation and impairment losses.

(i) Computer software

Where computer software is not an integral part of a related item of computer hardware, the software is treated as an intangible asset. Capitalised internal-use software costs include external direct costs of materials and services consumed in developing or obtaining the software, payroll and payroll-related costs for employees who are directly associated with and who devote substantial time to the project. Capitalisation of these costs ceases no later than the point at which the project is substantially completed and ready for its intended purpose. These costs are amortised over their expected useful life of 4 years on a straight-line basis, with the useful lives being reviewed annually.

The assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. See accounting policy Note 2.2(d) on impairment of non-financial assets.

(ii) Exclusive bancassurance agreement

The exclusive bancassurance agreement provides the Company with an exclusive right to the use of the bancassurance network of a bank. The fee for this right is amortised over its useful life of 5 years using the straight line method. The asset is reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. See accounting policy Note 2.2(d) on impairment of non-financial assets.

(d) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

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. An impairment loss is recognised for the amount by which the carrying value of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the value in use. Recoverable amount is estimated for an individual asset, or, if it is not possible, for the cash-generating unit. Assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(e) Financial investments

The Company classifies its investments into financial assets at fair value through profit or loss (“FVTPL”), held-to-maturity (“HTM”) financial assets, loans and receivables (“LAR”) and available-for-sale (“AFS”) financial assets.

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

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

(i) Financial assets at fair value through profit or loss (“FVTPL”)

Financial assets at FVTPL include held-for-trading (“HFT”) financial assets and those designated at FVTPL at inception. Investments typically bought with the intention to sell in the near future are classified as HFT. For investments designated as at FVTPL, the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis, or

- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are remeasured at fair value. Fair value adjustments and realised gains and losses are recognised in the statement of income.

(ii) HTM financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM when the Company has the positive intention and ability to hold until maturity. These investments are initially recognised at fair value. After initial measurement, HTM financial assets are measured at amortised cost, using the effective yield method, less impairment losses. Gains and losses are recognised in the statement of income when the investments are derecognised or impaired, as well as through the amortisation process.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(e) Financial investments (continued)

(iii) Loans and receivables ("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 fair value. After initial measurement, LAR are measured at amortised cost, using the effective yield method, less impairment losses. Gains and losses are recognised in the statement of income when the investments are derecognised or impaired, as well as through the amortisation process.

(iv) AFS financial assets

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

Fair value gains and losses of monetary and non-monetary securities are reported as a separate component of equity until the investment is derecognised or investment is determined to be impaired. Fair value gains and losses of monetary securities denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in statement of income; translation differences on non-monetary securities are reported as a separate component of equity until the investment is derecognised.

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

(f) Fair value of financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Summary of Significant Accounting Policies (continued)

#### (f) Fair value of financial instruments (continued)

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 investments in unit and real estate investment trusts, fair value is determined by reference to published bid values.

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, contractual and market prices, co-relation, time value of money, credit risk, yield curve volatility 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 of financial assets are also included in the cost of the financial assets except for FVTPL financial assets, where the transaction cost are expensed in the statement of income as they are incurred.

The carrying values of financial assets and financial liabilities with maturity period of less than one year are assumed to approximate their fair values.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(g) Impairment of financial instruments

The Company assesses at each date of the statement of financial position whether there is objective evidence that a security is impaired. A security is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the security that can be reliably estimated.

(i) Financial 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 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 the 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 the statement of income, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) Financial assets carried at fair value

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in other comprehensive income, is transferred from other comprehensive income to the statement of income. Reversals in respect of equity instruments classified as AFS are not recognised in the statement of income. Reversals of impairment losses on debt instruments classified as AFS are reversed through the statement of income if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in the statement of income.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(h) 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.

(i) Insurance contracts

The Company issues contracts that transfer mainly insurance risk.

Insurance risk is the risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. Such contracts may also transfer financial risk. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

Investment contracts are those contracts that do not transfer significant insurance risk. Currently, the Company does not issue any investment contracts.

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

Insurance contracts are further classified as being either with or without discretionary participation features ("DPF"). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the issuer; and
- that are contractually based on the:

  (i) performance of a specified pool of contracts or a specified type of contract;
  (ii) realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
  (iii) the profit or loss of the Company, fund or other entity that issues the contract.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(i) Insurance contracts (continued)

Local statutory regulations and the terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based (the DPF surplus) and within which the Company may exercise its discretion as to the quantum and timing of their payment to contract holders. At least 90% of the surplus must be attributed to the contract holders as a group (which can include future contract holders), while the amount and timing of the distribution to individual contract holders is at the discretion of the Company, approved by the Board of Directors based on the advice of the Appointed Actuary.

The recognition and measurement of the insurance contracts are set out in Note 2.2 (k) and (m).

(j) Reinsurance

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts in Note 2.2(i) to the financial statements are classified as ceded reinsurance contracts.

Premium ceded and claims reimbursed are recognised in the same accounting period as the original policies to which the reinsurance relates.

The benefits to which the Company is entitled under its reinsurance contracts are recognised as reinsurance assets. 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. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. An allowance for impairment loss is established using the same method used for all financial assets carried at amortised cost. These processes are described in Note 2.2(g) to the financial statements.

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(k) Life insurance contracts

Premiums

Premium income is recognised as soon as the amount of the premium can be reliably measured. First premium is recognised from inception date and subsequent premium is recognised when it is due.

At the end of the financial year, all due premiums are accounted for to the extent that they can be reliably measured.

Premium income of the investment-linked funds is in respect of the net creation of units which represents premiums paid by policyholders as payment for a new contract or subsequent payments to increase the amount of that contract. Net creation of units is recognised on a receipt basis.

Reinsurance premiums

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

Commission and agency expenses

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

Benefits, claims and expenses

Benefits and claims that are incurred during the financial year are recognised when a claimable event occurs and/or the insurer is notified.

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

(i) maturity or other policy benefit payments due on specified dates are treated as claims payable on the due dates;

(ii) death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered;

(iii) benefits payable under investment-linked contract include net cancellation of units and are recognised as surrender; and

(iv) bonus on DPF policy upon its declaration.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(l) Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at fair value. 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 the statement of income. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2.2(g) to the financial statements.

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.2(h) to the financial statements, have been met.

(m) Life insurance contract liabilities

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

Life insurance contract liabilities comprise (i) provision for outstanding claims, (ii) actuarial liabilities, (iii) unallocated surplus, (iv) AFS fair value adjustment, (v) asset revaluation surplus adjustment and (vi) net asset value attributable to unitholders.

(i) Provision for outstanding claims

Provision for outstanding claims represent the amounts payable under a life insurance policy in respect of claims including settlement costs, are accounted for using the case-by-case method as set out above under benefits, claims and expenses.

(ii) Actuarial liabilities

These liabilities are measured by using a prospective actuarial valuation method. The liability is determined as the sum of the present value of future guaranteed and, in the case of a participating life policy, appropriate level of non-guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate risk discount rate. The liability is based on best estimate assumptions and with due regard to significant recent experience. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefits liabilities of participating life policies, and non-unit liabilities of investment-linked policies. The valuation basis, including the determination of the appropriate risk discount rate, is in accordance with Appendix VII: Valuation Basis for Life Insurance Liabilities of the RBC Framework, and any related circulars issued by BNM relevant to the guidelines.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(m) Life insurance contract liabilities (continued)

(ii) Actuarial liabilities (continued)

The reinsurance recoverable of the liabilities is insignificant and hence is not accounted for in the measurement of the liabilities.

The liability in respect of policies of a participating insurance fund shall be taken as the higher of the guaranteed benefits liabilities or the total benefits liabilities at the fund level (derived in the method as stated in the above paragraph) as stipulated under paragraph 3.2, Appendix VII of the RBC Framework.

In the case of a life policy where a part of, or the whole of the premiums are accumulated in a fund, the accumulated amount, as declared to the policy owners, are set as the liabilities if the accumulated amount is higher than the figure as calculated using the prospective actuarial valuation method.

Where policies or extensions of a policy are collectively treated as an asset at the fund level under the valuation method adopted, the value of such asset is eliminated through zerorisation.

In the case of a 1-year life policy or a 1-year extension to a life policy covering contingencies other than death or survival, the liability for such life insurance contracts comprises the provision for unearned premiums and unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Company.

Adjustments to the liabilities at each reporting date are recorded in the statement of income. Profits originated from margins of adverse deviations on run-off contracts, are recognised in the statement of income over the life of the contract, whereas losses are fully recognised in the statement of income during the first year of run-off.

The liability is derecognised when the contract expires, is discharged or is cancelled.

At each reporting date, an assessment is made of whether the recognised actuarial liabilities are adequate, net of present value of in-force business (“PVIF”) and by using an existing liability adequacy test based on the RBC Framework.

Any inadequacy is recorded in the statement of income, initially by impairing PVIF, and subsequently by establishing technical reserves for the remaining loss. In subsequent periods, the liability for a block of business that has failed the adequacy test is based on the assumptions that are established at the time of the loss recognition. Impairment losses resulting from liability adequacy testing can be reversed in future years if the impairment no longer exists.

The liability adequacy test has been in-built in the valuation of actuarial liabilities, and hence separate assessment is carried out.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(m) Life insurance contract liabilities (continued)

(iii) Unallocated surplus

Surpluses in the DPF are distributable to policyholders and shareholders in accordance with the relevant terms under the insurance contracts. The Company, however, has the discretion over the amount and timing of the distribution of these surpluses to policyholders and shareholders. Unallocated surpluses of the DPF where the amount of surplus allocation to either policyholders or shareholders has yet to be determined by the end of the financial year is held within insurance contract liabilities.

(iv) AFS fair value adjustment

Where unrealised fair value gains and losses arise on AFS financial assets of the DPF fund, the adjustment to the life insurance contract liabilities equal to the effect that the realisation of those gains or losses at the end of the reporting period would have on those liabilities is recognised directly in other comprehensive income.

(v) Asset revaluation surplus adjustment

Where asset revaluation surplus arises on the self-occupied properties of the DPF fund, the adjustment to the life insurance contract liabilities equal to the effect that the realisation of those surpluses at the end of the reporting period would have on those liabilities is recognised directly in other comprehensive income.

The surpluses arising from the revaluation of the DPF’s assets may be distributed by way of bonuses to life policyholders, subject to the limit that the amount distributed should not be more than 30% of the addition to revaluation surplus of 10% of the market value of the revalued property, whichever is lower.

(vi) Net asset value attributable to unitholders

The unit liability of investment-link contract is equal to the net asset value of the investment-linked funds, which represents net premium received and investment returns credited to the policy less deduction for mortality and morbidity costs and expense charges.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(n) Other revenue recognition

Interest income for all interest-bearing financial instruments including financial instruments measured at FVTPL, are recognised within investment income in the statement of income using the effective interest rate method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

Rental income from investment properties is recognised on an accrual basis.

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

Gains or losses arising on disposal of investments are credited or charged to the statement of income.

Insurance contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services to be provided in future periods, they are deferred and recognised over those future periods.

(o) Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income on the straight line basis over the lease period.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(p) Income taxes

Current tax expense is determined according to the tax laws of the jurisdiction in which the Company operates and include all taxes based upon the taxable profits. The tax expense on the Life Fund is based on the method prescribed under the Income Tax Act, 1967 for life insurance business. Current tax is recognised in the statement of income.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purpose and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (continued)

(p) Income taxes (continued)

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences or unused tax losses can be utilised.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the date of the statement of financial position and are expected to apply when the related deferred tax assets is realised or the deferred tax liability is settled.

Deferred tax is recognised in the statement of income except when it arises from a transaction which is recognised in other comprehensive income, in which case, the deferred tax is also charged or credited to other comprehensive income.

(q) Foreign currencies

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The financial statements are presented in Ringgit Malaysia, which is the Company’s functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income.

(r) Employee benefits

(i) <u>Short term employee benefits</u>

Wages, salaries, paid annual leave and bonuses are accrued in the financial year in which the associated services are rendered by employees of the Company.

(ii) <u>Post-employment benefits</u>

<u>Defined contribution plan</u>

The Company’s contributions to the Employees’ Provident Fund (“EPF”), the national defined contribution plan, are charged to the statement of income in the financial year to which they relate. Once the contributions have been paid, the Company has no further payment obligations.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Summary of Significant Accounting Policies (continued)

(s) 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 the occurrence or non-occurrence of one or more 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 case 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 the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company. The Company does not recognise contingent assets but discloses their existence where inflows of economic benefits are probable, but not virtually certain.

(t) Dividends

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

(u) Provisions

Provision for agency long association benefits is recognised when the Company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

(v) Insurance payables and other payables

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

(w) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances, and fixed and call deposits with original maturities of three months or less. It excludes deposits which are held for investment purpose.

(x) Statement of cash flows

The Company classifies the cash flows for the purchase and disposal of financial investments and investment properties as operating cash flows, as the purchases are funded from cash flows associated with the origination of insurance contracts, net of cash flows for payments of benefits and claims incurred for insurance contracts, which are respectively treated under operating activities.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Summary of Significant Accounting Policies (continued)

(y) Share capital

Ordinary shares are classified as equity. Incremental costs that are directly attributable to the issuance of new shares are recognised as equity, net of tax.

### 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) Critical judgements in applying the Company's accounting policies

In determining and applying accounting policies, judgement is often required in respect of items where the choice of specific policy could materially affect the reported results and financial position of the Company. However, the Directors are of the opinion that there are currently no accounting policies which require significant judgement to be exercised.

(b) Key sources of estimation, uncertainty and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

<u>Actuarial liabilities of life policyholders' fund</u>

The principles on which the valuation of the actuarial liabilities of life insurance contracts was determined by the Appointed Actuary having regard to the statutory requirements determined by BNM.

The actuarial valuation was carried out using a prospective cash flow method, known as gross premium valuation method. The policy liabilities are determined first by projecting future cash flows using realistic assumptions and then discounting these cash flow streams at appropriate interest rates. For participating policies, the policy liability includes provision for future payments arising for both guaranteed and non-guaranteed benefits. Additional provision may be required in the valuation assumptions to allow for any adverse deviation from the best estimate experience and to reflect the inherent uncertainty of the best estimate of the actuarial liabilities held.

The Company conducted a sensitivity analysis on the gross premium actuarial liabilities as at 31 December 2015, based on the change in one specific assumption while holding all other assumptions constant as disclosed in the Note 32 to the financial statements.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Standards, amendments to published standards and interpretations to existing standards that are applicable and relevant to the Company but not yet effective

The Company will apply the new standards, amendments to published standards and interpretations that are issued but not yet effective in the following financial years:

<u>Financial year beginning on/after 1 January 2016</u>

- Amendment to MFRS 116 'Property, Plant and Equipment' and MFRS 138 'Intangible Assets' (effective from 1 January 2016) clarify that the use of revenue-based methods to calculate the depreciation and amortisation of an item of property, plant and equipment and intangible are not appropriate. This is because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

  The amendments to MFRS 138 also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption can be overcome only in the limited circumstances where the intangible asset is expressed as a measure of revenue or where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

<u>Financial year beginning on/after 1 January 2018</u>

- 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 contractual 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.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Standards, amendments to published standards and interpretations to existing standards that are applicable and relevant to the Company but not yet effective (continued)

Financial year beginning on/after 1 January 2018

- 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.

  There is now a new expected credit losses model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit losses model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The Company has yet to assess the full impact of MFRS 9 onto the Company's accounting policies and will complete the process prior to the reporting requirement deadline.

Other than MFRS 9, the above standards, amendments to published standards and interpretations to existing standards are not anticipated to have any significant impact on the financial statements of the Company in the year of initial application.

3 PROPERTY, PLANT AND EQUIPMENT

| | Motor vehicles | Office equipment, furniture and fittings | Computer equipment | Renovation | Freehold land | Leasehold land | Freehold buildings | Leasehold buildings | Total |
|---|---|---|---|---|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Cost/Valuation | | | | | | | | | |
| At 1 January 2015 | 1,371 | 4,936 | 11,190 | 15,828 | 47,743 | 3,257 | 88,286 | 2,355 | 174,966 |
| Additions | 150 | 420 | 4,983 | - | - | - | - | - | 5,553 |
| Disposals/write-offs | (149) | (158) | (98) | - | - | - | - | - | (405) |
| Transferred to investment properties (Note 4) | - | - | - | - | (405) | - | (249) | - | (654) |
| Revaluation surplus/(deficit) for the financial year | - | - | - | - | 29,297 | 1,768 | (14,346) | (307) | 16,412 |
| Elimination of accumulated depreciation arising from revaluation | - | - | - | - | - | (96) | (5,425) | (98) | (5,619) |
| At 31 December 2015 | 1,372 | 5,198 | 16,075 | 15,828 | 76,635 | 4,929 | 68,266 | 1,950 | 190,253 |
| Cost | 1,372 | 5,198 | 16,075 | 15,828 | - | - | - | - | 38,473 |
| Valuation | - | - | - | - | 76,635 | 4,929 | 68,266 | 1,950 | 151,780 |
| At 31 December 2015 | 1,372 | 5,198 | 16,075 | 15,828 | 76,635 | 4,929 | 68,266 | 1,950 | 190,253 |

3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| | Motor vehicles RM'000 | Office equipment, furniture and fittings RM'000 | Computer equipment RM'000 | Renovation RM'000 | Freehold land RM'000 | Leasehold land RM'000 | Freehold buildings RM'000 | Leasehold buildings RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| Accumulated depreciation | | | | | | | | | |
| At 1 January 2015 | 488 | 2,774 | 8,527 | 11,144 | - | 64 | 3,045 | 70 | 26,112 |
| Charge for the financial year (Note 23) | 115 | 427 | 1,387 | 1,162 | - | 32 | 2,380 | 28 | 5,531 |
| Disposals/write-offs | (68) | (151) | (97) | - | - | - | - | - | (316) |
| Elimination of accumulated depreciation arising from revaluation | - | - | - | - | - | (96) | (5,425) | (98) | (5,619) |
| At 31 December 2015 | 535 | 3,050 | 9,817 | 12,306 | - | - | - | - | 25,708 |
| Net book value | | | | | | | | | |
| At 31 December 2015 | 837 | 2,148 | 6,258 | 3,522 | 76,635 | 4,929 | 68,266 | 1,950 | 164,545 |

3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| | Motor vehicles RM'000 | Office equipment, furniture and fittings RM'000 | Computer equipment RM'000 | Renovation RM'000 | Freehold land RM'000 | Leasehold land RM'000 | Freehold buildings RM'000 | Leasehold buildings RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| Cost/Valuation | | | | | | | | | |
| At 1 January 2014 | 1,275 | 4,487 | 9,142 | 13,995 | 47,775 | 3,257 | 88,410 | 2,355 | 170,696 |
| Additions | 248 | 472 | 2,052 | 1,833 | - | - | - | - | 4,605 |
| Disposals/write-offs | (152) | (23) | (4) | - | - | - | - | - | (179) |
| Transferred to investment properties (Note 4) | - | - | - | - | (32) | - | (124) | - | (156) |
| At 31 December 2014 | 1,371 | 4,936 | 11,190 | 15,828 | 47,743 | 3,257 | 88,286 | 2,355 | 174,966 |
| Cost | 1,371 | 4,936 | 11,190 | 15,828 | - | - | - | - | 33,325 |
| Valuation | - | - | - | - | 47,743 | 3,257 | 88,286 | 2,355 | 141,641 |
| At 31 December 2014 | 1,371 | 4,936 | 11,190 | 15,828 | 47,743 | 3,257 | 88,286 | 2,355 | 174,966 |

3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| | Motor vehicles RM'000 | Office equipment, furniture and fittings RM'000 | Computer equipment RM'000 | Renovation RM'000 | Freehold land RM'000 | Leasehold land RM'000 | Freehold buildings RM'000 | Leasehold buildings RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| Accumulated depreciation | | | | | | | | | |
| At 1 January 2014 | 458 | 2,389 | 7,935 | 9,736 | - | 32 | 649 | 40 | 21,239 |
| Charge for the financial year (Note 23) | 104 | 407 | 595 | 1,408 | - | 32 | 2,396 | 30 | 4,972 |
| Disposals/write-offs | (74) | (22) | (3) | - | - | - | - | - | (99) |
| At 31 December 2014 | 488 | 2,774 | 8,527 | 11,144 | - | 64 | 3,045 | 70 | 26,112 |
| Net book value | | | | | | | | | |
| At 31 December 2014 | 883 | 2,162 | 2,663 | 4,684 | 47,743 | 3,193 | 85,241 | 2,285 | 148,854 |

3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The net book value of revalued land and buildings, had these assets been carried at cost less accumulated depreciation is as follows:

| | Freehold land<br>RM'000 | Leasehold land<br>RM'000 | Freehold buildings<br>RM'000 | Leasehold buildings<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|---|---|
| At 31 December 2015 | 15,339 | 1,643 | 59,862 | 1,885 | 78,729 |
| At 31 December 2014 | 15,353 | 1,643 | 60,291 | 1,874 | 79,161 |

The fair value hierarchy of the self-occupied properties is as follows:

| | Level 1<br>RM'000 | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|---|
| At 31 December 2015 | | | | |
| Recurring fair value measurements | | | | |
| - Freehold land | - | - | 76,635 | 76,635 |
| - Leasehold land | - | - | 4,929 | 4,929 |
| - Buildings | - | - | 70,216 | 70,216 |
| | - | - | 151,780 | 151,780 |
| At 31 December 2014 | | | | |
| Recurring fair value measurements | | | | |
| - Freehold land | - | - | 47,743 | 47,743 |
| - Leasehold land | - | - | 3,257 | 3,257 |
| - Buildings | - | - | 90,641 | 90,641 |
| | - | - | 141,641 | 141,641 |

The self-occupied properties of the Company were valued in 2015 by an independent professional valuer based on the properties' highest-and-best use using sales comparison approach. These registered as level 3 of the fair value measurement hierarchy. Under the sale comparison approach, the recent sales prices of properties in close proximity are adjusted for differences in key attributes such as tenure, location and condition of the properties. The most significant input into this valuation approach is selling price per square foot.

Changes in market price per square foot by 5% will cause changes in the fair value of the self-occupied properties by RM7.6 million (2014: RM7.1 million).

## 4 INVESTMENT PROPERTIES

| | RM'000 |
|---|---|
| At 1 January 2015 | 127,657 |
| Transferred from property, plant and equipment (Note 3) | 654 |
| Fair value changes for the financial year (Note 20) | 9,838 |
| At 31 December 2015 | 138,149 |
| | |
| At 1 January 2014 | 120,666 |
| Transferred from property, plant and equipment (Note 3) | 156 |
| Fair value changes for the financial year (Note 20) | 6,835 |
| At 31 December 2014 | 127,657 |

The fair value hierarchy of the investment properties is as follows:

| | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
|---|---|---|---|---|
| At 31 December 2015 | | | | |
| Recurring fair value measurements | | | | |
| - Freehold land | - | - | 111,159 | 111,159 |
| - Leasehold land | - | - | 5,722 | 5,722 |
| - Buildings | - | - | 21,268 | 21,268 |
| | - | - | 138,149 | 138,149 |
| At 31 December 2014 | | | | |
| Recurring fair value measurements | | | | |
| - Freehold land | - | - | 90,703 | 90,703 |
| - Leasehold land | - | - | 4,841 | 4,841 |
| - Buildings | - | - | 32,113 | 32,113 |
| | - | - | 127,657 | 127,657 |

The investment properties of the Company were valued in 2015 by an independent professional valuer based on the properties' highest-and-best use using sales comparison approach at the date. These registered as level 3 of the fair value measurement hierarchy. Under the sale comparison approach, the recent sales prices of properties in close proximity are adjusted for differences in key attributes such as tenure, location and condition of the properties. The most significant input into this valuation approach is selling price per square foot.

Changes in market price per square foot by 5% will cause changes in the fair value of the investment properties by RM6.9 million (2014: RM6.4 million).

## 4 INVESTMENT PROPERTIES (CONTINUED)

The rental income and direct operating expenses arising from investment properties that have been recognised in statement of income during the financial year are as follows:

| | 2015 RM'000 | 2014 RM'000 |
|---|---|---|
| Rental income | 11,232 | 10,605 |
| Direct operating expenses | (9,018) | (8,325) |

## 5 INTANGIBLE ASSETS

| | Bancassurance fee RM'000 | Computer software RM'000 | Total RM'000 |
|---|---|---|---|
| Net book value | | | |
| 2015 | | | |
| At 1 January 2015 | - | 729 | 729 |
| Additions | 126,246 | 7,641 | 133,887 |
| Amortisation charged to statement of income (Note 23) | (25,249) | (435) | (25,684) |
| At 31 December 2015 | 100,997 | 7,935 | 108,932 |
| Cost | 186,646 | 11,013 | 197,659 |
| Accumulated amortisation | (85,649) | (3,078) | (88,727) |
| At 31 December 2015 | 100,997 | 7,935 | 108,932 |
| 2014 | | | |
| At 1 January 2014 | 18,120 | 814 | 18,934 |
| Additions | - | 237 | 237 |
| Amortisation charged to statement of income (Note 23) | (18,120) | (322) | (18,442) |
| At 31 December 2014 | - | 729 | 729 |
| Cost | 60,400 | 3,750 | 64,150 |
| Accumulated amortisation | (60,400) | (3,021) | (63,421) |
| At 31 December 2014 | - | 729 | 729 |

Included in the net book value of computer software, there are software under development phase amounting to RM5,862,000 as at 31 December 2015 (2014: Nil).

## 6 FINANCIAL INVESTMENTS

| | 2015 RM'000 | 2014 RM'000 |
|---|---|---|
| Malaysian government securities | 437,891 | 437,847 |
| Malaysian government guaranteed bonds | 1,013,741 | 853,618 |
| Government investment issues | 156,710 | 127,043 |
| Corporate debt securities | 2,722,157 | 2,401,812 |
| Equity securities | 1,478,722 | 1,438,389 |
| Collective investment schemes | 401,782 | 345,766 |
| Investment-linked funds | 5,349 | 5,101 |
| Loans | 522,434 | 535,054 |
| Fixed and call deposits | 17,899 | 44,000 |
| | 6,756,685 | 6,188,630 |

The Company's financial investments are summarised by the following categories:

| | 2015 RM'000 | 2014 RM'000 |
|---|---|---|
| AFS financial assets | 4,705,320 | 4,332,857 |
| FVTPL financial assets | 543,507 | 480,329 |
| HTM financial assets | 967,525 | 796,390 |
| Loans and receivables | 540,333 | 579,054 |
| | 6,756,685 | 6,188,630 |

## 6a AFS FINANCIAL ASSETS

At fair value:

| | 2015 RM'000 | 2014 RM'000 |
|---|---|---|
| Malaysian government securities | 181,167 | 192,281 |
| Malaysian government guaranteed bonds | 643,423 | 597,236 |
| Government investment issues | 79,522 | 65,003 |
| Corporate debt securities | 2,357,234 | 2,082,486 |
| Equity securities | 1,328,434 | 1,280,092 |
| Collective investment schemes | 110,191 | 110,658 |
| Investment-linked funds | 5,349 | 5,101 |
| | 4,705,320 | 4,332,857 |
| Current | 104,118 | 219,190 |
| Non-current | 4,601,202 | 4,113,667 |
| | 4,705,320 | 4,332,857 |

6 FINANCIAL INVESTMENTS (CONTINUED)

6b FVTPL FINANCIAL ASSETS

| | 2015<br>RM'000 | 2014<br>RM'000 |
|---|---|---|
| At fair value: | | |
| Corporate debt securities | 101,628 | 86,925 |
| Equity securities | 150,288 | 158,297 |
| Collective investment schemes | 291,591 | 235,107 |
| | 543,507 | 480,329 |
| Current | 10,138 | - |
| Non-current | 533,369 | 480,329 |
| | 543,507 | 480,329 |

6c HTM FINANCIAL ASSETS

| | 2015<br>RM'000 | 2014<br>RM'000 |
|---|---|---|
| At amortised cost: | | |
| Malaysian government securities | 256,724 | 245,566 |
| Malaysian government guaranteed bonds | 370,318 | 256,383 |
| Government investment issues | 77,188 | 62,040 |
| Corporate debt securities | 263,295 | 232,401 |
| | 967,525 | 796,390 |
| Current | 55,616 | 27,366 |
| Non-current | 911,909 | 769,024 |
| | 967,525 | 796,390 |
| At fair value: | | |
| Malaysian government securities | 256,485 | 246,929 |
| Malaysian government guaranteed bonds | 364,775 | 256,624 |
| Government investment issues | 75,674 | 81,886 |
| Corporate debt securities | 268,389 | 220,270 |
| | 965,323 | 805,709 |

The fair values of HTM financial assets are their quoted prices on the stock exchanges or broker/dealer price quotations. Where this information is not available, fair value has been estimated using quoted market prices for securities with similar credit, maturity and yield characteristic.

## 6 FINANCIAL INVESTMENTS (CONTINUED)

### 6d LOANS AND RECEIVABLES

| | 2015<br>RM'000 | 2014<br>RM'000 |
|---|---|---|
| At amortised cost: | | |
| Secured: | | |
| Policy loans | 506,131 | 518,048 |
| Mortgage loans | 1,245 | 994 |
| Other loans | 643 | 927 |
| Accrued interest income | 14,415 | 15,085 |
| Fixed and call deposits | 17,899 | 44,000 |
| | 540,333 | 579,054 |

The carrying values of loans and receivables approximate the fair values at the date of the statement of financial position.

| | 2015<br>RM'000 | 2014<br>RM'000 |
|---|---|---|
| Current | 17,899 | 44,000 |
| Non-current | 522,434 | 535,054 |
| | 540,333 | 579,054 |

6 FINANCIAL INVESTMENTS (CONTINUED)

6e MOVEMENTS IN THE CARRYING VALUES OF FINANCIAL INSTRUMENTS

| | AFS<br>RM'000 | FVTPL<br>RM'000 | HTM<br>RM'000 | LAR<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|---|---|
| At 1 January 2014 | 4,249,866 | 583,589 | 644,231 | 623,998 | 6,101,684 |
| Purchases | 1,306,538 | 83,794 | 172,181 | - | 1,562,513 |
| Maturities | (919,774) | (1,435) | (20,000) | - | (941,209) |
| Disposals | (245,549) | (192,905) | (2,000) | - | (440,454) |
| Increase in loans | - | - | - | 5,118 | 5,118 |
| Decrease in fixed and call deposits | - | - | - | (52,000) | (52,000) |
| Movement of investment income accrued | 1,808 | 108 | 1,720 | 1,938 | 5,574 |
| Fair value (losses)/gains recorded in: | | | | | |
| Statement of income (Note 20) | - | 7,153 | (10) | - | 7,143 |
| Other comprehensive income | (41,774) | - | - | - | (41,774) |
| Foreign exchange gains | - | 25 | - | - | 25 |
| Movement in impairment allowance (Note 20) | (23,045) | - | - | - | (23,045) |
| Amortisation adjustment (Note 18) | 4,787 | - | 268 | - | 5,055 |
| At 31 December 2014 | 4,332,857 | 480,329 | 796,390 | 579,054 | 6,188,630 |
| Purchases | 1,629,189 | 146,294 | 195,968 | - | 1,971,451 |
| Maturities | (735,816) | - | (27,000) | - | (762,816) |
| Disposals | (452,658) | (109,386) | - | - | (562,044) |
| Decrease in loans | - | - | - | (11,950) | (11,950) |
| Decrease in fixed and call deposits | - | - | - | (26,101) | (26,101) |
| Movement of investment income accrued | 3,516 | 187 | 1,898 | (670) | 4,931 |
| Fair value (losses)/gains recorded in: | | | | | |
| Statement of income (Note 20) | - | 26,083 | - | - | 26,083 |
| Other comprehensive income | (73,205) | - | - | - | (73,205) |
| Movement in impairment allowance (Note 20) | (3,949) | - | - | - | (3,949) |
| Amortisation adjustment (Note 18) | 5,386 | - | 269 | - | 5,655 |
| At 31 December 2015 | 4,705,320 | 543,507 | 967,525 | 540,333 | 6,756,685 |

6 FINANCIAL INVESTMENTS (CONTINUED)

6f FAIR VALUES OF FINANCIAL INSTRUMENTS

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

| | AFS RM'000 | FVTPL RM'000 | HTM RM'000 | Total RM'000 |
|---|---|---|---|---|
| 31 December 2015 | | | | |
| Level 1 | 1,364,849 | 150,288 | - | 1,515,137 |
| Level 2 | 3,332,212 | 393,219 | 965,323 | 4,690,754 |
| Level 3 | 8,259 | - | - | 8,259 |
| | 4,705,320 | 543,507 | 965,323 | 6,214,150 |
| 31 December 2014 | | | | |
| Level 1 | 1,317,743 | 158,297 | - | 1,476,040 |
| Level 2 | 3,007,712 | 322,032 | 805,709 | 4,135,453 |
| Level 3 | 7,402 | - | - | 7,402 |
| | 4,332,857 | 480,329 | 805,709 | 5,618,895 |

Level 1 financial instruments are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, secondary market via dealer and broker, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 financial instruments 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, instruments with fair values based on broker quotes, investment in unit and property trusts with fair values obtained via fund managers and instruments that are valued using the Company's own models whereby the majority of assumptions are market observable.

Level 3 financial instruments are determined in whole or in part using a valuation technique based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. The main asset class in this category are unquoted equity securities. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the instrument at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Company. Therefore, unobservable inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the instrument (including assumptions about risk). These inputs are developed based on the best information available, which might include the Company's own data.

## 6 FINANCIAL INVESTMENTS (CONTINUED)

### 6f FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

The following table presents the changes in Level 3 instruments:

| | FVTPL | | AFS | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| At the beginning of the financial year | - | 244 | 7,402 | 14,974 |
| Purchase | - | - | - | 1,616 |
| Disposal | - | (57) | - | (3,625) |
| Fair value gains/(losses) recognised in | | | | |
| - other comprehensive income | - | - | 857 | (5,563) |
| - statement of income | - | (187) | - | - |
| At the end of the financial year | - | - | 8,259 | 7,402 |

## 7 INSURANCE RECEIVABLES

| | 2015 | 2014 |
|---|---|---|
| | RM'000 | RM'000 |
| Due premiums including agents/brokers balances | 30,837 | 26,327 |
| Due from reinsurers and cedants | 2,703 | 1,651 |
| | 33,540 | 27,978 |
| Accumulated impairment loss | (3,966) | (1,422) |
| | 29,574 | 26,556 |

The carrying values disclosed above approximate the fair values at the date of the statement of financial position, and are receivable within one year.

## 8 FINANCIAL RECEIVABLES

| | 2015<br>RM'000 | 2014<br>RM'000 |
|---|---|---|
| Investment income receivable | 7,332 | 5,344 |
| Outstanding proceeds from sale of investments | 1,873 | 8,393 |
| Deposits | 299 | 1,959 |
| Others | 430 | 792 |
| | 9,934 | 16,488 |

The carrying values of financial receivables disclosed above approximate the fair values at the date of the statement of financial position, and are receivable within one year.

## 9 OTHER ASSETS

| | 2015<br>RM'000 | 2014<br>RM'000 |
|---|---|---|
| Advance payment for purchases | 4,787 | 2,070 |
| Prepayment of expenses | 58 | 11 |
| | 4,845 | 2,081 |

## 10 SHARE CAPITAL

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | Number of shares '000 | RM'000 | Number of shares '000 | RM'000 |
| Authorised ordinary shares of RM1.00 each: | | | | |
| At the beginning and end of the financial year | 500,000 | 500,000 | 500,000 | 500,000 |
| Issued and fully paid-up ordinary shares of RM1.00 each: | | | | |
| At the beginning of the financial year | 100,000 | 100,000 | 100,000 | 100,000 |
| Increase during the financial year | 126,000 | 126,000 | - | - |
| At the end of the financial year | 226,000 | 226,000 | 100,000 | 100,000 |

On 26 March 2015, the Company increased its issued and paid-up share capital via issuance of 126,000,000 new ordinary shares of RM 1.00 per share for cash. The new ordinary shares issued during the financial year ended 31 December 2015 rank pari passu in all respects to the existing ordinary shares of the Company.

## 11 RETAINED EARNINGS

Under the single-tier system which came into effect from the year of assessment 2008 onwards, companies are not required to have tax credits under Section 108 of the Income Tax Act, 1967 for dividend payment purposes. Dividends paid under this system will be tax exempt in the hands of shareholders.

The Company can distribute all of its retained earnings as at 31 December 2015 as single-tier dividends.

## 12 INSURANCE CONTRACT LIABILITIES

| | 2015<br>Gross/net<br>RM'000 | 2014<br>Gross/net<br>RM'000 |
|---|---|---|
| Life insurance contract liabilities | 6,239,097 | 5,984,985 |

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

| | 2015<br>Gross/net<br>RM'000 | 2014<br>Gross/net<br>RM'000 |
|---|---|---|
| Actuarial liabilities | 5,069,132 | 4,741,783 |
| Unallocated surplus | 555,475 | 598,370 |
| Provision for outstanding claims | 61,322 | 53,811 |
| Available-for-sale fair value adjustment | 386,275 | 462,562 |
| Asset revaluation surplus adjustment | 29,771 | 17,410 |
| Net asset value attributable to unitholders (Note 35) | 137,122 | 111,049 |
| | 6,239,097 | 5,984,985 |

12 INSURANCE CONTRACT LIABILITIES (CONTINUED)

| | Gross/net | | |
|---|---|---|---|
| | With DPF RM'000 | Without DPF RM'000 | Total RM'000 |
| At 1 January 2015 | 5,280,214 | 704,771 | 5,984,985 |
| Premiums received | 601,743 | 463,836 | 1,065,579 |
| Liabilities paid for death, maturities, surrenders, benefits and claims | (479,034) | (221,294) | (700,328) |
| Net investment income | 253,522 | 37,764 | 291,286 |
| Benefits and claims experience variation | (24,819) | (90,269) | (115,088) |
| Fees deducted | (99,513) | (155,117) | (254,630) |
| Net other income | 1,704 | 817 | 2,521 |
| Adjustments due to changes in assumptions: | | | |
| Mortality/morbidity | - | 5 | 5 |
| Lapse and surrender rates | 46,612 | 6,603 | 53,215 |
| Expenses | 3,931 | 77 | 4,008 |
| Discount rate | - | (1,071) | (1,071) |
| Unit fund growth rate | - | 2 | 2 |
| Others | (1,441) | (550) | (1,991) |
| Movement in unallocated surplus | (42,895) | - | (42,895) |
| Available-for-sale fair value adjustment | (76,287) | - | (76,287) |
| Net asset value attributable to unitholders | - | 9,914 | 9,914 |
| Movement in provision for outstanding claims | 12,701 | (5,190) | 7,511 |
| Asset revaluation surplus adjustment | 12,363 | - | 12,363 |
| At 31 December 2015 | 5,488,799 | 750,298 | 6,239,097 |
| At 1 January 2014 | 5,175,379 | 592,927 | 5,768,306 |
| Premiums received | 596,746 | 476,062 | 1,072,808 |
| Liabilities paid for death, maturities, surrenders, benefits and claims | (535,992) | (169,120) | (705,112) |
| Net investment income | 235,120 | 31,207 | 266,327 |
| Benefits and claims experience variation | (12,258) | (96,233) | (108,491) |
| Fees deducted | (106,019) | (142,828) | (248,847) |
| Net other income | 5,323 | 1,110 | 6,433 |
| Adjustments due to changes in assumptions: | | | |
| Lapse and surrender rates | - | 1,768 | 1,768 |
| Expenses | 21,049 | - | 21,049 |
| Discount rate | - | 2,367 | 2,367 |
| Others | 114,992 | 1,894 | 116,886 |
| Movement in unallocated surplus | (150,668) | - | (150,668) |
| Available-for-sale fair value adjustment | (74,905) | - | (74,905) |
| Net asset value attributable to unitholders | - | 2,981 | 2,981 |
| Movement in provision for outstanding claims | 11,447 | 2,636 | 14,083 |
| At 31 December 2014 | 5,280,214 | 704,771 | 5,984,985 |

## 13 INSURANCE PAYABLES

| | 2015<br>RM'000 | 2014<br>RM'000 |
|---|---|---|
| Due to agents, brokers and insureds | 134,004 | 121,673 |
| Due to reinsurers and cedants | 9,349 | 22,189 |
| Cash bonus and interest outstanding | 294,715 | 263,087 |
| | 438,068 | 406,949 |

The carrying values disclosed above approximate the fair values at the date of the statement of financial position, and are payable within one year.

## 14 OTHER FINANCIAL LIABILITIES

| | 2015<br>RM'000 | 2014<br>RM'000 |
|---|---|---|
| Outstanding payable on purchases of investment securities | 572 | 5,491 |
| Tenant deposits | 3,259 | 3,319 |
| | 3,831 | 8,810 |

The carrying values disclosed above approximate the fair values at the date of the statement of financial position, and are payable within one year.

## 15 OTHER PAYABLES

| | 2015<br>RM'000 | 2014<br>RM'000 |
|---|---|---|
| Accrued expenses | 16,205 | 22,611 |
| Other payables | 23,516 | 32,281 |
| | 39,721 | 54,892 |

The carrying values disclosed above approximate the fair values at the date of the statement of financial position, and are payable within one year.

## 16 PROVISION OF AGENCY LONG ASSOCIATION BENEFITS

| | 2015 RM'000 | 2014 RM'000 |
|---|---|---|
| At 1 January | 27,566 | 25,270 |
| Charged to statement of income | 4,970 | 4,276 |
| Paid during the financial year | (4,652) | (1,980) |
| At 31 December | 27,884 | 27,566 |
| | | |
| Payable within 12 months | 6,250 | 3,568 |
| Payable after 12 months | 21,634 | 23,998 |
| | 27,884 | 27,566 |

## 17 DEFERRED TAX LIABILITIES

| | 2015 RM'000 | 2014 RM'000 |
|---|---|---|
| At 1 January | 116,007 | 111,473 |
| Recognised in: | | |
| Statement of income (Note 24) | 17,242 | 10,953 |
| Other comprehensive income | (4,089) | (6,419) |
| At 31 December | 129,160 | 116,007 |

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.

17 DEFERRED TAX LIABILITIES (CONTINUED)

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

| | 2015 RM'000 | 2014 RM'000 |
|---|---|---|
| Deferred tax liabilities | 129,160 | 116,007 |

| | Unallocated surplus arising from non-DPF RM'000 | Property, plant and equipment RM'000 | Self-occupied properties RM'000 | Investment properties RM'000 | Financial investments RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| At 1 January 2014 | 42,578 | 52 | 1,743 | 9,363 | 57,737 | 111,473 |
| Recognised in: | | | | | | |
| Statement of income (Note 24) | 16,447 | - | - | 547 | (6,041) | 10,953 |
| Other comprehensive income | - | - | - | - | (6,419) | (6,419) |
| At 31 December 2014 | 59,025 | 52 | 1,743 | 9,910 | 45,277 | 116,007 |
| Recognised in: | | | | | | |
| Statement of income (Note 24) | 16,917 | 362 | (1,804) | (781) | 2,548 | 17,242 |
| Other comprehensive income | - | - | 3,044 | - | (7,133) | (4,089) |
| At 31 December 2015 | 75,942 | 414 | 2,983 | 9,129 | 40,692 | 129,160 |

## 18 INVESTMENT INCOME

| | 2015<br>RM'000 | 2014<br>RM'000 |
|---|---|---|
| Rental income from investment properties | 2,214 | 2,280 |
| FVTPL financial assets | | |
| Interest | 4,750 | 3,906 |
| Dividend | 4,497 | 7,462 |
| AFS financial assets | | |
| Interest | 140,565 | 131,185 |
| Dividend | 44,091 | 46,214 |
| Accretion of discounts – net | 5,386 | 4,787 |
| HTM financial assets | | |
| Interest | 42,828 | 34,033 |
| Accretion of discounts – net | 269 | 268 |
| Interest from loans | 36,494 | 36,979 |
| Interest from fixed and call deposits | 16,176 | 14,000 |
| | 297,270 | 281,114 |
| Less: Investment expenses | (5,519) | (5,240) |
| | 291,751 | 275,874 |

## 19 NET REALISED GAINS

| | 2015<br>RM'000 | 2014<br>RM'000 |
|---|---|---|
| Realised gains: | | |
| AFS financial assets | | |
| - Equity securities | 11,218 | 33,679 |
| - Debt securities | 828 | 4,004 |
| | 12,046 | 37,683 |

## 20 NET FAIR VALUE GAINS/(LOSSES)

| | 2015<br>RM'000 | 2014<br>RM'000 |
|---|---|---|
| Investment properties – fair value (Note 4) | 9,838 | 6,835 |
| FVTPL financial assets (Note 6) | 26,083 | 7,153 |
| Early redemption of HTM financial assets by issuers (Note 6) | - | (10) |
| Impairment of AFS financial assets | (3,949) | (23,045) |
| | 31,972 | (9,067) |

## 21 FEES AND COMMISSION INCOME

| | 2015<br>RM'000 | 2014<br>RM'000 |
|---|---|---|
| Management service charges | 196 | 494 |

## 22 OTHER OPERATING EXPENSES - NET

| | 2015<br>RM'000 | 2014<br>RM'000 |
|---|---|---|
| Impairment loss of insurance receivables | (2,544) | (397) |
| Loss on disposal of property, plant and equipment | (28) | (11) |
| Write-offs of property, plant and equipment | (7) | (1) |
| Realised net foreign exchange gain | 390 | 15 |
| Others | (344) | 17 |
| | (2,533) | (377) |

23 MANAGEMENT EXPENSES

| | 2015<br>RM'000 | 2014<br>RM'000 |
|---|---|---|
| Staff salaries and bonuses | 44,558 | 46,876 |
| Contribution to Employees' Provident Fund | 5,837 | 6,726 |
| Others | 1,847 | 1,306 |
| Staff costs | 52,242 | 54,908 |
| Non-Executive Directors | | |
| - fees | 265 | 251 |
| Directors' remuneration | 265 | 251 |
| Depreciation of property, plant and equipment (Note 3) | 5,531 | 4,972 |
| Amortisation of intangible assets (Note 5) | 25,684 | 18,442 |
| Auditors' remuneration | | |
| - statutory audit | 447 | 378 |
| - other audit services | 8 | 8 |
| Printing and stationery | 1,762 | 2,085 |
| Postage, telephone and telex | 1,553 | 1,895 |
| EDP expenses | 3,913 | 2,470 |
| Advertising and marketing expenses | 2,405 | 3,783 |
| Rental of properties | 401 | 371 |
| Management fees | 1,518 | 960 |
| Training related expenses | 1,869 | 1,056 |
| Distribution related expenses | 21,666 | 34,958 |
| Others | 14,537 | 16,152 |
| | 81,294 | 87,530 |
| Total | 133,801 | 142,689 |

The remuneration including benefits-in-kind, attributable to the Chief Executive Officer of the Company during the financial year amounted to RM3.72 million (2014: RM3.04 million).

Certain directors also received remunerations from related entities as full time employee.

## 24 TAXATION

| | 2015<br>RM'000 | 2014<br>RM'000 |
|---|---|---|
| Current tax | 25,703 | 30,475 |
| Deferred tax (Note 17) | 17,242 | 10,953 |
| Taxation | 42,945 | 41,428 |
| Current tax | | |
| Current financial year | 25,896 | 30,716 |
| Over-provision in prior financial years | (193) | (241) |
| | 25,703 | 30,475 |
| Deferred tax | | |
| Origination and reversal of temporary differences (Note 17) | 17,242 | 10,953 |
| | 42,945 | 41,428 |

The explanation of the relationship between taxation, and profit before taxation and change in insurance contract liabilities is as follows:

| | 2015<br>RM'000 | 2014<br>RM'000 |
|---|---|---|
| Profit before taxation | 135,600 | 121,139 |
| Less: Tax on investment income of DPF fund and unitholder fund | (17,695) | (18,404) |
| Profit before taxation attributable to shareholders | 117,905 | 102,735 |
| Tax calculated at the Malaysian tax rate of 25% (2014: 25%) | 29,476 | 25,684 |
| Tax effects of: | | |
| - Tax on investment income of DPF fund and unitholder fund | 17,695 | 18,404 |
| - Change in expected tax rate applied on temporary differences | (3,844) | (2,927) |
| - Expenses not deductible for tax purposes | 1,924 | 2,634 |
| - Section 110B tax credit | (1,359) | (1,573) |
| - Income not subject to tax | (754) | (553) |
| Over-provision of tax in prior financial years | (193) | (241) |
| | 42,945 | 41,428 |

## 24 TAXATION (CONTINUED)

The tax expense of the Life Fund is based on the method prescribed under the Income Tax Act, 1967 for the life business, where the income tax in the Life Fund is calculated at 8% (2014: 8%) on investment income. The income tax for the Shareholders' Fund is calculated based on the tax rate of 25% (2014: 25%) of the estimated assessable profit for the financial year.

In 2008, the Ministry of Finance has gazetted an order on the allowance of income tax set-off/credit for the tax charged on the surplus transferred from the Life Fund to the Shareholders' Fund with effect from year of assessment 2008 under Section 110B of the Income Tax Act, 1967.

## 25 BASIC EARNING PER SHARE

The earnings per share has been calculated based on the net profit for the financial year of RM92,655,000 (2014: RM79,711,000) and the weighted average number of ordinary shares of the Company in issue during the financial year of 197,003,000 (2014: 100,000,000) shares.

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

## 26 DIVIDENDS PAID

| | 2015<br>RM'000 | 2014<br>RM'000 |
|---|---|---|
| In respect of the financial year ended 31 December 2013 | | |
| A final single-tier dividend of 37.81 sen per ordinary share, paid on 20 June 2014 | - | 37,810 |

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

## 27 CAPITAL COMMITMENTS

Capital expenditure not provided for in the financial statements are as follows:

| | 2015<br>RM'000 | 2014<br>RM'000 |
|---|---|---|
| Authorised and contracted for: | | |
| - Equipment | 8,664 | 552 |
| - Bancassurance fee | 84,000 | 126,000 |
| | 92,664 | 126,552 |

## 28 OPERATING LEASE COMMITMENTS

| | 2015 RM'000 | 2014 RM'000 |
|---|---|---|
| Commitments under non-cancellable operating leases where the Company is a lessee: | | |
| Payable within one year | 317 | 282 |
| Payable after one year | 579 | 728 |
| | 896 | 1,010 |
| Commitments under non-cancellable operating leases where the Company is a lessor: | | |
| Receivable within one year | 8,672 | 7,647 |
| Receivable after one year | 4,851 | 6,226 |
| | 13,523 | 13,873 |

## 29 RELATED PARTY DISCLOSURES

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

| | Country of incorporation | Relationship |
|---|---|---|
| Tokio Marine Holdings, Inc. ("TMH") | Japan | Ultimate holding corporation |
| Tokio Marine & Nichido Fire Life Insurance Co., Ltd. ("TMNL") | Japan | Subsidiary of ultimate holding corporation |
| Tokio Marine & Nichido Fire Co., Ltd. ("TMNF") | Japan | Subsidiary of ultimate holding corporation |
| Tokio Marine Life Insurance Singapore Ltd. ("TMLIS") | Singapore | Holding corporation |
| Tokio Marine Asia Pte. Ltd. ("TMAP") | Singapore | Subsidiary of ultimate holding corporation |
| Tokio Marine Asset Management International Pte. Ltd. ("TMAMI") | Singapore | Subsidiary of ultimate holding corporation |
| Tokio Marine Insurans (Malaysia) Berhad ("TMIM") | Malaysia | Subsidiary of ultimate holding corporation |
| Key management personnel | - | Key management personnel includes the Directors, Chief Executive Officer ("CEO") and senior management who report directly to the CEO |

In the normal course of business, the Company undertakes at agreed terms and prices, various transactions with its holding and ultimate holding corporations and other corporations deemed related parties by virtue of them being members of Tokio Marine Holdings, Inc. group of corporations.

The related party balances as at the date of the statement of financial position and significant related party transactions arising from normal business transactions during the financial year are set out below.

(i) Related party balances

| | 2015<br>RM'000 | 2014<br>RM'000 |
|---|---|---|
| Other receivables (Note 8) | | |
| Amount due from TMH | 10 | 10 |
| Amount due from TMNL | 21 | 66 |
| Amount due from TMNF | 23 | - |
| Amount due from TMIM | 130 | 48 |

29 RELATED PARTY DISCLOSURES (CONTINUED)

(i) Related party balances (continued)

| | 2015 RM'000 | 2014 RM'000 |
|---|---|---|
| Other payable (Note 15) | | |
| Amount due to TMAP | 1,043 | 1,167 |
| Financial investments (Note 6) | | |
| Investment in TMAMI's funds | 262,938 | 229,671 |

(ii) Significant related party transactions

| | 2015 RM'000 | 2014 RM'000 |
|---|---|---|
| Transactions with TMAMI: | | |
| Cost of purchase of financial investments | 9,196 | 6,685 |
| Proceeds from disposal of financial investments | (3,210) | (4,685) |
| Transactions with TMIM: | | |
| Management fee receivable | (263) | (503) |
| Transactions with TMAP: | | |
| Management fee payable | (1,145) | (1,339) |
| Transactions with TMNL: | | |
| Expenses paid on behalf | (21) | (57) |
| Transactions with TMNF: | | |
| Expenses paid on behalf | (49) | - |

(iii) Key management compensation

| | 2015 RM'000 | 2014 RM'000 |
|---|---|---|
| Salaries and bonuses | 9,806 | 8,523 |
| Directors' remuneration | 194 | 194 |
| Contribution to Employees' Provident Fund | 1,393 | 1,209 |
| Other allowances | 545 | 352 |
| Benefits-in-kind | 117 | 113 |
| | 12,055 | 10,391 |

## 30 RISK MANAGEMENT FRAMEWORK

The Company being a member of the Tokio Marine Holdings, Inc. Group of Companies takes into consideration the risk management philosophy and business strategy of Tokio Marine Group when managing the risk of the Company. The Company aims to assume risks that are consistent with maintaining its minimum internal capital target returns and supporting its business objectives. The Company is selective in its approach to risk taking, striking a balance between risk accepted and the reward it can derive from accepting that risk.

The Board of Directors is responsible for the overall establishment, supervision and review of all risk management processes in the Company. The Board is assisted by the Company's Risk Management and Compliance Committee in the identification, evaluation and assessment of risks in the Company.

The compositions, functions and the responsibilities of Risk Management and Compliance Committee are explained in the Directors' Report.

The Company's risk management strategy includes maintaining sound, robust and effective risk management processes which are appropriate to the nature, scale and complexity of the Company's life insurance business to safeguard the interests of Company's shareholders as well as to protect the Company's policyholders' interests. The risks are classified into broad categories to streamline the risk management processes and are not meant to be restrictive as to the risk identification and evaluation process.

The following are the three broad categories of risks faced by the Company:

### A. Business Risks

Business risks arise from the Company's business strategy, the environment in which the Company operates, and its ability to provide suitable products and services to customers. The Company provides insurance protection against risks such as mortality and morbidity risks.

Pricing risks arise with respect to the adequacy of insurance premium rate levels, provisions with respect to insurance liabilities and solvency capital, changes in interest rates, developments in mortality, morbidity, lapses and expenses as well as general market conditions.

Within the business risks, insurance risk has significant impact on business results. The definition and management of insurance risks are explained in Note 32 to the financial statements.

The Company has in place various risk management techniques to control and optimise the Company's exposure to business risks in pursuit of the Company's business objectives. New risks are carefully assessed before they are considered for acceptance.

30 RISK MANAGEMENT FRAMEWORK (CONTINUED)

B. Financial Risks

Financial risks pertain to market risks, which include the Company's exposure to interest rate, currency, equity price and credit risks.

The Company is exposed to market risk arising from its investment in debt securities, equities and properties. Changes in interest rates, foreign exchange rates, and equity prices will impact the financial position of the Company as any reaction to market changes will affect the present and future earnings of the Company for the life insurance operations and shareholders' equity.

The definition and management of financial risks are explained in Note 33 to the financial statements.

C. Operational Risks

Operational risks may arise from inadequate or failed internal processes and controls, poor corporate governance or from external events such as sudden disasters crippling the operations of the Company. Such risks, although difficult to quantify, have the potential to impose significant costs upon, and possibly seriously upset, the financial soundness and ongoing business of the Company. Business continuity risks are the risks of not being able to resume normal business operations in view of disruption which include civil, economic, natural disasters, etc. Such risks may cause the Company to be unable to continue business as a going concern due to significant financial losses or the destruction of lives and infrastructures arising from natural catastrophes. The Company has put in place measures to control and minimise the Company's exposure to operational risks.

## 31 CAPITAL MANAGEMENT

The Company's capital management objective is to maintain a strong capital position with optimum buffer to meet obligations towards policyholders and to comply with the required capital requirements.

### A. Investment Management

The investment portfolio of the Company which forms the largest asset pool is managed by an investment team through setting of investment policy and strategic asset allocation. The investment limits are set and monitored at various levels to ensure that all investment activities are within the guidelines set by the local statutory requirements governed by BNM.

### B. Regulatory Capital Framework

Regulatory capital is the minimum amount of assets that must be held throughout the financial year to meet statutory solvency requirements governed under the RBC Framework. As part of the statutory requirements, the Company is required to provide its capital position on a quarterly basis to BNM.

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

| | Note | 2015<br>RM'000 | 2014<br>RM'000 |
|---|---|---|---|
| Eligible Tier 1 Capital | | | |
| Share capital (paid-up) | 10 | 226,000 | 100,000 |
| Reserves, including retained earnings | | 1,887,272 | 1,766,726 |
| Tier 2 Capital | | 414,412 | 479,163 |
| Amount deducted from capital | | (100,997) | - |
| Total capital available | | 2,426,687 | 2,345,889 |

The Company has met both the minimum and internal capital requirements specified in the RBC Framework for the financial year ended 2015 and 2014.

32 INSURANCE RISKS

The risk under any one life insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits will vary from year to year from the estimate. A more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. Stress testing on the financial condition is conducted twice a year to assess its ability to withstand adverse deviations in various assumptions. A dynamic solvency testing is performed annually to monitor its solvency position.

**Concentration of life insurance contract liabilities**

The table below shows the concentration of life insurance contract liabilities (comprise actuarial liabilities, unallocated surplus, provision for outstanding claims and net asset value attributable to unitholders) by types of contract:

| | | | Gross/net |
|---|---|---|---|
| | With DPF | Without DPF | Total |
| 31 December 2015 | RM'000 | RM'000 | RM'000 |
| Whole life | 1,719,427 | 134,116 | 1,853,543 |
| Endowment | 3,277,797 | 19,127 | 3,296,924 |
| Term-mortgage | - | 300,746 | 300,746 |
| Term-others | - | 201,094 | 201,094 |
| Medical and health | - | 10,058 | 10,058 |
| Riders | 20,667 | 49,163 | 69,830 |
| Other plans | 54,863 | 35,993 | 90,856 |
| Total | 5,072,754 | 750,297 | 5,823,051 |

| | | | Gross/net |
|---|---|---|---|
| | With DPF | Without DPF | Total |
| 31 December 2014 | RM'000 | RM'000 | RM'000 |
| Whole life | 1,627,430 | 109,610 | 1,737,040 |
| Endowment | 3,113,280 | 46,256 | 3,159,536 |
| Term-mortgage | - | 268,540 | 268,540 |
| Term-others | - | 191,008 | 191,008 |
| Medical and health | - | 8,063 | 8,063 |
| Riders | 17,297 | 43,045 | 60,342 |
| Other plans | 42,237 | 38,247 | 80,484 |
| Total | 4,800,244 | 704,769 | 5,505,013 |

There is no annuity business in force as at 31 December 2015 and 31 December 2014.

32 INSURANCE RISKS (CONTINUED)

**Key assumptions**

Material judgement is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. All assumptions are reviewed and updated, if necessary, each financial year in order to value insurance contract liabilities that reflect the Company's experience. The assumptions are required to be on best estimate basis, where actual experience has equal chance of being better or worse than estimated.

(i) Mortality and morbidity

Mortality assumptions used are based on annual investigation into their respective mortality experience over the recent financial years, and are expressed as a percentage of a standard mortality table.

The morbidity assumptions for dread disease benefits are based on a percentage of the reinsurer's risk premium rates.

(ii) Lapse and surrender rates

Lapse and surrender assumptions are based on an annual investigation into their respective withdrawal experience over the recent financial years, and are expressed as rates of withdrawal, split by duration in-force.

(iii) Discount rate

For the participating business, discount rates used to value insurance contract liabilities is determined based on the best estimate investment returns.

To determine the best estimate investment returns, the Company has broken down the assets in the fund as at the reporting date into various asset classes, and has applied long term expected returns to each class. A weighted average rate of investment return is then derived by combining different proportions of the various asset classes.

There are no changes to the discount rate assumptions for participating business.

Contract liabilities for non-participating business and guaranteed liabilities of the participating business are computed by discounting policy cash flows using risk-free interest rates. The risk-free rates used are derived from the gross yields to redemption of benchmark Government securities as at the date of valuation.

32 INSURANCE RISKS (CONTINUED)

**Sensitivities**

The Company conducted a sensitivity analysis on the actuarial liabilities as at 31 December 2015, based on the change in one specific assumption while holding all other assumptions constant. Sensitivity information will also vary according to the current economic assumptions.

| Assumption | Change in assumptions | Impact on gross/net liabilities | Impact on profit before tax | Impact on equity |
|---|---|---|---|---|
| 31 December 2015 | | RM'000 | RM'000 | RM'000 |
| Worsening of mortality/morbidity | +25% | 123,082 | 79,423 | 59,567 |
| Improvement in mortality/morbidity | −25% | (128,098) | (80,142) | (60,106) |
| Worsening of lapse and surrender rates | +25% | (19,696) | 13,671 | 10,253 |
| Improvement in lapse and surrender rates | −25% | 23,338 | (15,141) | (11,356) |
| Increase in discount rate | 100 basis points upward shift | (438,823) | (44,890) | (33,667) |
| Decrease in discount rate | 100 basis points downward shift | 530,116 | 88,224 | 66,168 |
| 31 December 2014 | | | | |
| Worsening of mortality/morbidity | +25% | 116,057 | 72,315 | 54,236 |
| Improvement in mortality/morbidity | −25% | (120,434) | (72,381) | (54,286) |
| Worsening of lapse and surrender rates | +25% | (28,984) | 10,912 | 8,184 |
| Improvement in lapse and surrender rates | −25% | 34,763 | (12,104) | (9,078) |
| Increase in discount rate | 100 basis points upward shift | (421,178) | (41,713) | (31,285) |
| Decrease in discount rate | 100 basis points downward shift | 509,619 | 49,847 | 37,385 |

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

## 33 FINANCIAL RISKS

The Company is exposed to a range of financial risks, including credit risk, liquidity risk and market risk.

Financial risks of investment-linked investment is not further provided and analysed as the financial risks in respect of investment-linked investments are generally wholly borne by the policyholders, and do not directly affect the profit before tax of the Company. Furthermore, investment-linked policyholders are responsible for allocation of the policy values amongst investment options offered by the Company. Although profit before tax is not affected by investment-linked investments, the investment return from such financial investments is included in the Company's statement of income, as the Company has selected the fair value option for all investment-linked investments with corresponding change in insurance contract liabilities for investment-linked contracts.

### Credit Risk

The Company is exposed to credit risk through investments in cash, money market and debt instruments, lending activities and exposure to counterparty's credit in reinsurance contracts.

For all three types of exposures, financial loss may materialise as a result of default by the borrower or counterparty. For investments in cash, money market and debt instruments, financial loss may also materialise as a result of a default by the issuer on coupon payment or even the principal amount that causes a widening of credit spread or a downgrade of credit rating. The Company has internal limits by issuer or counterparty and by investment grades. These limits are actively monitored to manage the credit and concentration risk. These limits are reviewed on a regular basis by the management.

The creditworthiness of reinsurers is assessed on an annual basis by reviewing their financial strength through published credit ratings and other publicly available financial information.

The Company manages its lending activities by extending loans against collateral pledged to the Company. Regular monitoring and review of the payments of loans are performed by the Company to identify any non-performing loans. Any non-performing loan identified is communicated to the management. Appropriate actions will be taken for the possible course of recovery and provision of these loans.

There were no significant changes to the credit risk management of the Company.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets.

33 FINANCIAL RISKS (CONTINUED)

Credit Risk (continued)

**Credit exposure by credit rating**

The table below provides information regarding the credit risk exposure of the Company by classifying financial assets in accordance with the Company's credit ratings of counterparties:

| | Neither past due nor impaired | | Past due and partial impaired | |
|---|---|---|---|---|
| | Investment grade (AAA to A-) | Not rated | Not rated | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| 31 December 2015 | | | | |
| AFS financial assets | | | | |
| Equity securities | - | 1,204,099 | 235,870 | 1,439,969 |
| Debt securities | 2,286,521 | 978,830 | - | 3,265,351 |
| FVTPL financial assets | | | | |
| Equity securities | - | 441,879 | - | 441,879 |
| Debt securities | 101,628 | - | - | 101,628 |
| HTM financial assets | | | | |
| Debt securities | 252,949 | 714,576 | - | 967,525 |
| Loans and receivables | | | | |
| Loans | - | 522,434 | - | 522,434 |
| Fixed and call deposits | 17,899 | - | - | 17,899 |
| Insurance receivables | - | 29,574 | - | 29,574 |
| Financial receivables | - | 9,934 | - | 9,934 |
| Other assets | - | 4,845 | - | 4,845 |
| Cash and cash equivalents | 310,981 | - | - | 310,981 |
| | 2,969,978 | 3,906,171 | 235,870 | 7,112,019 |
| 31 December 2014 | | | | |
| AFS financial assets | | | | |
| Equity securities | - | 1,182,795 | 209,185 | 1,391,980 |
| Debt securities | 2,067,061 | 873,816 | - | 2,940,877 |
| FVTPL financial assets | | | | |
| Equity securities | - | 393,404 | - | 393,404 |
| Debt securities | 86,925 | - | - | 86,925 |
| HTM financial assets | | | | |
| Debt securities | 222,022 | 574,368 | - | 796,390 |
| Loans and receivables | | | | |
| Loans | - | 535,054 | - | 535,054 |
| Fixed and call deposits | 44,000 | - | - | 44,000 |
| Insurance receivables | - | 18,983 | 7,573 | 26,556 |
| Financial receivables | - | 16,488 | - | 16,488 |
| Other assets | - | 2,081 | - | 2,081 |
| Cash and cash equivalents | 520,341 | - | - | 520,341 |
| | 2,940,349 | 3,596,989 | 216,758 | 6,754,096 |

33 FINANCIAL RISKS (CONTINUED)

Credit Risk (continued)

The financial assets are classified according to the credit rating by rating agencies approved by BNM.

The financial assets which are not rated mainly comprise Malaysian Government securities, companies listed on Bursa Malaysia Stock Exchange and loans. The companies were not rated as the issuer did not obtain any credit rating from the respective rating agencies. Such issues although not rated are issued by companies which have sound financial and high creditworthiness. The creditworthiness is monitored on any downgrade news related to any investment in the debt portfolio.

The Company's loans receivable include policy loans, mortgage loans and other secured loans to staff and policyholders. Policy loans and mortgage loans are generally secured by collateral. The amount of loan is based on the valuation of collateral as well as an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of the types of collateral and the valuation parameters. The type of collaterals, held by the Company as lender, for which it is entitled to in the event of default is as follows:

| | Type of collaterals | Carrying value 31.12.2015 RM'000 | Carrying value 31.12.2014 RM'000 |
|---|---|---|---|
| Policy loans | Cash surrender value | 506,131 | 518,048 |
| Mortgage loans | Properties | 1,245 | 994 |
| Secured loans | Computers | 643 | 927 |
| | | 508,019 | 519,969 |

As at 31 December 2015, the impairment provision of impaired insurance receivables of RM29.6 million is RM4.0 million (2014: RM1.4 million) and impaired AFS financial assets of RM235.9 million is RM55.3 million (2014: RM51.3 million). Impairment of insurance receivables is performed based on a collective assessment. No collateral is held as security for any impaired assets. The AFS financial assets that is subject to impairment is rigorously assessed as explained under Note 2.2(g)(ii) to the financial statements. The Company records impairment loss for both insurance receivables and AFS financial assets in separate provision accounts. A reconciliation of the allowance for impairment losses for insurance receivables and AFS financial assets is as follows:

| | Insurance receivables | | AFS financial assets | |
|---|---|---|---|---|
| | 2015 RM'000 | 2014 RM'000 | 2015 RM'000 | 2014 RM'000 |
| At 1 January | 1,422 | 1,025 | 51,343 | 28,298 |
| Increase during the financial year | 2,544 | 397 | 3,949 | 23,045 |
| At 31 December | 3,966 | 1,422 | 55,292 | 51,343 |

33 FINANCIAL RISKS (CONTINUED)

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments. In respect of catastrophic events, there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries.

The liquidity demands of the Company are met through ongoing operations which include continuous premium income and investment income. The expected liquidity needs are often met through projection of outflows from the in-force insurance policy contract liabilities; the liabilities include renewal commissions, claims and other benefits (maturity and surrender). Whilst the nature of these outflows is deemed to be largely stable and can be assumed at outset, the Company remains susceptible to exceptional experiences (surrender or catastrophic events) for its insurance portfolio. Also, the Company may be subject to unexpected liquidity tightening due to adverse implications from the wider economic factors (domestic or global) or undue volatilities and unexpected losses experienced within investments.

Liquidity risk is reduced by having insurance contract liabilities that are well diversified by product and policyholder. The Company designs insurance products to encourage policyholders to maintain their policies-in-force, thereby generating a diversified and stable flow of recurring premium income.

The Company adopts prudent liquidity risk management by monitoring daily liquidity and cash movements to ensure liquidity is available and cash is employed optimally. The Company has cash and cash equivalents of RM310.9 million as at 31 December 2015 to meet its liquidity requirements.

Demands for funds can usually be met through ongoing normal operations, premiums received, sale of assets or borrowings. Unexpected demands for liquidity may be triggered by negative publicity, deterioration of the economy, reports of problems in other companies in the same or similar lines of business, unanticipated policy claims, or other unexpected cash demands from policyholders. Expected liquidity demands are managed through a combination of treasury, investment and capital management practices, which are monitored on an ongoing basis. Actual and projected cash inflows and outflows are monitored and a reasonable amount of assets are kept in liquid instruments at all times. The projected cash flows from the in-force insurance policy contract liabilities consist of renewal premiums, commissions, claims, maturities and surrenders. Renewal premiums, commissions, claims and maturities are generally stable and predictable. Surrenders can be more uncertain although it has been quite stable over the past several years. Unexpected liquidity demands are managed through a combination of product design, diversification limits, investment strategies and systematic monitoring. The existence of surrender penalty in insurance contracts also protects the Company from losses due to unexpected surrender trends as well as reduces the sensitivity of surrenders to changes in interest rates.

33 FINANCIAL RISKS (CONTINUED)

Liquidity Risk (continued)

**Maturity profiles of financial assets**

The table below summarises the maturity profile of the financial assets of the Company:

| | Up to 1 year RM'000 | 1 – 5 years RM'000 | Over 5 years RM'000 | No maturity date RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| 31 December 2015 | | | | | |
| AFS financial assets | 104,119 | 1,171,523 | 1,985,704 | 1,443,974 | 4,705,320 |
| FVTPL financial assets | 10,138 | 81,315 | 10,175 | 441,879 | 543,507 |
| HTM financial assets | 55,615 | 100,674 | 811,236 | - | 967,525 |
| Loans and receivables | 17,899 | - | - | 522,434 | 540,333 |
| Insurance receivables | 29,574 | - | - | - | 29,574 |
| Financial receivables | 9,934 | - | - | - | 9,934 |
| Other assets | 4,845 | - | - | - | 4,845 |
| Cash and cash equivalents | 310,981 | - | - | - | 310,981 |
| Total financial assets | 543,105 | 1,353,512 | 2,807,115 | 2,408,287 | 7,112,019 |
| 31 December 2014 | | | | | |
| AFS financial assets | 219,189 | 927,510 | 1,790,307 | 1,395,851 | 4,332,857 |
| FVTPL financial assets | - | 76,611 | 10,313 | 393,405 | 480,329 |
| HTM financial assets | 27,367 | 145,746 | 623,277 | - | 796,390 |
| Loans and receivables | 44,000 | - | - | 535,054 | 579,054 |
| Insurance receivables | 26,556 | - | - | - | 26,556 |
| Financial receivables | 16,488 | - | - | - | 16,488 |
| Other assets | 2,081 | - | - | - | 2,081 |
| Cash and cash equivalents | 520,341 | - | - | - | 520,341 |
| Total financial assets | 856,022 | 1,149,867 | 2,423,897 | 2,324,310 | 6,754,096 |

33 FINANCIAL RISKS (CONTINUED)

Liquidity Risk (continued)

**Maturity profiles of financial liabilities**

The table below summarises the maturity profile of the financial liabilities of the Company:

| | Up to 1 year RM'000 | 1 – 5 years RM'000 | Over 5 years RM'000 | Total RM'000 |
|---|---|---|---|---|
| 31 December 2015 | | | | |
| Insurance contract liabilities*: | | | | |
| With DPF | 417,263 | 1,309,724 | 3,345,768 | 5,072,755 |
| Without DPF | 189,680 | 33,087 | 527,529 | 750,296 |
| Insurance payables | 438,068 | - | - | 438,068 |
| Other financial liabilities | 3,831 | - | - | 3,831 |
| Other payables | 39,721 | - | - | 39,721 |
| Total financial liabilities | 1,088,563 | 1,342,811 | 3,873,297 | 6,304,671 |
| 31 December 2014 | | | | |
| Insurance contract liabilities*: | | | | |
| With DPF | 344,504 | 1,100,927 | 3,354,813 | 4,800,244 |
| Without DPF | 196,317 | 27,959 | 480,493 | 704,769 |
| Insurance payables | 406,949 | - | - | 406,949 |
| Other financial liabilities | 8,810 | - | - | 8,810 |
| Other payables | 54,892 | - | - | 54,892 |
| Total financial liabilities | 1,011,472 | 1,128,886 | 3,835,306 | 5,975,664 |

* Excluding available-for-sale fair value adjustment and asset revaluation surplus adjustment.

Unit-linked liabilities are repayable or transferable on demand and are included in the "up to 1 year" column. Repayments which are subject to notice are treated as if notice was to be given immediately.

33 FINANCIAL RISKS (CONTINUED)

Market Risk

(i) 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"). The Company is exposed to foreign exchange risk primarily from transactions denominated in foreign currencies such as Singapore Dollar ("SGD") and others pertaining to investment activities. The management manages foreign currency risk by setting limits and monitoring the exposure to foreign currency on a regular basis.

As the Company's business is conducted primarily in Malaysia, the Company's financial assets are also primarily maintained in Malaysia as required under the Financial Services Act, 2013, and hence, primarily denominated in the same currency (the local RM) as its insurance contract liabilities. Thus, the main foreign exchange risk from recognised assets and liabilities arises from transactions other than those in which insurance contract liabilities are expected to be settled.

Currency risk arising from investments in foreign currency instruments is generally not hedged as the Company's exposure is minimal.

The analysis below summarises the currency exposure of the Company.

| 31 December 2015 | | | | '000 |
|---|---|---|---|---|
| | SGD | RM | Others | Total |
| **Financial assets** | | | | |
| AFS financial assets | 8,938 | 4,696,382 | - | 4,705,320 |
| FVTPL financial assets | - | 280,569 | 262,938 | 543,507 |
| HTM financial assets | - | 967,525 | - | 967,525 |
| Loans and receivables | - | 540,333 | - | 540,333 |
| Insurance receivables | | 29,574 | - | 29,574 |
| Financial receivables | | 9,934 | - | 9,934 |
| Other assets | - | 4,845 | - | 4,845 |
| Cash and cash equivalents | - | 310,981 | - | 310,981 |
| | 8,938 | 6,840,143 | 262,938 | 7,112,019 |
| **Financial liabilities** | | | | |
| Insurance contract liabilities* | - | 5,823,051 | - | 5,823,051 |
| Insurance payables | - | 438,068 | - | 438,068 |
| Other financial liabilities | - | 3,831 | - | 3,831 |
| Other payables | - | 39,721 | - | 39,721 |
| | - | 6,304,671 | - | 6,304,671 |

33 FINANCIAL RISKS (CONTINUED)

Market Risk (continued)

(i) Currency Risk (continued)

| 31 December 2014 | | | | '000 |
|---|---|---|---|---|
| | SGD | RM | Others | Total |
| **Financial assets** | | | | |
| AFS financial assets | 8,552 | 4,324,305 | - | 4,332,857 |
| FVTPL financial assets | - | 250,658 | 229,671 | 480,329 |
| HTM financial assets | - | 796,390 | - | 796,390 |
| Loans and receivables | - | 579,054 | - | 579,054 |
| Insurance receivables | - | 26,556 | - | 26,556 |
| Financial receivables | - | 16,488 | - | 16,488 |
| Other assets | - | 2,081 | - | 2,081 |
| Cash and cash equivalents | - | 520,341 | - | 520,341 |
| | 8,552 | 6,515,873 | 229,671 | 6,754,096 |
| **Financial liabilities** | | | | |
| Insurance contract liabilities* | - | 5,505,013 | - | 5,505,013 |
| Insurance payables | - | 406,949 | - | 406,949 |
| Other financial liabilities | - | 8,810 | - | 8,810 |
| Other payables | - | 54,892 | - | 54,892 |
| | - | 5,975,664 | - | 5,975,664 |

* Excluding available-for-sale fair value adjustment and asset revaluation surplus adjustment.

The potential impacts arising from currency risk are deemed insignificant. Accordingly, no sensitivity analysis is being disclosed.

33 FINANCIAL RISKS (CONTINUED)

Market Risk (continued)

(ii) 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.

A study of movement in risk-free rate is undertaken for the market. A 50 (2014: 40) basis point movement in the interest rate market is considered to be reasonable basis for interest rate sensitivity analysis. Investments in debt securities held-to-maturity are excluded as these are accounted for at amortised cost, and their carrying amounts are not sensitive to changes in the level of interest rates.

For investment-linked funds, the risk exposure to the Company is limited only to the underwriting aspect as all investment risks are borne by the policyholders.

The analysis below summarises the Company's sensitivity analysis.

| | Increase/ (decrease) in insurance contract liabilities RM'000 | Increase/ (decrease) in profit before tax RM'000 | Increase/ (decrease) in equity RM'000 |
|---|---|---|---|
| 31 December 2015 | | | |
| Change in variables | | | |
| +50 basis points | (71,010) | (617) | (16,362) |
| −50 basis points | 74,590 | 632 | 17,123 |
| 31 December 2014 | | | |
| Change in variables | | | |
| +40 basis points | (53,296) | (443) | (11,598) |
| −40 basis points | 55,666 | 454 | 12,020 |

33 FINANCIAL RISKS (CONTINUED)

Market Risk (continued)

(iii) 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's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment in securities not held for the account of unit-linked business.

The Company's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each country, sector, market and issuer, having regard also to such limits stipulated by BNM. The Company complies with BNM stipulated limits during the financial year, and has no significant concentration of price risk.

The analysis below summarises the Company's price risk analysis.

| Market indices | Change in variables | Increase/ (decrease) in insurance contract liabilities | Increase/ (decrease) in profit before tax | Increase/ (decrease) in equity |
|---|---|---|---|---|
| | | RM'000 | RM'000 | RM'000 |
| 31 December 2015 | | | | |
| Bursa Malaysia | +10% | 139,361 | 5,007 | 7,717 |
| Bursa Malaysia | −10% | (139,361) | (6,069) | (7,717) |
| 31 December 2014 | | | | |
| Bursa Malaysia | +10% | 137,430 | 3,505 | 5,197 |
| Bursa Malaysia | −10% | (137,430) | (4,860) | (5,197) |

## 34 INSURANCE FUNDS

The Company's activities are organised by funds and segregated into the Life Fund and Shareholders' Fund ("SHF") in accordance with the Financial Services Act, 2013 and Insurance Regulations, 1996. The Company's statement of financial position and statement of income have been further analysed by funds which includes Life Fund and the SHF. The Life insurance business offers a wide range of participating and non-participating Whole Life, Term Assurance, Endowment and Unit-linked products.

Statement of Financial Position by Funds as at 31 December 2015

| | Shareholders' Fund | | Life Fund | | Inter-fund elimination | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| ASSETS | | | | | | | | |
| Property, plant and equipment | - | - | 164,545 | 148,854 | - | - | 164,545 | 148,854 |
| Investment properties | - | - | 138,149 | 127,657 | - | - | 138,149 | 127,657 |
| Intangible assets | - | - | 108,932 | 729 | - | - | 108,932 | 729 |
| Financial investments | | | | | | | | |
| AFS financial assets | 180,908 | 164,526 | 4,524,412 | 4,168,331 | - | - | 4,705,320 | 4,332,857 |
| FVTPL financial assets | 4,546 | 6,597 | 538,961 | 473,732 | - | - | 543,507 | 480,329 |
| HTM financial assets | - | - | 967,525 | 796,390 | - | - | 967,525 | 796,390 |
| Loans and receivables | - | - | 540,333 | 579,054 | - | - | 540,333 | 579,054 |
| Tax recoverable | 6,303 | 2,192 | - | - | (6,303) | (2,192) | - | - |
| Insurance receivables | - | - | 29,574 | 26,556 | - | - | 29,574 | 26,556 |
| Financial receivables | 18,588 | 17,606 | 7,421 | 16,488 | (16,075) | (17,606) | 9,934 | 16,488 |
| Other assets | - | - | 4,845 | 2,081 | - | - | 4,845 | 2,081 |
| Cash and bank balances | 7,392 | 7,775 | 303,589 | 512,566 | - | - | 310,981 | 520,341 |
| TOTAL ASSETS | 217,737 | 198,696 | 7,328,286 | 6,852,438 | (22,378) | (19,798) | 7,523,645 | 7,031,336 |

TOKIO MARINE LIFE INSURANCE MALAYSIA BHD.
(Incorporated in Malaysia)

# NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2015 (CONTINUED)

## 34 INSURANCE FUNDS (CONTINUED)

Statement of Financial Position by Funds as at 31 December 2015 (continued)

| | Shareholders' Fund | | Life Fund | | Inter-fund elimination | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES | | | | | | | | |
| Share capital | 226,000 | 100,000 | - | - | - | - | 226,000 | 100,000 |
| Retained earnings | (11,778) | 94,224 | 429,767 | 231,110 | - | - | 417,989 | 325,334 |
| Available-for-sale reserve | 738 | 1,683 | (5,172) | (4,286) | - | - | (4,434) | (2,603) |
| Asset revaluation reserve | - | - | 2,799 | 1,794 | - | - | 2,799 | 1,794 |
| TOTAL EQUITY | 214,960 | 195,907 | 427,394 | 228,618 | - | - | 642,354 | 424,525 |
| Insurance contract liabilities | - | - | 6,239,097 | 5,984,985 | - | - | 6,239,097 | 5,984,985 |
| Insurance payables | - | - | 438,068 | 406,949 | - | - | 438,068 | 406,949 |
| Other financial liabilities | - | - | 19,906 | 26,416 | (16,075) | (17,606) | 3,831 | 8,810 |
| Other payables | 136 | 2,373 | 39,585 | 52,519 | - | - | 39,721 | 54,892 |
| Agency long association benefits | - | - | 27,884 | 27,566 | - | - | 27,884 | 27,566 |
| Current tax liabilities | 2,446 | - | 7,387 | 9,794 | (6,303) | (2,192) | 3,530 | 7,602 |
| Deferred tax liabilities | 195 | 417 | 128,965 | 115,590 | - | - | 129,160 | 116,007 |
| TOTAL POLICYHOLDERS' FUNDS AND LIABILITIES | 2,777 | 2,790 | 6,900,893 | 6,623,819 | (22,378) | (19,798) | 6,881,291 | 6,606,811 |
| TOTAL EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES | 217,737 | 198,697 | 7,328,287 | 6,852,437 | (22,378) | (19,798) | 7,523,645 | 7,031,336 |

34 INSURANCE FUNDS (CONTINUED)

Statement of Income by Funds for the Financial Year ended 31 December 2015

| | Shareholders' Fund | | Life Fund | | Inter-fund elimination | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Gross earned premium revenue | - | - | 1,065,579 | 1,072,808 | - | - | 1,065,579 | 1,072,808 |
| Premiums ceded to reinsurers | - | - | (52,212) | (61,248) | - | - | (52,212) | (61,248) |
| Net earned revenue | - | - | 1,013,367 | 1,011,560 | - | - | 1,013,367 | 1,011,560 |
| Investment income | 7,285 | 7,275 | 284,466 | 268,599 | - | - | 291,751 | 275,874 |
| Net realised gains | 159 | 642 | 11,887 | 37,041 | - | - | 12,046 | 37,683 |
| Net fair value gains/(losses) | (12) | 10 | 31,984 | (9,077) | - | - | 31,972 | (9,067) |
| Fee and commission income | - | - | 196 | 494 | - | - | 196 | 494 |
| Other income | 7,432 | 7,927 | 328,533 | 297,057 | - | - | 335,965 | 304,984 |
| Gross benefits and claims paid | - | - | (700,328) | (705,112) | - | - | (700,328) | (705,112) |
| Claims ceded to reinsurers | - | - | 47,089 | 43,977 | - | - | 47,089 | 43,977 |
| Gross/net change to insurance contract liabilities | - | - | (310,528) | (277,502) | - | - | (310,528) | (277,502) |
| Net claims | - | - | (963,767) | (938,637) | - | - | (963,767) | (938,637) |

34 INSURANCE FUNDS (CONTINUED)

Statement of Income by Funds for the Financial Year ended 31 December 2015 (continued)

| | Shareholders' Fund | | Life Fund | | Inter-fund elimination | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Commission and agency expenses | - | - | (113,631) | (113,702) | - | - | (113,631) | (113,702) |
| Management expenses | (649) | (10,535) | (133,152) | (132,154) | - | - | (133,801) | (142,689) |
| Other operating expenses – net | - | - | (2,533) | (377) | - | - | (2,533) | (377) |
| Other expenses | (649) | (10,535) | (249,316) | (246,233) | - | - | (249,965) | (256,768) |
| Inter-fund transfer: | | | | | | | | |
| From Life Fund to SHF | 16,992 | 19,660 | (16,992) | (19,660) | - | - | - | - |
| Profit before taxation | 23,775 | 17,052 | 111,825 | 104,087 | - | - | 135,600 | 121,139 |
| Taxation | (3,778) | (3,963) | (39,167) | (37,465) | - | - | (42,945) | (41,428) |
| Net profit for the financial year | 19,997 | 13,089 | 72,658 | 66,622 | - | - | 92,655 | 79,711 |

## 35 INVESTMENT-LINKED FUND

The statement of financial position and statement of income of investment-linked fund represent the assets, liabilities and net asset values of TokioMarine Orient Fund ("TMOF"), TokioMarine Enterprise Fund ("TMEF"), TokioMarine Bond Fund ("TMBF"), TokioMarine Dana Ikhtiar ("TMDI") and TokioMarine Luxury Fund ("TMLX"). The statement of financial position of the investment-linked fund is represented by:

| | 2015<br>RM'000 | 2014<br>RM'000 |
|---|---|---|
| UNITHOLDERS' LIABILITIES | | |
| At the beginning of the financial year | 111,049 | 97,647 |
| Creation of units | 71,681 | 53,794 |
| Cancellation of units | (55,522) | (43,373) |
| Net surplus for the financial year after taxation | 9,914 | 2,981 |
| At the end of the financial year (Note 12) | 137,122 | 111,049 |

The statement of financial position has been adjusted for the following assets, liabilities and net asset value of TokioMarine Managed Fund ("TMMF") which have been eliminated as TMMF invested mainly in TMEF and TMBF during the financial year:

| | 2015<br>RM'000 | 2014<br>RM'000 |
|---|---|---|
| ASSETS | | |
| Investments in other linked funds of insurer | 23,341 | 19,668 |
| Cash and cash equivalents | - | 1 |
| Net asset value of TMMF | 23,341 | 19,669 |

35 INVESTMENT-LINKED FUND (CONTINUED)

The statement of income of Life Fund in Note 34 to the financial statements has been adjusted for the following income and expenditure of TMMF which have been eliminated as TMMF invested in TMEF and TMBF during the financial year:

| | 2015<br>RM'000 | 2014<br>RM'000 |
|---|---|---|
| Net asset value of TMMF at the beginning of the financial year | 19,669 | 16,589 |
| Creation of units – included in gross earned premiums | 12,443 | 9,105 |
| Cancellation of units – included in gross benefits paid | (10,402) | (6,462) |
| | 21,710 | 19,232 |
| Realised gains on investments | 864 | 725 |
| Fair value gains/(losses) on investments | 770 | (286) |
| Management expenses: | | |
| Auditors' remuneration | (3) | (3) |
| Net profit for the financial year | 1,631 | 436 |
| Net asset value of TMMF at the end of the financial year | 23,341 | 19,668 |