

**BERJAYA SOMPO INSURANCE
BERHAD
(62605-U)
(Incorporated in Malaysia)**

**Directors' Report and Audited Financial
Statements
31 December 2012**

62605-U

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

Contents	Page
Directors' Report	1 - 6
Statement by Directors	7
Statutory Declaration	7
Independent Auditors' Report	8 - 9
Statement of Financial Position	10
Statement of Changes in Equity	11
Income Statement	12
Statement of Comprehensive Income	13
Cash Flow Statement	14
Notes to the Financial Statements	15 - 80

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Company for the financial year ended 31 December 2012.

PRINCIPAL ACTIVITY

The principal activity of the Company is the underwriting of general insurance business.

There has been no significant change in the nature of the principal activity during the financial year.

RESULTS

RM'000

Net profit for the year

59,796

There were no material transfers to or from reserves or provisions during the financial year.

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

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial period.

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

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Dato' Haji Ahmad bin Sidek
Loh Lye Ngok
Datuk Bhupatrai A/L Mansukhlal Premji
Dato' Robin Tan Yeong Ching
Hiroei Suzuki
Keishi Nakamura
Dato' Abdul Rahman bin Hamidon (Demised on 27 October 2012)

CORPORATE GOVERNANCE

The Company has complied with all the prescriptive requirements of, and adopts management practices that are consistent with the principles prescribed under JPI/GPI 25: Prudential Framework of Corporate Governance for Insurers issued by Bank Negara Malaysia ("BNM").

CORPORATE GOVERNANCE STANDARDS

The membership, roles and terms of reference of the Audit Committee, Risk Management Committee, Nominating Committee and Remuneration Committee of the Board are as follows:

1. AUDIT COMMITTEE

The composition of the Audit Committee ("AC") is as follows:

- (i) Dato' Haji Ahmad bin Sidek (Chairman)
- (ii) Datuk Bhupatrai A/L Mansukhlal Premji
- (iii) Keishi Nakamura

The AC is to assist the Board of Directors in discharging its duties of maintaining a sound system of internal controls to safeguard the Company's assets. It is also responsible for reviewing the financial reporting and internal audit processes to ensure compliance with relevant laws and regulations.

The AC met 6 times during the financial year.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE (CONT'D.)

CORPORATE GOVERNANCE STANDARDS (CONT'D.)

2. RISK MANAGEMENT COMMITTEE

The composition of the Risk Management Committee ("RMC") is as follows:

- (i) Dato' Haji Ahmad bin Sidek (Chairman)
- (ii) Datuk Bhupatrai A/L Mansukhlal Premji
- (iii) Keishi Nakamura
- (iv) Dato' Abdul Rahman bin Hamidon (Demised on 27 October 2012)

The responsibilities of the RMC include the review, assessment and recommendation of the risk management strategies and risk tolerance, the adequacy of the policies and framework for identifying, measuring, monitoring and controlling risks, as well as the extent to which these are operating effectively through adequate infrastructure, resources and systems.

The RMC met 5 times during the financial year.

3. NOMINATING COMMITTEE

The composition of the Nominating Committee ("NC") is as follows:

- (i) Datuk Bhupatrai A/L Mansukhlal Premji (Chairman)
- (ii) Dato' Robin Tan Yeong Ching
- (iii) Loh Lye Ngok
- (iv) Dato' Haji Ahmad bin Sidek
- (v) Keishi Nakamura (Appointed on 26 November 2012)
- (vi) Hiroei Suzuki
- (vii) Dato' Abdul Rahman bin Hamidon (Demised on 27 October 2012)

The NC is responsible to establish the minimum requirement for the Board of Directors and the Chief Executive Officer to perform their responsibilities effectively. It also annually reviews the Board structure, size and composition, and the mix of skills and core competencies required for the Board to discharge its duties effectively. It will also assess on an annual basis, the effectiveness of the Board and the Board Committees.

The NC is also empowered to consider and evaluate the appointment of new directors and directors to fill the seats on the Board Committees of the Company and to recommend candidates to the Board and BNM for appointment and reappointment or re-election. In addition to that, the committee is also entrusted with the responsibility for both the appointment and evaluation of the Chief Executive Officer and key senior officers of the Company.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

CORPORATE GOVERNANCE (CONT'D.)

CORPORATE GOVERNANCE STANDARDS (CONT'D.)

3. NOMINATING COMMITTEE (CONT'D.)

The NC also ensures that all Directors undergo appropriate induction programmes and receive continuous training. In addition, the NC also oversees the management succession planning of the Company.

The NC met once during the financial year.

4. REMUNERATION COMMITTEE

The composition of the Remuneration Committee ("RC") is as follows:

- (i) Datuk Bhupatrai A/L Mansukhlal Premji (Chairman)
- (ii) Dato' Robin Tan Yeong Ching
- (iii) Dato' Haji Ahmad bin Sidek (Appointed on 16 January 2013)
- (iv) Keishi Nakamura
- (v) Dato' Abdul Rahman bin Hamidon (Demised on 27 October 2012)

The RC is responsible to recommend a framework of remuneration for Directors, Chief Executive Officer and key senior officers of the Company. In addition, it is also responsible to recommend specific remuneration packages for Directors, Chief Executive Officer and key senior officers of the Company.

The RC met once during the financial year.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, or the options over the unissued shares of the holding company and other related companies granted to certain directors.

Since the end of the previous financial period, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 23 and Note 27 to the financial statements and the financial statements of related corporations or the fixed salary of a full time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, none of the directors in office at the end of the financial year had any interest in shares of the ultimate holding company and holding company during the financial year.

OTHER STATUTORY INFORMATION

- (a) Before the statement of financial position and income statement of the Company were made out, the directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts;
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would:
 - (i) require any amount to be written off as bad debts or render the amount of the provision for doubtful debts in the financial statements of the Company inadequate to any substantial extent; and
 - (ii) render the values attributed to the current assets in the financial statements of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Company which has arisen since the end of the financial year.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

OTHER STATUTORY INFORMATION (CONT'D.)

(f) In the opinion of the directors:

- (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Company to meet its obligations as and when they fall due; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

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

- (g) Before the statement of financial position and income statement of the Company were made out, the directors took reasonable steps to ascertain that there was adequate provisions for its insurance liabilities in accordance with the valuation methods specified in the Risk-Based Capital Framework for insurers issued by Bank Negara Malaysia.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 14 March 2013.

Dato' Haji Ahmad bin Sidek

Loh Lye Ngok

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

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

We, Dato' Haji Ahmad bin Sidek and Loh Lye Ngok, being two of the directors of Berjaya Sampo Insurance Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 10 to 80 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2012 and of the results and the cash flows of the Company for the year ended 31 December 2012.

Signed on behalf of the Board in accordance with a resolution of the directors dated 14 March 2013.

Dato' Haji Ahmad bin Sidek

Loh Lye Ngok

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

I, Teng Mee Nguk, being the officer primarily responsible for the financial management of Berjaya Sampo Insurance Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 10 to 80 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed Teng Mee Nguk,
at Kuala Lumpur in Wilayah Persekutuan
on 14 March 2013.

Teng Mee Nguk

Before me,

62605-U

**Independent auditors' report to the members of
Berjaya Sompo Insurance Berhad
(Incorporated in Malaysia)**

Report on the financial statements

We have audited the financial statements of Berjaya Sompo Insurance Berhad, which comprise the statement of financial position as at 31 December 2012, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended 31 December 2012, and a summary of significant accounting policies and other explanatory notes, as set out on pages 10 to 80.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is 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 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.

62605-U

**Independent auditors' report to the members of
Berjaya Sampo Insurance Berhad (Cont'd.)
(Incorporated in Malaysia)**

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2012 and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on other legal and regulatory requirements

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

Other matters

This report is made solely to the members 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.

Ernst & Young
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia
14 March 2013

Nik Rahmat Kamarulzaman bin Nik Ab. Rahman
No.1759/02/14(J)
Chartered Accountant

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Note	31.12.2012 RM'000	31.12.2011 RM'000	01.05.2011 RM'000
ASSETS				
Property and equipment	3	31,854	32,719	32,614
Intangible assets	4	1,101	826	1,014
Investment properties	5	19,700	17,265	16,705
Investments	6	589,772	499,630	589,034
Malaysian government securities		20,190	35,293	40,339
Debt securities		89,115	136,323	158,132
Warrants and loan stocks		5,639	-	-
Equity securities		194,938	181,998	202,664
Unit trust funds/wholesale funds		120,790	26,314	25,147
Deposits with financial institutions		159,100	119,200	162,250
Other investments		-	502	502
Reinsurance assets	7	157,562	125,950	132,602
Insurance receivables	8	27,073	27,785	34,728
Other receivables	9	31,565	22,760	22,092
Tax recoverable		1,604	14,297	12,726
Cash and cash equivalents	11	355,711	362,079	300,223
TOTAL ASSETS		1,215,942	1,103,311	1,141,738
EQUITY AND LIABILITIES				
EQUITY				
Share capital	12	118,000	118,000	118,000
Fair value reserves		36,284	34,063	63,972
Retained profits		322,300	262,504	247,369
TOTAL EQUITY		476,584	414,567	429,341
LIABILITIES				
Insurance contract liabilities	13	679,549	645,909	650,558
Deferred tax liabilities	10	3,565	3,079	15,929
Insurance payables	14	40,282	25,759	30,992
Other payables	15	15,962	13,997	14,918
TOTAL LIABILITIES		739,358	688,744	712,397
TOTAL EQUITY AND LIABILITIES		1,215,942	1,103,311	1,141,738

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

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

	Share capital RM'000	Fair value reserves RM'000	Distributable retained profits RM'000	Total RM'000
At 1 May 2011	118,000	63,972	247,369	429,341
Profit for the period	-	-	15,135	15,135
Other comprehensive loss	-	(29,909)	-	(29,909)
Total comprehensive (loss)/income for the period	-	(29,909)	15,135	(14,774)
At 31 December 2011	118,000	34,063	262,504	414,567
At 1 January 2012	118,000	34,063	262,504	414,567
Profit for the year	-	-	59,796	59,796
Other comprehensive income	-	2,221	-	2,221
Total comprehensive income for the year	-	2,221	59,796	62,017
At 31 December 2012	118,000	36,284	322,300	476,584

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

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	1.1.2012 to 31.12.2012 RM'000	1.5.2011 to 31.12.2011 RM'000
Operating revenue	16	<u>518,581</u>	<u>346,223</u>
Gross earned premiums	17(a)	491,536	324,951
Premiums ceded to reinsurers	17(b)	<u>(96,195)</u>	<u>(57,518)</u>
Net earned premiums		<u>395,341</u>	<u>267,433</u>
Investment income	18	27,045	21,272
Realised gains and losses	19	2,144	2,513
Fair value losses	20	(4,477)	(13,411)
Commission income		25,091	15,728
Other operating income	21	<u>2,135</u>	<u>1,289</u>
Other revenue		<u>51,938</u>	<u>27,391</u>
Gross claims paid	22(a)	(277,191)	(208,818)
Claims ceded to reinsurers	22(b)	34,603	20,971
Gross change in contract liabilities	22(c)	(24,805)	(3,749)
Change in contract liabilities ceded to reinsurers	22(d)	<u>26,078</u>	<u>(4,809)</u>
Net claims incurred	22	<u>(241,315)</u>	<u>(196,405)</u>
Commission expense		(62,180)	(38,458)
Management expenses	23	<u>(65,476)</u>	<u>(39,607)</u>
Other expenses		<u>(127,656)</u>	<u>(78,065)</u>
Profit before tax		78,308	20,354
Tax expense	24	<u>(18,512)</u>	<u>(5,219)</u>
Net profit for the year/period		<u>59,796</u>	<u>15,135</u>
Earnings per share (sen) - Basic	25	<u>50.7</u>	<u>12.8</u>

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

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	1.1.2012 to 31.12.2012 RM'000	1.5.2011 to 31.12.2011 RM'000
Net profit for the year/period	59,796	15,135
Other comprehensive income:		
Available-for-sale fair value reserves :		
Net unrealised gain/(loss) on fair value changes	15,968	(23,940)
Transfer to profit or loss upon disposal	(1,776)	(2,527)
Cumulative loss reclassified to profit or loss	(11,231)	(13,411)
	<u>2,961</u>	<u>(39,878)</u>
Tax effects	(740)	9,969
	<u>2,221</u>	<u>(29,909)</u>
Total comprehensive income/(loss) for the year/period	<u>62,017</u>	<u>(14,774)</u>

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

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

		1.1.2012 to 31.12.2012 RM'000	1.5.2011 to 31.12.2011 RM'000
Cash flows from operating activities			
Retained premiums less commissions		450,490	288,830
Claims less recoveries		(326,618)	(242,930)
Interest income		23,389	16,535
Net dividends		3,837	1,958
Management expenses		(59,209)	(38,048)
Purchase of investments		(117,879)	(40,911)
Proceeds from sale of investments		65,636	43,950
Net (placement)/maturity of fixed and call deposits		(39,900)	43,050
Rental income		1,377	919
Cash generated from operations		1,123	73,353
Taxes paid		(5,533)	(8,546)
Net cash (used in)/generated from operating activities	26	(4,410)	64,807
Cash flows from investing activities			
Purchases of property and equipment and intangible assets		(2,924)	(2,628)
Purchases of investment properties		-	(560)
Proceeds from sale of property and equipment		966	237
Net cash used in investing activities	26	(1,958)	(2,951)
Net (decrease)/increase in cash and cash equivalents		(6,368)	61,856
Cash and cash equivalents at beginning of year/period	11	362,079	300,223
Cash and cash equivalents at end of year/period	11	355,711	362,079

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

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2012

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The principal place of business of the Company is located at the 18th Floor, Menara BGI, Plaza Berjaya, 12, Jalan Imbi, 55100 Kuala Lumpur.

The holding and ultimate holding companies of the Company are Sampo Japan Asia Holdings Pte. Ltd. and NKSJ Holdings, Inc respectively, both of which are incorporated in Singapore and Japan respectively. The ultimate holding company, NKSJ Holdings, Inc is listed on the Tokyo Stock Exchange and Osaka Securities Exchange.

The principal activity of the Company is the underwriting of general insurance business. There has been no significant change in the nature of the principal activity during the financial year.

The financial year end of the Company was changed from 30 April to 31 December in the last financial year. Accordingly, the financial statements of the Company for the current financial year ended 31 December 2012 covers a twelve-month period compared to a eight-month period for the previous financial period ended 31 December 2011 and, consequently, the comparative amounts for the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and the related notes are not comparable.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 14 March 2013.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia. This is the Company's first financial statements prepared in accordance with MFRS and MFRS 1 : First-time Adoption of Malaysian Financial Reporting Standards has been applied.

In the previous years, the financial statements of the Company was prepared in accordance with Financial Reporting Standards ("FRS") in Malaysia. There is no financial impact and adjustment arising from transition to MFRS. The significant accounting policies adopted in preparing these financial statements are consistent with those of the audited financial statement for the period ended 31 December 2011. The Company has not applied the accounting standards that have been issued by Malaysian Accounting Standards Board ("MASB") but not yet effective, as described fully in Note 2.3.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.1 BASIS OF PREPARATION (CONT'D.)

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

The Company has met the minimum capital requirements as prescribed by RBC at the reporting date.

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 expenses will not be offset in the income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

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

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Property and equipment and depreciation

All items of property and equipment are initially recorded at cost. 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 income statement during the financial year in which they are incurred.

Subsequent to recognition, property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.2(e).

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

Land and buildings	2%
Motor vehicles	20%
Furniture, fittings and office equipment	10%
Computers	20%

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(a) Property and equipment and depreciation (Cont'd.)

The residual values, useful life and depreciation method are reviewed at each reporting date to ensure that the amount, method and year of depreciation are consistent with the previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property and equipment.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in income statement.

(b) Intangible assets

The intangible assets of the Company consist of computer software and golf club memberships. These intangible assets, which were acquired separately, are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. The useful life of computer software is five years while the useful life of the life-time golf club memberships is indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation year and the amortisation method for an intangible asset with a finite useful life are reviewed at least once at each reporting date.

Amortisation is charged to the income statement.

Intangible assets with indefinite lives are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying values may be impaired either individually or at the cash-generating unit ("CGU") level. The useful lives of intangible assets with indefinite lives are also reviewed annually to determine whether the useful life assessment continues to be supportable.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(c) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Company all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance lease in the same way as leases of other assets and the land and building elements of a lease of land and buildings are considered separately for the purpose of lease classification.

All leases that do not transfer substantially all the risks and rewards are classified as operating leases, except for property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease.

(ii) Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(d) Investment properties

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both.

Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value.

Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

Gains or losses arising from the changes in fair value of investment properties are recognised in profit or loss in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in income statement in the year in which they arise.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(e) Impairment of non-financial assets

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

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

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An impairment loss is recognised in the income statement in the year in which it arises.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the assets in prior years.

Reversal of impairment loss for an asset is recognised in the income statement.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(f) Financial instruments

Financial instruments are recognised in the statement of financial position when the Company has become a party to the contractual provisions of the instruments.

Financial instruments are classified as assets, liabilities or equity in accordance with the substance of the contractual arrangements. Interest, dividends, gains and losses relating to a financial instrument classified as an asset or liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Financial assets

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate.

The Company determines the classification of its financial assets at initial recognition. The Company initially recognises financial assets including cash and short-term deposits, loans and other receivables when it becomes a party to the contractual provisions of the instruments.

When financial assets are recognised initially, they are measured at fair value, plus in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The subsequent measurement of financial assets depends on their classification as follows:

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss ("FVTPL") includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets classified as held for trading are derivatives or financial assets acquired principally for the purpose of selling in the near term.

Financial assets designated upon initial recognition at FVTPL are designated at their initial recognition date and only if the criteria under MFRS 139 are satisfied, which includes the following.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(f) Financial instruments (Cont'd.)

(i) Financial assets (Cont'd.)

(a) Financial assets at fair value through profit or loss (Cont'd.)

- The group of financial assets is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy, and the information is provided internally on that basis to the entity's key management personnel. In the case of wholesale funds, management reviews its performance based on interest income earned from the underlying money market instruments, which affects the net asset value of the funds.
- Designation of the entire hybrid contract as at FVTPL if a contract contains one or more embedded derivatives, as in the case of convertible loan stocks.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with gains or losses recognised in the income statement.

Net gains or net losses on financial assets at FVTPL do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at FVTPL are recognised separately in profit or loss.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortised cost using the effective interest method. Gains or losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process. For the accounting policies with respect to insurance receivables, refer to note 2.2(f)(i)(e).

Loan and receivables includes insurance receivables, deposits with financial institutions, staff loan and income due and accrued.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(f) Financial instruments (Cont'd.)

(i) Financial assets (Cont'd.)

(c) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are carried at amortised cost using the effective interest method, less any impairment loss. Gains or losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

(d) Available-for-sale financial assets

Available-for-sale ("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. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the income statement, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the income statement.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

(e) Insurance receivables

Insurance receivables are amounts receivable under the contractual terms of an insurance contract. On initial recognition, insurance receivables are measured at fair value based on the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost using effective interest method.

Receivables are assessed as and when or at each reporting date whether there is objective evidence of impairment as a result of one or more events having impact on the receivables amounts.

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivables accordingly and recognised that impairment loss on income statement.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(f) Financial instruments (Cont'd.)

(ii) Financial liabilities

Trade and other payables are classified as other financial liabilities and recognised initially at fair value of the consideration to be paid in the future for goods and services received.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

(iii) Equity instruments

Ordinary shares are classified as equity on the statement of financial position.

Dividends on ordinary shares are recognised and reflected in the statement of changes in equity in the year in which they are declared.

(iv) Fair value of financial instruments

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

For investments in unit trusts/wholesale funds, fair value is determined by reference to published net asset value.

The fair value of Malaysian Government Securities, Cagamas Papers and Unquoted Corporate Bonds are determined by reference to Bond Pricing Agency Malaysia.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(f) Financial instruments (Cont'd.)

(iv) Fair value of financial instruments (Cont'd.)

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 the instrument or the amount received on issuing the financial liability. All transactions costs directly attributable to the acquisition are also included in the cost of the investment, except for financial assets at FVTPL.

(v) Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(i) AFS financial assets

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on AFS equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. Reversals of impairment losses on debt instruments classified as AFS are reversed through profit or loss if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in profit or loss.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(f) Financial instruments (Cont'd.)

(v) Impairment of financial assets (Cont'd.)

(ii) Other financial assets carried at amortised cost

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 the group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. The impairment assessment is performed at each reporting date.

If any such evidence exists, the impairment loss is recognised in profit or loss. Reversal of impairment losses are made through profit or loss if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in profit or loss.

(iii) Unquoted equity securities carried at cost

If there is an objective evidence that an impairment loss on unquoted equity securities carried at cost has been incurred, the carrying amount will be written down to the recoverable amount, such impairment losses are not reversed in subsequent period.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(g) Derecognition of financial assets

A financial asset is derecognised when:

- the contractual right to receive cash flows from the financial asset expired.
- The Company retains the contractual rights to receive cash flow from the asset but has assumed obligation to pay them in full without material delay to a third party.
- The Company has transferred its rights to receive cash flows from the asset and either:
 - (a) has transferred substantially all the risks and rewards of the asset, or
 - (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(h) Product Classification

The Company currently only issues contracts that transfer insurance risk.

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

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

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

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(i) Insurance contract liabilities

Insurance contract liabilities are recognised and measured in accordance with the terms and conditions of the respective insurance contracts and are also based on regulatory guidelines, specifically, the RBC Framework for insurers issued by BNM. The insurance contract liabilities of the Company comprise claim liabilities and premium liabilities.

(i) Claim liabilities

Claim liabilities are recognised as the obligation to make future payments in relation to all claims that have been incurred as at the end of the financial year. They are recognised in respect of both direct insurance and inward reinsurance. The value is the best estimate value of claim liabilities which include provision for claims reported, claims incurred but not enough reserved ("IBNER"), claims incurred but not reported ("IBNR") and direct and indirect claim-related expenses as well as the provision of risk margin for adverse deviation ("PRAD") at 75% confidence level calculated at the overall Company level.

(ii) Premium liabilities

Premium liabilities are reported at the higher of the aggregate of the unearned premium reserve ("UPR") for all lines of business and the best estimate value of the insurer's unexpired risk reserves ("URR") at the end of the financial year and PRAD calculated at 75% confidence level at the overall Company level. The best estimate value is a prospective estimate of the expected future payments arising from future events insured under policies in force at the end of the financial year including allowance for insurer's expenses.

(iii) Unexpired risk reserves

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

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(i) Insurance contract liabilities (Cont'd.)

(iv) Unearned premium reserves

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

In determining the UPR at the reporting date, the method that most accurately reflects the actual liability is used, as follows:

- 25% method for marine cargo, aviation cargo and transit business;
- 1/24th method for all other classes of general business in respect of Malaysian policies, with the following deduction rates, or actual commission incurred, whichever is lower

Motor and bonds	10%
Fire, engineering, aviation and marine hull	15%
Medical	10 - 15%
Other classes	25%
- 1/8th method for overseas inward treaty business with a deduction of 20% for commissions
- Non-annual policies are time apportioned over the period of the risks.

The long-term UPR represent the portion of the net premiums of long-term insurance policies written, that relate to the unexpired periods of the policies at the end of the financial year. The premium income is recognised on a time apportionment basis over the duration of the policies.

(v) Liability adequacy test

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

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(i) Insurance contract liabilities (Cont'd.)

(v) Liability adequacy test (Cont'd.)

The estimation of claim liabilities and premium liabilities performed at reporting date is part of the liability adequacy tests performed by the Company. Based on this, all insurance contract liabilities as at reporting date are deemed to be adequate.

(j) Reinsurance

The Company cedes insurance risk in the normal course of business for all business. Reinsurance assets represent balances due from reinsurance companies for insurance contract liabilities which have yet to be settled at the reporting date. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provisions 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 the obligations to policyholders. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurers.

(k) Other revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transactions will flow to the enterprise and the amount of the revenue can be measured reliably.

(i) Interest income

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

(ii) Dividend income

Dividend income is recognised on a declared basis when the right to receive payment is established.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(k) Other revenue recognition (Cont'd.)

(iii) Rental income

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

(l) Income tax

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

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

Deferred tax is measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in the income statement account, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(m) Employee benefits

(i) Short-term benefits

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

(ii) Defined contribution plan

As required by law, the Company makes contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

(n) Foreign currencies

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 (RM), which is also the Company's functional currency.

Transactions in foreign currencies are converted into Ringgit Malaysia at rates of exchange approximating those ruling at the transaction dates. At each reporting date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date. All exchange rate differences are taken to the income statement. The currencies giving rise to these differences are primarily United States Dollars (USD) and Singapore Dollars (SGD).

(o) Related companies

Related companies refer to companies related to NKSJ Holdings, Inc. and other companies.

(p) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and at bank consisting fixed and call deposits which matured within 3 months.

The cash flow statement is prepared using the direct method.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

At the date of authorisation of these financial statements, the following new MFRSs, amendments to MFRSs and IC Interpretations have been issued but are not yet effective for the current financial year and have not been adopted by the Company:

Effective for financial periods beginning on or after 1 July 2012

Amendments to MFRS 101 : Presentation of Items of Other Comprehensive Income

Effective for financial period beginning on or after 1 January 2013

- i. MFRS 3 : Business Combinations
- ii. MFRS 10 : Consolidated Financial Statements
- iii. MFRS 11 : Joint Arrangements
- iv. MFRS 12 : Disclosure of Interests in Other Entities
- v. MFRS 13 : Fair Value Measurement
- vi. MFRS 119 : Employee Benefits
- vii. MFRS 127 : Separate Financial Statements
- viii. MFRS 127 : Consolidated and Separate Financial Statements
- ix. MFRS128 : Investments in Associates and Joint Ventures
- x. IC Interpretation 20 : Stripping costs in the Production Phase of a Surface Mine
- xi. Amendments to MFRS 1 : First-time Adoption of Malaysian Financial Reporting Standards - Government Loans
- xii. Amendments to MFRS 7 : Financial Instruments : Disclosures - Offsetting Financial Assets and Financial Liabilities
- xiii. Amendments to MFRS 10 : Consolidated Financial Statements : Transition Guidance
- xiv. Amendments to MFRS 11 : Joint Arrangements : Transition Guidance
- xv. Amendments to MFRS 12 : Disclosure of Interests in Other Entities : Transition Guidance
- xvi. Amendments to MFRSs contained in the document entitled "Annual Improvements 2009-2011 cycle".

Effective for financial period beginning on or after 1 January 2014

Amendments to MFRS 132 : Financial Instruments : Presentation - Offsetting Financial Assets and Financial Liabilities

Amendments to MFRS 10, MFRS 12 and MFRS 127 : Investment Entities

Effective for financial period beginning on or after 1 January 2015

MFRS 9 : Financial Instruments

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONT'D.)

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

(i) MFRS 9 : Financial Instruments : Classification and measurement

MFRS 9, as issued, reflects the first phase of work on the replacement of MFRS 139 Financial Instruments : Recognition and Measurement ("MFRS 139") and applies to classification and measurement of financial instruments as defined in MFRS 139 and replaces the guidance in MFRS 139.

The Company is currently assessing the impact that this Standard will have on the financial statements of the Company.

(ii) MFRS 13 Fair Value Measurement

MFRS 13 establishes a single source of guidance under MFRS for all fair value measurements. MFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under MFRS when fair value is required or permitted.

Upon adoption of MFRS 13, the Company will take into consideration the highest and best use of certain properties in measuring the fair value of such properties. The adoption of MFRS 13 is expected to result in higher fair value of certain properties of the Company.

(iii) MFRS 10 Consolidated Financial Statements

MFRS 10 replaces part of MFRS 127 Consolidated and Separate Financial Statements that deals with consolidated financial statements and IC Interpretation 112 Consolidation – Special Purpose Entities.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONT'D.)

(iii) MFRS 10 Consolidated Financial Statements (Cont'd.)

Under MFRS 10, an investor controls an investee when (a) the investor has power over an investee, (b) the investor has exposure, or rights, to variable returns from its involvement with the investee, and (c) the investor has ability to use its power over the investee to affect the amount of the investor's returns. Under MFRS 127 Consolidated and Separate Financial Statements, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

MFRS 10 includes detailed guidance to explain when an investor has control over the investee. MFRS 10 requires the investor to take into account all relevant facts and circumstances. The Company is currently assessing the impact that this Standard will have on the financial statements of the Company.

2.4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Critical judgements made in applying accounting policies

The following are the judgements made by management in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

Impairment of AFS investments

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Company evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost. During the year, the Company impaired quoted equity instruments with "significant" decline in fair value greater than 30% and "prolonged" period as greater than 12 months or more.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D.)

(b) Key sources of estimation uncertainty

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

(i) Uncertainty in accounting estimates for general insurance business

The principal uncertainty in the Company's general insurance business arises from the technical provisions which include the provisions of premium and claim liabilities as described in note 2.2 (i). The premium liabilities comprise UPR and/or URR while claim liabilities comprise outstanding claims case estimates and IBNR claims.

Generally, claim liabilities are determined based upon previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Particularly relevant is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions and economic conditions. It is certain that actual future premium and claim liabilities will not exactly develop as projected and may vary from the Company's projections. The estimates of premium and claim liabilities are therefore sensitive to various factors and uncertainties. The establishment of technical provisions is an inherently uncertain process and, as a consequence of this uncertainty, the eventual settlement of premium and claim liabilities may vary from the initial estimates. There may be significant reporting lags between the occurrence of an insured event and the time it is actually reported to the Company. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude of the claim. There are many factors that will determine the level of uncertainty such as inflation, inconsistent judicial interpretations, legislative changes and claims handling procedures.

(ii) Claim Liabilities - Case Estimates

For claims, reserve is made upon notification of a new claim where the potential liability will be assessed based on information available. Where little or no information is available, a "blind" reserve will be used. The blind reserves are based on class of business and are reviewed annually in line with BNM guidelines. As and when more information becomes available regarding a claim, the reserve is updated accordingly.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D.)

(b) Key sources of estimation uncertainty (Cont'd.)

(iii) Deferred tax assets

Deferred tax assets are recognised for various allowances and provisions to the extent that it is probable that taxable profit will be available against which these losses, allowances and provisions can be utilised. Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing of future taxable profits together with future tax planning strategies.

3. PROPERTY AND EQUIPMENT

	Land and buildings* RM'000	Furniture, fittings, office equipment and computers RM'000	Motor vehicles RM'000	Total RM'000
31 December 2012				
Cost				
At 1 January 2012	30,487	21,221	4,392	56,100
Additions	1,200	956	746	2,902
Disposals	-	(101)	(2,048)	(2,149)
Write-offs	-	(68)	-	(68)
At 31 December 2012	31,687	22,008	3,090	56,785
Accumulated depreciation				
At 1 January 2012	7,349	14,189	1,843	23,381
Charge for the year	624	1,808	735	3,167
Disposals	-	(65)	(1,486)	(1,551)
Write-offs	-	(66)	-	(66)
At 31 December 2012	7,973	15,866	1,092	24,931
Net carrying amount	23,714	6,142	1,998	31,854

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

3. PROPERTY AND EQUIPMENT (CONT'D.)

	Land and buildings* RM'000	Furniture, fittings, office equipment and computers RM'000	Motor vehicles RM'000	Total RM'000
31 December 2011				
Cost				
At 1 May 2011	30,487	20,620	3,864	54,971
Additions	-	1,029	1,519	2,548
Disposals	-	(12)	(991)	(1,003)
Write-offs	-	(416)	-	(416)
At 31 December 2011	30,487	21,221	4,392	56,100
Accumulated depreciation				
At 1 May 2011	6,942	13,196	2,219	22,357
Charge for the period	407	1,303	482	2,192
Disposals	-	(11)	(858)	(869)
Write-offs	-	(299)	-	(299)
At 31 December 2011	7,349	14,189	1,843	23,381
Net carrying amount	23,138	7,032	2,549	32,719

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

3. PROPERTY AND EQUIPMENT (CONT'D.)

*** Land and buildings**

	Freehold properties RM'000	Long-term leasehold properties RM'000	Total RM'000
31 December 2012			
Cost			
At 1 January 2012	25,067	5,420	30,487
Additions	-	1,200	1,200
At 31 December 2012	<u>25,067</u>	<u>6,620</u>	<u>31,687</u>
Accumulated depreciation			
At 1 January 2012	6,777	572	7,349
Charge for the year	501	123	624
At 31 December 2012	<u>7,278</u>	<u>695</u>	<u>7,973</u>
Net carrying amount	<u>17,789</u>	<u>5,925</u>	<u>23,714</u>
31 December 2011			
Cost			
At 1 May 2011/31 December 2011	<u>25,067</u>	<u>5,420</u>	<u>30,487</u>
Accumulated depreciation			
At 1 May 2011	6,442	500	6,942
Charge for the period	335	72	407
At 31 December 2011	<u>6,777</u>	<u>572</u>	<u>7,349</u>
Net carrying amount	<u>18,290</u>	<u>4,848</u>	<u>23,138</u>

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

4. INTANGIBLE ASSETS

	Club membership RM'000	Computer software RM'000	Total RM'000
31 December 2012			
Cost			
At 1 January 2012	-	3,434	3,434
Additions	-	131	131
Transfer from other investment	502	-	502
At 31 December	502	3,565	4,067
Accumulated amortisation			
At 1 January 2012	-	2,608	2,608
Charge for the year	-	358	358
At 31 December	-	2,966	2,966
Net carrying amount	502	599	1,101
31 December 2011			
Cost			
At 1 May 2011	-	3,354	3,354
Additions	-	80	80
At 31 December	-	3,434	3,434
Accumulated amortisation			
At 1 May 2011	-	2,340	2,340
Charge for the period	-	268	268
At 31 December	-	2,608	2,608
Net carrying amount	-	826	826

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

5. INVESTMENT PROPERTIES

	31.12.2012	31.12.2011
	RM'000	RM'000
At 1 January 2012/1 May 2011	17,265	16,705
Additions	-	560
Fair value adjustment (Note 20)	2,435	-
At 31 December	<u>19,700</u>	<u>17,265</u>

Investment properties are stated at fair value, which has been determined based on valuations performed by a firm of professional valuers.

6. INVESTMENTS

	31.12.2012	31.12.2011	01.05.2011
	RM'000	RM'000	RM'000
Malaysian government securities	20,190	35,293	40,339
Debt securities	89,115	136,323	158,132
Warrants and loan stocks	5,639	-	-
Equity securities	194,938	181,998	202,664
Unit trust funds/wholesale funds	120,790	26,314	25,147
Deposits with financial institutions	159,100	119,200	162,250
Other investments	-	502	502
	<u>589,772</u>	<u>499,630</u>	<u>589,034</u>

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

	31.12.2012	31.12.2011	01.05.2011
	RM'000	RM'000	RM'000
Held-to-maturity financial assets ("HTM")	98,250	145,520	158,755
Loans and receivables ("LAR")	159,100	119,200	162,250
Available-for-sale financial assets ("AFS")	235,494	234,910	268,029
Financial asset at fair value through profit or loss ("FVTPL")	96,928	-	-
	<u>589,772</u>	<u>499,630</u>	<u>589,034</u>

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

6. INVESTMENTS (CONT'D.)

(a) Held-To-Maturity financial assets

	31.12.2012	31.12.2011	01.05.2011
	RM'000	RM'000	RM'000
Amortised Cost			
Malaysian government securities	20,190	35,293	40,339
Government investment issues	25,118	30,201	25,231
Government guaranteed loan	5,000	5,000	5,000
Corporate debt securities, quoted in Malaysia	47,942	75,026	88,185
	<u>98,250</u>	<u>145,520</u>	<u>158,755</u>
Fair Value			
Malaysian government securities	20,291	35,569	40,580
Government investment issues	25,332	30,517	25,346
Government guaranteed loan	5,036	5,049	5,035
Corporate debt securities, quoted in Malaysia	48,956	76,340	89,468
	<u>99,615</u>	<u>147,475</u>	<u>160,429</u>

(b) Loans and Receivables

	31.12.2012	31.12.2011	01.05.2011
	RM'000	RM'000	RM'000
Amortised Cost			
Deposits with licensed financial institutions:			
Commercial banks	155,100	119,200	159,250
Investment banks	4,000	-	3,000
	<u>159,100</u>	<u>119,200</u>	<u>162,250</u>

(c) Available-For-Sale financial assets

	31.12.2012	31.12.2011	01.05.2011
	RM'000	RM'000	RM'000
Fair Value			
Equity securities:			
Quoted in Malaysia	186,610	177,518	195,206
Quoted outside Malaysia	8,210	4,362	7,340
Unquoted in Malaysia	118	118	118
Unit trust funds	29,501	26,314	25,147
Debt securities:			
Quoted in Malaysia	11,055	24,933	38,553
Quoted outside Malaysia	-	1,163	1,163
Other investments	-	502	502
	<u>235,494</u>	<u>234,910</u>	<u>268,029</u>

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

6. INVESTMENTS (CONT'D.)

(d) Financial asset at fair value through profit or loss

	31.12.2012	31.12.2011	01.05.2011
	RM'000	RM'000	RM'000
Fair Value			
Held for trading ("HFT"):			
Warrants	2,574	-	-
Designated upon initial recognition :			
Loan stocks	3,065		
Wholesale funds	91,289	-	-
	<u>96,928</u>	<u>-</u>	<u>-</u>

7. REINSURANCE ASSETS

	31.12.2012	31.12.2011	01.05.2011
	RM'000	RM'000	RM'000
Reinsurance of insurance contracts			
Claims liabilities (Note 13)	120,300	94,222	99,029
Premium liabilities (Note 13)	37,262	31,728	33,573
	<u>157,562</u>	<u>125,950</u>	<u>132,602</u>

8. INSURANCE RECEIVABLES

	31.12.2012	31.12.2011	01.05.2011
	RM'000	RM'000	RM'000
Outstanding premiums including agents, brokers and co-insurers balances	23,792	25,061	35,573
Allowance for impairment	(5,434)	(4,302)	(5,560)
	<u>18,358</u>	<u>20,759</u>	<u>30,013</u>
Amount due from reinsurers/ceding companies	8,224	6,870	3,856
Allowance for impairment	(374)	(395)	(383)
	<u>7,850</u>	<u>6,475</u>	<u>3,473</u>
Amount due from related parties	962	730	1,395
Allowance for impairment	(97)	(179)	(153)
	<u>865</u>	<u>551</u>	<u>1,242</u>
	<u>27,073</u>	<u>27,785</u>	<u>34,728</u>

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

8. INSURANCE RECEIVABLES (CONT'D.)

(a) Receivables that are impaired (Cont'd.)

The movement of the allowance accounts used to record the impairment and the analysis of the Company's trade receivables that are individually impaired at the reporting date are as follows:

Movement in allowance for impairment:

	31.12.2012	31.12.2011
	RM'000	RM'000
At 1 January 2012/1 May 2011	4,876	6,096
Allowance for impairment losses	1,027	-
Reversal of allowance for impairment losses	-	(1,228)
Bad debts written-off net of recovery	2	8
At 31 December	<u>5,905</u>	<u>4,876</u>

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

	31.12.2012	31.12.2011	01.05.2011
	RM'000	RM'000	RM'000
Individually Impaired			
Trade receivables	1,807	1,608	2,313
(-) Allowance for impairment	<u>(1,807)</u>	<u>(1,608)</u>	<u>(2,313)</u>
	<u>-</u>	<u>-</u>	<u>-</u>

9. OTHER RECEIVABLES

	31.12.2012	31.12.2011	01.05.2011
	RM'000	RM'000	RM'000
Other receivables and deposits	1,044	2,689	1,580
Share of other assets held under Malaysian Motor Insurance Pool ("MMIP") (net)	26,145	13,733	7,895
Proceed from disposal shares	-	-	6,767
Staff loans *	7	23	32
Income due and accrued	<u>4,369</u>	<u>6,315</u>	<u>5,818</u>
	<u>31,565</u>	<u>22,760</u>	<u>22,092</u>

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

9. OTHER RECEIVABLES (CONT'D.)

	31.12.2012	31.12.2011	01.05.2011
	RM'000	RM'000	RM'000
* Staff loans:			
- Secured	1	9	14
- Unsecured	6	14	18
	<u>7</u>	<u>23</u>	<u>32</u>

The secured staff loans bear interest at 4.0% (31.12.2011: 4.0%) (1.5.2011: 4.0%) per annum, whilst the unsecured staff loans are interest-free.

10. DEFERRED TAX LIABILITIES

	31.12.2012	31.12.2011
	RM'000	RM'000
At beginning of year/period	(3,079)	(15,929)
Recognised in AFS reserve	(740)	9,969
Recognised in the income statement (Note 24)	254	2,881
At end of year/period	<u>(3,565)</u>	<u>(3,079)</u>

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

Deferred tax assets

	Premium liabilities	Other provision	Provision for impairment in investments	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2012	346	1,006	8,724	10,076
Recognised in the income statement	(531)	219	842	530
At 31 December 2012	<u>(185)</u>	<u>1,225</u>	<u>9,566</u>	<u>10,606</u>
At 1 May 2011	380	1,293	5,371	7,044
Recognised in the income statement	(34)	(287)	3,353	3,032
At 31 December 2011	<u>346</u>	<u>1,006</u>	<u>8,724</u>	<u>10,076</u>

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

10. DEFERRED TAX LIABILITIES (CONT'D.)

Deferred tax liabilities

	Others RM'000	Available- for-sale reserves RM'000	Accelerated capital allowances RM'000	Total RM'000
At 1 January 2012	-	11,355	1,800	13,155
Recognised in AFS reserve	-	740	-	740
Recognised in the income statement	984	-	(708)	276
At 31 December 2012	<u>984</u>	<u>12,095</u>	<u>1,092</u>	<u>14,171</u>
At 1 May 2011	-	21,324	1,649	22,973
Recognised in AFS reserve	-	(9,969)	-	(9,969)
Recognised in the income statement	-	-	151	151
At 31 December 2011	<u>-</u>	<u>11,355</u>	<u>1,800</u>	<u>13,155</u>

11. CASH AND CASH EQUIVALENTS

	31.12.2012 RM'000	31.12.2011 RM'000	01.05.2011 RM'000
Fixed and call deposits with licensed financial institutions (with maturity of less than three months)	338,750	348,950	289,608
Cash and bank balances	<u>16,961</u>	<u>13,129</u>	<u>10,615</u>
	<u>355,711</u>	<u>362,079</u>	<u>300,223</u>
Fixed and call deposits were placed with:			
Investment banks	48,000	57,000	79,008
Commercial banks	<u>290,750</u>	<u>291,950</u>	<u>210,600</u>
	<u>338,750</u>	<u>348,950</u>	<u>289,608</u>

12. SHARE CAPITAL

	Number of ordinary shares of RM1 each		Amount	
	31.12.2012 '000	31.12.2011 '000	31.12.2012 RM'000	31.12.2011 RM'000
Authorised:				
At beginning/end of year	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:				
At beginning/end of year	<u>118,000</u>	<u>118,000</u>	<u>118,000</u>	<u>118,000</u>

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

13. INSURANCE CONTRACT LIABILITIES

Note	31.12.2012			31.12.2011			01.05.2011		
	Gross RM'000	Re- insurance RM'000	Net RM'000	Gross RM'000	Re- insurance RM'000	Net RM'000	Gross RM'000	Re- insurance RM'000	Net RM'000
Provision for claims reported by policyholders	323,264	(91,366)	231,898	320,905	(74,807)	246,098	312,295	(73,999)	238,296
Provision for IBNR	148,181	(28,934)	119,247	125,735	(19,415)	106,320	130,595	(25,030)	105,565
Claim liabilities	471,445	(120,300)	351,145	446,640	(94,222)	352,418	442,890	(99,029)	343,861
Premium liabilities	208,104	(37,262)	170,842	199,269	(31,728)	167,541	207,668	(33,573)	174,095
Insurance contract liabilities	679,549	(157,562)	521,987	645,909	(125,950)	519,959	650,558	(132,602)	517,956

13.1 Claim liabilities

	31.12.2012			31.12.2011		
	Gross RM'000	Re- insurance RM'000	Net RM'000	Gross RM'000	Re- insurance RM'000	Net RM'000
At 1 January 2012/1 May 2011						
Claims incurred for the current accident year/period	446,640	(94,222)	352,418	442,890	(99,029)	343,861
Adjustment to claims incurred in prior accident years (direct & facultative)	301,996	(60,681)	241,315	212,568	(16,164)	196,404
Claims incurred during the year (treaty inwards claims)	297,513	(55,491)	242,022	211,117	(22,913)	188,203
Movement in Fund PRAD of claims liabilities at 75% confidence level	(1,679)	-	(1,679)	11,553	-	11,553
Movement in claims handling expenses	6,423	(5,190)	1,233	(11,065)	6,749	(4,315)
Claims paid during the year/period	(261)	-	(261)	963	-	963
	(277,191)	34,603	(242,588)	(208,818)	20,971	(187,847)
At 31 December	471,445	(120,300)	351,145	446,640	(94,222)	352,418

13.2 Premium liabilities

	31.12.2012			31.12.2011		
	Gross RM'000	Re- insurance RM'000	Net RM'000	Gross RM'000	Re- insurance RM'000	Net RM'000
At 1 January 2012/1 May 2011						
Premiums written during the year/period	199,269	(31,728)	167,541	207,668	(33,573)	174,095
Premiums earned during the year/period	500,371	(101,729)	398,642	316,552	(55,673)	260,879
	(491,536)	96,195	(395,341)	(324,951)	57,518	(267,433)
At 31 December	208,104	(37,262)	170,842	199,269	(31,728)	167,541

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

14. INSURANCE PAYABLES

	31.12.2012	31.12.2011	01.05.2011
	RM'000	RM'000	RM'000
Amount due to agents, brokers, co-insurers and insureds	7,606	7,940	5,024
Amount due to reinsurers and ceding companies	31,458	16,482	25,488
Amount due to related parties	1,218	1,337	480
	<u>40,282</u>	<u>25,759</u>	<u>30,992</u>

15. OTHER PAYABLES

	31.12.2012	31.12.2011	01.05.2011
	RM'000	RM'000	RM'000
Accrued liabilities	7,668	5,362	6,285
Other payables	2,503	2,579	3,017
Cash collaterals held on behalf of insureds	5,791	6,056	5,616
	<u>15,962</u>	<u>13,997</u>	<u>14,918</u>

16. OPERATING REVENUE

	1.1.2012	1.5.2011
	to	to
	31.12.2012	31.12.2011
	RM'000	RM'000
Gross earned premiums (Note 17)	491,536	324,951
Investment income (Note 18)	27,045	21,272
	<u>518,581</u>	<u>346,223</u>

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

17. NET EARNED PREMIUMS

	1.1.2012 to 31.12.2012 RM'000	1.5.2011 to 31.12.2011 RM'000
(a) Gross earned premiums		
General insurance contract	500,371	316,552
Change in premium liabilities	(8,835)	8,399
	<u>491,536</u>	<u>324,951</u>
(b) Premiums ceded to reinsurers		
General reinsurance contracts	101,729	55,673
Change in premium liabilities	(5,534)	1,845
	<u>96,195</u>	<u>57,518</u>
Net Earned Premiums	<u>395,341</u>	<u>267,433</u>

18. INVESTMENT INCOME

	1.1.2012 to 31.12.2012 RM'000	1.5.2011 to 31.12.2011 RM'000
Rental income from investment properties	1,166	763
Interest/income from HTM financial assets quoted in Malaysia	5,109	4,508
HTM financial assets amortisation of premiums, net of accretion	(270)	(108)
Dividend/distribution income from AFS financial assets quoted in Malaysia	3,882	5,546
LAR fixed and call deposits interest/income	16,253	9,951
Others	905	612
	<u>27,045</u>	<u>21,272</u>

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

19. REALISED GAINS AND LOSSES

	1.1.2012 to 31.12.2012 RM'000	1.5.2011 to 31.12.2011 RM'000
Property and equipment		
Realised gain/(loss)	368	(14)
AFS financial assets:		
Realised gains:		
Equity securities		
- quoted in Malaysia	383	2,718
- quoted outside Malaysia	67	-
Debt securities		
- quoted in Malaysia	5	-
- quoted outside Malaysia	4,259	-
Realised losses:		
Equity securities		
- quoted in Malaysia	(2,913)	(191)
Debt securities		
- quoted in Malaysia	(25)	-
	<u>2,144</u>	<u>2,513</u>

20. FAIR VALUE GAINS AND LOSSES

	1.1.2012 to 31.12.2012 RM'000	1.5.2011 to 31.12.2011 RM'000
Fair value adjustment on investment properties (Note 5)	2,435	-
Fair value adjustment on HFT financial assets	2,946	-
Fair value adjustment on financial assets designated as at FVTPL on initial recognition	1,373	-
Impairment loss on AFS financial assets	(11,231)	(13,411)
	<u>(4,477)</u>	<u>(13,411)</u>

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

21. OTHER OPERATING INCOME

	1.1.2012 to 31.12.2012 RM'000	1.5.2011 to 31.12.2011 RM'000
Realised gain/(loss) on foreign exchange	38	(35)
Sundry income	2,097	1,324
	<u>2,135</u>	<u>1,289</u>

22. NET CLAIMS INCURRED

	1.1.2012 to 31.12.2012 RM'000	1.5.2011 to 31.12.2011 RM'000
(a) Gross claims paid		
General insurance contracts (Note 13)	(277,191)	(208,818)
(b) Claims ceded to reinsurers		
General insurance contracts (Note 13)	34,603	20,971
(c) Gross change in contract liabilities		
General insurance contracts	(24,805)	(3,749)
(d) Change in contract liabilities ceded to reinsurers		
General insurance contracts	26,078	(4,809)
	<u>(241,315)</u>	<u>(196,405)</u>

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

23. MANAGEMENT EXPENSES

	1.1.2012 to 31.12.2012 RM'000	1.5.2011 to 31.12.2011 RM'000
Employee benefits expense (Note 23(a))	37,664	22,991
Directors' fees (Note 23(b))	120	73
Auditors' remuneration:		
- statutory audits	107	100
- other services	44	49
Rental of properties	492	406
Depreciation of property and equipment	3,167	2,192
Amortisation of intangible assets	358	268
Gain on disposal of property and equipment	(368)	(103)
Property and equipment written off	2	117
Provision for PIDM Takaful and Insurance Protection Scheme	977	563
Allowance for impairment losses on receivables	1,027	-
Reversal of allowance for impairment losses on receivables	-	(1,228)
Computer service charges	4,358	753
Other expenses	17,528	13,426
	65,476	39,607

(a) Employee benefits expenses

	1.1.2012 to 31.12.2012 RM'000	1.5.2011 to 31.12.2011 RM'000
Wages, salaries and bonus	32,454	19,820
Social security contributions	370	232
Contributions to defined contribution plan, EPF	3,868	2,169
Other benefits	972	770
	37,664	22,991

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

23. MANAGEMENT EXPENSES (CONT'D.)

(b) Directors' remuneration

The details of remuneration receivable by directors during the year/period are as follows:

	1.1.2012 to 31.12.2012 RM'000	1.5.2011 to 31.12.2011 RM'000
Executive directors:		
Salaries	1,131	747
Bonus	241	225
Allowances	-	-
Contribution to defined contribution plan, EPF	169	99
	<u>1,541</u>	<u>1,071</u>
Non-Executive directors (Note 23):		
Fees	97	56
Allowances	23	17
	<u>120</u>	<u>73</u>
Benefits-in-kind	110	86
	<u>110</u>	<u>86</u>
Total directors' remuneration	<u>1,771</u>	<u>1,230</u>

(c) The details of remuneration receivable by the Company's Chief Executive Officer during the financial year/period was as follows:

	1.1.2012 to 31.12.2012 RM'000	1.5.2011 to 31.12.2011 RM'000
Salaries, allowances and bonus	1,204	825
Other remuneration	169	99
Benefits-in-kind	35	31
	<u>1,408</u>	<u>955</u>

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

24. INCOME TAX EXPENSE

	1.1.2012 to 31.12.2012 RM'000	1.5.2011 to 31.12.2011 RM'000
Income tax:		
- Current income tax	19,500	8,424
- Over-provision in prior years	(734)	(324)
	<u>18,766</u>	<u>8,100</u>
Deferred tax (Note 10):		
- Relating to origination and reversal of temporary differences	(270)	(2,982)
- Under provision in prior years	16	101
	<u>(254)</u>	<u>(2,881)</u>
- Tax expense for the year/period	<u>18,512</u>	<u>5,219</u>

Current income tax is calculated at the Malaysian tax rate of 25% (2011: 25%) on the estimated assessable profit for the year/period.

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

	1.1.2012 to 31.12.2012 RM'000	1.5.2011 to 31.12.2011 RM'000
Profit before tax	<u>78,308</u>	<u>20,354</u>
Taxation at Malaysian statutory tax rate of 25% (2011: 25%)	19,577	5,089
Effect of different tax rate for offshore business	-	(153)
Effect of income not subject to tax	(1,101)	(271)
Effect of expenses not deductible for tax purposes	754	777
Under-provision of deferred tax in prior years	16	101
Over-provision of income tax in prior years	(734)	(324)
Tax expense for the year/period	<u>18,512</u>	<u>5,219</u>

Prior to the year of assessment 2008, Malaysian companies adopt the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the Section 108 balance of the Income Tax Act 1967 ("Section 108") and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

24. INCOME TAX EXPENSE (CONT'D.)

The Company did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the Section 108 balance as at 31 December 2012 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007. As at 31 December 2012, the Company has sufficient credit in the Section 108 balance to pay franked dividends out of its entire retained earnings.

25. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year/period by the number of ordinary shares in issue during the financial year/period.

	1.1.2012 to 31.12.2012	1.5.2011 to 31.12.2011
Net profit for the year/period (RM'000)	59,796	15,135
Number of ordinary shares in issue ('000)	118,000	118,000
Basic earnings per share (sen)	50.7	12.8

There were no potential dilutive effects on the Company's ordinary shares during and at the end of the financial year/period.

26. SEGMENTAL INFORMATION ON CASH FLOW

	General insurance fund RM'000	Shareholders' fund RM'000	Total RM'000
1.1.2012 to 31.12.2012			
Net cash used in:			
Operating activities	(4,410)	-	(4,410)
Investing activities	(1,958)	-	(1,958)
	<u>(6,368)</u>	<u>-</u>	<u>(6,368)</u>
Net change in cash and cash equivalents:			
At beginning of year	361,487	592	362,079
At end of year	355,119	592	355,711
	<u>(6,368)</u>	<u>-</u>	<u>(6,368)</u>

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

26. SEGMENTAL INFORMATION ON CASH FLOW (CONT'D.)

	General insurance fund RM'000	Shareholders' fund RM'000	Total RM'000
1.5.2011 to 31.12.2011			
Net cash generated from/(used in):			
Operating activities	64,807	-	64,807
Investing activities	(2,951)	-	(2,951)
	<u>61,856</u>	<u>-</u>	<u>61,856</u>
Net change in cash and cash equivalents:			
At beginning of year	299,631	592	300,223
At end of year	<u>361,487</u>	<u>592</u>	<u>362,079</u>
	<u>61,856</u>	<u>-</u>	<u>61,856</u>

27. RELATED PARTY DISCLOSURES

(a) Related parties

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

In the normal course of business, the Company undertakes various transactions with subsidiary and associated companies of its ultimate holding company, NKSJ Holdings, Inc. and other companies deemed related parties by virtue of common directors' shareholdings and a corporate shareholder's interest in its ultimate holding company. The Directors are of the opinion that the Company sold insurance policies to the related companies and related parties on terms and conditions no more favourable than those available on similar transactions to its other customers or employees, and other related party transactions were also carried out on terms and conditions no more favourable than those available on similar transactions to its unrelated parties, unless otherwise stated.

(b) Key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. In line with the group classification, our key management personnel include the Chief Executive Officer and the Deputy Chief Executive Officer who are also the Directors of the Company.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

27. RELATED PARTY DISCLOSURES

(c) Related party transactions and balances

The significant related party transactions during the year/period are as follows:

	1.1.2012 to 31.12.2012 RM'000	1.5.2011 to 31.12.2011 RM'000
Related party transactions:		
Income/(expenses):		
Penultimate Holding Company:		
- Sampo Japan Insurance Inc.		
Premium ceded	(80)	(73)
Commission received	18	18
Claims recoveries	25	58
	<hr/>	<hr/>
Holding Company:		
- Sampo Japan Asia Holdings Pte. Ltd.		
Premium ceded	(10,052)	(4,565)
Commission received	2,711	1,227
Claims recoveries	2,102	404
Risk survey fee paid	(116)	(21)
	<hr/>	<hr/>
Other related companies:		
- Companies in which a controlling shareholder of the ultimate holding company has an interest		
Premium ceded	(10,217)	(5,065)
Commission received	2,618	1,310
Claims recoveries	165	187
	<hr/>	<hr/>
Corporate shareholder:		
- Berjaya Corporation Berhad and its related companies		
Gross premium income	18,776	4,547
Brokerage fee	(15)	(72)
	<hr/>	<hr/>

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

27. RELATED PARTY DISCLOSURES (CONT'D.)

(c) Related party transactions and balances (Cont'd.)

	31.12.2012	31.12.2011	01.05.2011
	RM'000	RM'000	RM'000
Related party balances:			
Due to related companies :			
Penultimate Holding Company:			
- Sompo Japan Insurance Inc.	<u>(17)</u>	<u>(14)</u>	<u>(118)</u>
Holding Company:			
- Sompo Japan Asia Holdings Pte. Ltd.	<u>(832)</u>	<u>(1,015)</u>	<u>(134)</u>
Other related companies			
- Companies in which a controlling shareholder of the ultimate holding company has an interest	<u>(369)</u>	<u>(308)</u>	<u>(228)</u>

The above balances are included in Note 14, Insurance payables.

	31.12.2012	31.12.2011	01.05.2011
	RM'000	RM'000	RM'000
Related party balances:			
Due from related company :			
Corporate shareholder			
- Berjaya Corporation Berhad and its related companies	<u>962</u>	<u>730</u>	<u>1,242</u>

The above balances are included in Note 8, Insurance receivables.

The balances with related companies above are trade in nature, and are unsecured, interest-free and repayable within normal commercial terms.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

27. RELATED PARTY DISCLOSURES (CONT'D.)

(c) Related party transactions and balances (Cont'd.)

Compensation of key management personnel

The remuneration of Company's Executive Directors during the financial year/period was as follows:

	1.1.2012 to 31.12.2012 RM'000	1.5.2011 to 31.12.2011 RM'000
Short term employee benefits		
- Salaries, allowances and bonus	1,372	972
- Other remuneration	169	99
- Benefits-in-kind	110	86
	1,651	1,157

The remuneration of Company's Non-Executive Directors during the financial year/period is disclosed in Note 23 (b) to the financial statements.

28. RISK MANAGEMENT FRAMEWORK

(a) Framework and Responsibility

The Board of Directors is committed to the development of an Effective Enterprise Risk Management Framework, with the aims of providing a consistent approach to risk and facilitating an accurate perception of acceptable risk by all employees. It forms an integral part of the Company's business strategic planning, performance agreement and general risk management culture.

The Board entrusts the Risk Management Committee ("RMC") with the overall responsibility for overseeing the risk management activities of the Company and approving appropriate risk management procedures and measurement methodologies across the organisation. The RMC has a broad mandate to ensure the effective implementation of the objectives outlined in this Policy and compliance with them throughout the Company. The RMC is responsible for periodically reporting higher risk exposures to the Board. The responsibilities and detailed administrative duties of the RMC are set out in the Board approved Risk Management Committee Charter.

The Board delegates to the Chief Executive Officer ("CEO") the responsibility for ensuring effective implementation and maintenance of this Policy and that all personnel adhere to its mandates.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

28. RISK MANAGEMENT FRAMEWORK (CONT'D.)

(a) Framework and Responsibility (Cont'd.)

The detailed line accountability for risk management is fully aligned with the Company's management structure. Accordingly, the approvals, responsibilities and accountabilities applicable to the identification, evaluation, management and reporting of the Company's risks are attributed to the CEO, head of various department and branches.

(b) Objectives and Policies

The objective of the risk management policy is to define an ongoing and consistent process for identifying, assessing, monitoring and reporting upon the significant risks faced by the departments and branch offices, and ultimately, the whole Company.

The implementation of risk management framework allows management to manage risks within defined risk/return parameters, risk tolerances and risk management standards. As such it provides a framework for the effective identification, evaluation, management and reporting of the Company's risks.

Effective management of risks identified is implemented via establishment of internal controls, systems, policies and procedures. Systems are designed to provide reasonable assurance that assets are safeguarded, insurance risk exposure is within desired limit, reinsurance protection is adequate and counterparties are subject to security assessment. The risk management framework is reviewed on a periodic basis.

(c) Capital Management Plan

The objective of the Capital Management Plan ("CMP") is to optimise the efficient and effective use of resources in order to maximise the return on equity and provide an appropriate level of capital to protect the policy holders taking into consideration the events that can impact directly or indirectly on the operations and financial resilience of the Company whilst complying with the rules and regulations issued by relevant authorities.

The Company's capital management is driven by the business strategies and taking into consideration the impact of business and regulatory environment in which the Company operates in. To comply with the RBC Framework, the Company has also set an Internal Capital Adequacy Ratio which is above the minimum regulatory requirements.

(d) Stress Testing

Stress testing is a fundamental risk management tool in assessing the financial resilience of the Company under exceptional but adverse plausible events. The stress test results together with the mitigating plans are tabled every half-year for the Board's deliberation and recommendation prior to submission to BNM.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

29. INSURANCE RISK

Underwriting and insurance risk is the exposure to the financial loss resulting from the selection and approval of risk to be insured, the adjudication of claims and the management of contractual and non-contractual cover.

The Company has instituted documented standards of risk selection, underwriting authorities, risk management engineering, pricing guidelines and risk accumulation limits. Reinsurance is placed to minimise certain insurance risks within approved limits and security. Claims approval and claims settlement authorities are clearly defined for prudent control on financial exposure. Regular underwriting and claims audits are performed by internal auditors to ensure strict compliance with the Company's guidelines and standards.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

29. INSURANCE RISK (CONT'D.)

(a) Concentration of risks by class of business

General insurance business by type of product:

	1.1.2012 to 31.12.2012			1.5.2011 to 31.12.2011		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Motor	258,644	(9,394)	249,250	173,108	(6,472)	166,636
Fire	80,036	(41,926)	38,110	46,037	(21,960)	24,077
Marine, Aviation & Transit	18,414	(9,484)	8,930	11,414	(5,552)	5,862
Miscellaneous	143,277	(40,925)	102,352	85,993	(21,689)	64,304
	<u>500,371</u>	<u>(101,729)</u>	<u>398,642</u>	<u>316,552</u>	<u>(55,673)</u>	<u>260,879</u>

Insurance contract liabilities by type of product:

Premium Liabilities	31 December 2012			31 December 2011			1 May 2011		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Motor	129,222	(4,333)	124,889	136,147	(9,556)	126,591	137,505	(11,856)	125,649
Fire	24,092	(14,587)	9,505	18,813	(10,318)	8,495	19,506	(10,427)	9,079
Marine, Aviation & Transit	3,676	(2,146)	1,530	3,229	(1,756)	1,473	3,741	(1,253)	2,488
Miscellaneous	51,114	(16,196)	34,918	41,080	(10,098)	30,982	46,916	(10,037)	36,879
	<u>208,104</u>	<u>(37,262)</u>	<u>170,842</u>	<u>199,269</u>	<u>(31,728)</u>	<u>167,541</u>	<u>207,668</u>	<u>(33,573)</u>	<u>174,095</u>

Claims Liabilities	31 December 2012			31 December 2011			1 May 2011		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Motor	292,314	(17,216)	275,098	303,261	(20,285)	282,976	292,946	(16,033)	276,913
Fire	56,251	(36,785)	19,466	48,640	(30,463)	18,177	43,803	(27,571)	16,232
Marine, Aviation & Transit	11,123	(5,945)	5,178	10,997	(5,264)	5,733	9,229	(4,267)	4,962
Miscellaneous	111,757	(60,354)	51,403	83,742	(38,210)	45,532	96,912	(51,158)	45,754
	<u>471,445</u>	<u>(120,300)</u>	<u>351,145</u>	<u>446,640</u>	<u>(94,222)</u>	<u>352,418</u>	<u>442,890</u>	<u>(99,029)</u>	<u>343,861</u>

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)**29. INSURANCE RISK (CONT'D.)****(b) Sensitivity analysis****Key Assumptions**

The principal assumptions underlying the estimation of liabilities is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes key assumptions such as the adopted Ultimate Loss Ratios ("ULR"), risk margin percentages (i.e. Provision of Risk Margin for Adverse Deviation ("PRAD")) and provision for claims handling costs.

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

Sensitivities

The Company engaged an independent actuarial firm to run a sensitivity analysis of the liabilities and comparison of past valuation results. The general insurance claim liabilities are sensitive to the key assumptions shown below. It has not been possible to quantify the sensitivity of certain assumptions, such as, legislative changes or uncertainty in the estimation process. Hence, the actuary has carried out the sensitivity analyses by testing the sensitivity of the following key assumptions:

- Average claim cost
- Average number of claims; and
- Average claim settlement period.

The analysis below is performed for reasonably possible movements in key assumptions (i.e. a 10% increase) with all other assumptions held constant, showing the impact on Gross and Net Liabilities, Profit before Tax and Equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

29. INSURANCE RISK (CONT'D.)

(b) Sensitivity analysis (Cont'd.)

Sensitivities (Cont'd.)

	Change in assumptions	Impact on Gross Liabilities RM'000	Impact on Net Liabilities RM'000	Impact on Profit Before Tax RM'000	* Impact on Equity RM'000
31 December 2012					
Average Claims Cost	+10%	42,301	30,631	(30,631)	(22,973)
Average Number of Claims	+10%	32,240	23,341	(23,341)	(17,506)
Average Claim Settlement Period	Increased by 6 months	2,659	2,278	(2,278)	(1,709)
31 December 2011					
Average Claims Cost	+10%	41,408	43,213	(43,213)	(32,410)
Average Number of Claims	+10%	38,171	34,842	(34,842)	(26,132)
Average Claim Settlement Period	Increased by 6 months	3,142	2,676	(2,676)	(2,007)
1 May 2011					
Average Claims Cost	+10%	42,550	35,425	(35,425)	(26,569)
Average Number of Claims	+10%	36,801	31,060	(31,060)	(23,295)
Average Claim Settlement Period	Increased by 6 months	3,505	2,763	(2,763)	(2,072)

** Impact on Equity reflects adjustments for tax, when applicable*

(c) Claims Development Table

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

In setting provisions for claims, the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves when there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in adequacy of provision is relatively at its highest. As claims develop and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

29. INSURANCE RISK (CONT'D.)

(c) Claims Development Table (Cont'd.)

Gross General Insurance Contract Liabilities for 2012 (RM '000)

	2004	2005	2006	2007	2008	2009	2010	30.04.2011	31.12.2011	2012	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Accident Year											
Ultimate Claims Incurred											
At end of accident year							287,709	315,751	200,827	295,219	
One year later						283,350	279,538	310,577	220,868		
Two years later					215,547	285,751	288,667	310,373			
Three years later				183,060	218,525	287,740	281,001				
Four years later			142,019	183,669	218,009	278,040					
Five years later		125,669	140,810	182,832	214,093						
Six years later	111,637	124,751	141,615	179,815							
Seven years later	111,691	124,218	138,357								
Eight years later	111,460	120,036									
Nine years later	111,206										
Current estimate of											
Cumulative claims incurred	111,206	120,036	138,357	179,815	214,093	278,040	281,001	310,373	220,868	295,219	
Cumulative Claims Paid											
At end of accident year	39,287	48,085	47,791	59,660	74,873	94,519	121,630	131,049	65,454	120,830	
One year later	82,177	88,186	104,513	126,010	150,182	189,035	206,994	217,351	156,677		
Two years later	89,646	100,106	113,831	140,325	170,109	229,616	231,273	249,552			
Three years later	95,005	104,063	120,961	155,610	190,043	245,909	248,681				
Four years later	98,126	108,522	127,683	167,310	196,842	253,022					
Five years later	101,143	114,338	133,740	169,994	200,554						
Six years later	105,339	118,224	135,452	171,713							
Seven years later	108,149	118,914	136,209								
Eight years later	108,353	119,300									
Nine years later	108,782										
Cumulative payments											
to date	108,782	119,300	136,209	171,713	200,554	253,022	248,681	249,552	156,677	120,830	
Gross general insurance											
outstanding liabilities											
(direct and facultative inwards)	2,424	736	2,148	8,102	13,539	25,018	32,320	60,821	64,191	174,389	383,688
Case Reserves for Accident Years Prior to 2003											3,478
Treaty Inwards											1,534
MMIP											34,626
Best Estimate of Claim Liabilities											423,326
Claim Handling Expenses											4,632
Fund PRAD at 75% Confidence Interval											43,487
Gross general insurance contract liabilities (Note 13)											471,445

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

29. INSURANCE RISK (CONT'D.)

(c) Claims Development Table (Cont'd.)

Net General Insurance Contract Liabilities for 2012 (RM '000)

Accident Year	2004	2005	2006	2007	2008	2009	2010	30.04.2011	31.12.2011	2012	Total
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Ultimate Claims Incurred											
At end of accident year					151,716	228,874	241,344	260,184	175,526	250,320	
One year later				143,164	171,844	234,672	240,602	263,707	176,436		
Two years later			120,485	154,420	179,078	239,689	244,690	262,851			
Three years later		103,591	124,846	158,347	181,291	240,792	239,310				
Four years later	99,141	105,316	123,505	158,687	180,360	233,458					
Five years later	99,042	104,940	122,364	157,991	177,405						
Six years later	98,122	104,256	123,086	156,515							
Seven years later	98,109	103,665	120,711								
Eight years later	97,882	102,080									
Nine years later	97,670										
Current estimate of cumulative claims incurred	97,670	102,080	120,711	156,515	177,405	233,458	239,310	262,851	176,436	250,320	
Cumulative Claims Paid											
At end of accident year	35,897	39,814	42,213	54,369	61,683	86,389	103,322	121,391	61,935	114,699	
One year later	73,304	75,021	90,688	110,576	122,630	162,902	179,048	199,397	138,025		
Two years later	79,674	83,756	98,610	121,844	139,827	191,951	198,383	225,135			
Three years later	84,342	87,322	104,999	135,203	158,027	205,805	213,034				
Four years later	87,259	91,387	111,027	146,212	164,218	212,082					
Five years later	90,014	96,832	116,691	148,717	166,729						
Six years later	93,847	100,366	118,219	150,048							
Seven years later	96,385	101,007	118,884								
Eight years later	96,579	101,364									
Nine years later	96,982										
Cumulative payments to date	96,982	101,364	118,884	150,048	166,729	212,082	213,034	225,135	138,025	114,699	
Net general insurance outstanding liabilities (direct and facultative inwards)	688	716	1,827	6,467	10,676	21,376	26,276	37,716	38,411	135,621	279,774
Case Reserves for Accident Years Prior to 2003											1,011
Treaty Inwards											1,534
MMIP											34,626
Best Estimate of Claim Liabilities											316,945
Claim Handling Expenses											4,632
Fund PRAD at 75% Confidence Interval											29,568
Net general insurance contract liabilities (Note 13)											351,145

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

30. 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 contents.

(a) Credit Risk

Treaty reinsurers and brokers credit ratings are evaluated prior to entering into treaty arrangements. The Company observes the Bank Negara Malaysia Guidelines and internal Company policies in assessing the credit ratings of reinsurers and brokers.

The settlement risks are also mitigated through prompt reconciliations of records and recovery actions, avoiding at all times delays in collection from reinsurers and entering into commutations for run off reinsurers. The Company has tightened the credit collection and recovery policies to expedite collections. The Company is unable to avoid any deterioration in credit ratings of reinsurers after inception of treaties.

Credit exposure

At the reporting date, the Company's maximum exposure to credit risk is represented by the maximum amount of each class of financial assets recognised in the statement of financial position.

The Company has no significant concentration of credit risk that may arise from exposures to a single debtor or groups of debtors.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

30. FINANCIAL RISKS (CONT'D.)

(a) Credit Risk (Cont'd.)

Credit exposure by credit rating

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

	Neither impaired nor past-due					Past-due but not impaired	Total
31 December 2012	*AAA RM'000	*AA RM'000	*A RM'000	*BBB RM'000	Not Rated RM'000	RM'000	RM'000
Financial assets at FVTPL							
Warrants and loan stocks	-	-	-	-	5,639	-	5,639
Wholesale funds	-	-	-	-	91,289	-	91,289
HTM financial investments							
Malaysian government securities	-	-	-	-	20,190	-	20,190
Government investment issues	-	-	-	-	25,118	-	25,118
Government guaranteed loan	-	-	-	-	5,000	-	5,000
Corporate debt securities	17,844	30,098	-	-	-	-	47,942
LAR							
Fixed and call deposits	41,000	74,200	11,900	12,000	20,000	-	159,100
AFS financial investments							
Equity securities	-	-	-	-	194,938	-	194,938
Unit trust funds	-	-	-	-	29,501	-	29,501
Debt securities	-	-	-	-	11,055	-	11,055
Reinsurance assets	-	12,118	32,416	-	113,028	-	157,562
Insurance receivables	-	-	-	-	20,389	6,684	27,073
Other receivables	-	-	-	-	31,565	-	31,565
Cash and cash equivalent	76,550	115,900	54,300	48,000	60,961	-	355,711
	<u>135,394</u>	<u>232,316</u>	<u>98,616</u>	<u>60,000</u>	<u>628,673</u>	<u>6,684</u>	<u>1,161,683</u>

* Based on public ratings assigned by reputable rating agencies.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

30. FINANCIAL RISKS (CONT'D.)

(a) Credit Risk (Cont'd.)

Credit exposure by credit rating (Cont'd.)

31 December 2011	Neither impaired nor past-due					Past-due but not impaired	Total
	*AAA RM'000	*AA RM'000	*A RM'000	*BBB RM'000	Not Rated RM'000		
HTM financial investments							
Malaysian government securities	-	-	-	-	35,293	-	35,293
Government investment issues	-	-	-	-	30,201	-	30,201
Government guaranteed loan	-	-	-	-	5,000	-	5,000
Corporate debt securities	38,098	34,923	2,005	-	-	-	75,026
LAR							
Fixed and call deposits	34,000	69,300	2,900	-	13,000	-	119,200
AFS financial investments							
Equity securities	-	-	-	-	181,998	-	181,998
Unit trust funds	-	-	-	-	26,314	-	26,314
Debt securities	-	-	-	-	26,096	-	26,096
Other investments	-	-	-	-	502	-	502
Reinsurance assets	9	8,209	8,329	3,864	105,539	-	125,950
Insurance receivables	-	-	-	-	17,610	10,175	27,785
Other receivables	-	-	-	-	22,760	-	22,760
Cash and cash equivalent	162,450	77,900	45,600	-	76,129	-	362,079
	234,557	190,332	58,834	3,864	540,442	10,175	1,038,204

* Based on public ratings assigned by reputable rating agencies.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

30. FINANCIAL RISKS (CONT'D.)

(a) Credit Risk (Cont'd.)

Credit exposure by credit rating (Cont'd.)

1 May 2011	Neither impaired nor past-due					Past-due but not impaired RM'000	Total RM'000
	*AAA RM'000	*AA RM'000	*A RM'000	*BBB RM'000	Not Rated RM'000		
HTM financial investments							
Malaysian government securities	-	-	-	-	40,339	-	40,339
Government investment issues	-	-	-	-	25,231	-	25,231
Government guaranteed loan	-	-	-	-	5,000	-	5,000
Corporate debt securities	47,060	30,115	11,010	-	-	-	88,185
LAR							
Fixed and call deposits	69,850	76,400	1,000	-	15,000	-	162,250
AFS financial investments							
Equity securities	-	-	-	-	202,664	-	202,664
Unit trust funds	-	-	-	-	25,147	-	25,147
Debt securities	-	-	-	-	39,716	-	39,716
Other investments	-	-	-	-	502	-	502
Reinsurance assets	10	8,808	8,566	1,806	113,412	-	132,602
Insurance receivables	-	-	-	-	22,315	12,413	34,728
Other receivables	-	-	-	-	22,092	-	22,092
Cash and cash equivalent	130,600	42,800	59,208	-	67,615	-	300,223
	247,520	158,123	79,784	1,806	579,033	12,413	1,078,679

* Based on public ratings assigned by reputable rating agencies.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

30. FINANCIAL RISKS (CONT'D.)

(a) Credit Risk (Cont'd.)

Age Analysis of Financial Assets Past-Due But Not impaired

	Past due but not impaired					Total RM'000
	< 30 days RM'000	31 to 60 days RM'000	61 to 90 days RM'000	91 to 180 days RM'000	more than 180 days RM'000	
31 December 2012						
Insurance receivables:						
Due premium including agents/brokers and co-insurers balances	2,450	715	519	590	964	5,238
Due from reinsurers and cedants	606	235	79	106	420	1,446
	<u>3,056</u>	<u>950</u>	<u>598</u>	<u>696</u>	<u>1,384</u>	<u>6,684</u>
31 December 2011						
Insurance receivables:						
Due premium including agents/brokers and co-insurers balances	5,385	(299)	1,341	1,869	(336)	7,960
Due from reinsurers and cedants	148	1,200	42	32	793	2,215
	<u>5,533</u>	<u>901</u>	<u>1,383</u>	<u>1,901</u>	<u>457</u>	<u>10,175</u>

62605-U

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

30. FINANCIAL RISKS (CONT'D.)

(a) Credit Risk (Cont'd.)

Age Analysis of Financial Assets Past-Due But Not impaired

	Past due but not impaired					Total RM'000
	< 30 days RM'000	31 to 60 days RM'000	61 to 90 days RM'000	91 to 180 days RM'000	more than 180 days RM'000	
1 May 2011						
Insurance receivables:						
Due premium including agents/brokers and co-insurers balances	7,502	716	1,016	320	2,001	11,555
Due from reinsurers and cedants	502	33	82	173	68	858
	<u>8,004</u>	<u>749</u>	<u>1,098</u>	<u>493</u>	<u>2,069</u>	<u>12,413</u>

Financial assets that are past due but not impaired are unsecured.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

30. FINANCIAL RISKS (CONT'D.)

(b) Liquidity Risk

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

Maturity Profiles

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

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

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

30. FINANCIAL RISKS (CONT'D.)

(b) Liquidity Risk (Cont'd.)

Maturity profiles (Cont'd.)

	Carrying value RM'000	Less than 1 year RM'000	Over 1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
31 December 2012						
Financial instruments :						
FVTPL	96,928	6	1,739	3,894	91,289	96,928
HTM	98,250	25,502 *	64,252 *	19,602 *	-	109,356 *
LAR	159,100	161,584 *	-	-	-	161,584 *
AFS - Equity Securities	194,938	-	-	-	194,938	194,938
AFS - Debt Securities	11,055	-	11,055	-	-	11,055
AFS - Unit trust funds	29,501	-	-	-	29,501	29,501
Reinsurance assets	157,562	56,379	72,875	28,308	-	157,562
Insurance receivables	27,073	27,073	-	-	-	27,073
Other receivables	31,565	4,376	-	-	27,189	31,565
Cash and cash equivalents	355,711	341,275 *	-	-	16,961	358,236 *
Total Assets	1,161,683	616,195	149,921	51,804	359,878	1,177,798
Insurance contract liabilities	679,549	283,870	314,895	80,784	-	679,549
Insurance payables	40,282	40,282	-	-	-	40,282
Other payables	15,962	15,895	67	-	-	15,962
Total Liabilities	735,793	340,047	314,962	80,784	-	735,793

* Reflect the principal and interest receivable upon maturity, excluding those that have been accounted for under other receivables.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

30. FINANCIAL RISKS (CONT'D.)

(b) Liquidity Risk (Cont'd.)

Maturity profiles (Cont'd.)

	Carrying value RM'000	Less than 1 year RM'000	Over 1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
31 December 2011						
Financial instruments :						
HTM	145,520	52,840 *	86,899 *	20,077 *	-	159,816 *
LAR	119,200	121,386 *	-	-	-	121,386 *
AFS - Equity Securities	182,500	-	-	-	182,500	182,500
AFS - Debt Securities	26,096	-	21,885	4,211	-	26,096
AFS - Unit trust funds	26,314	-	-	-	26,314	26,314
Reinsurance assets	125,950	46,407	67,089	12,454	-	125,950
Insurance receivables	27,785	27,785	-	-	-	27,785
Other receivables	22,760	6,334	4	-	16,422	22,760
Cash and cash equivalents	362,079	350,508 *	-	-	13,129	363,637 *
Total Assets	1,038,204	605,260	175,877	36,742	238,365	1,056,244
Insurance contract liabilities	645,909	268,328	310,072	67,509	-	645,909
Insurance payables	25,759	25,759	-	-	-	25,759
Other payables	13,997	13,727	270	-	-	13,997
Total Liabilities	685,665	307,814	310,342	67,509	-	685,665

* Reflect the principal and interest receivable upon maturity, excluding those that have been accounted for under other receivables.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

30. FINANCIAL RISKS (CONT'D.)

(b) Liquidity Risk (Cont'd.)

Maturity profiles (Cont'd.)

	Carrying value RM'000	Less than 1 year RM'000	Over 1-5 years RM'000	Over 5 years RM'000	No maturity date RM'000	Total RM'000
1 May 2011						
Financial instruments :						
HTM	158,755	43,930 *	110,443 *	20,587 *	-	174,960 *
LAR	162,250	164,400 *	-	-	-	164,400 *
AFS - Equity Securities	203,166	-	-	-	203,166	203,166
AFS - Debt Securities	39,716	-	34,745	4,971	-	39,716
AFS - Unit trust funds	25,147	-	-	-	25,147	25,147
Reinsurance assets	132,602	73,162	41,896	17,544	-	132,602
Insurance receivables	34,728	34,728	-	-	-	34,728
Other receivables	22,092	12,607	11	-	9,474	22,092
Cash and cash equivalents	300,223	291,711 *	-	-	10,615	302,326 *
Total Assets	1,078,679	620,538	187,095	43,102	248,402	1,099,137
Insurance contract liabilities	650,558	287,628	305,472	57,458	-	650,558
Insurance payables	30,992	30,992	-	-	-	30,992
Other payables	14,918	14,759	159	-	-	14,918
Total Liabilities	696,468	333,379	305,631	57,458	-	696,468

* Reflect the principal and interest receivable upon maturity, excluding those that have been accounted for under other receivables.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

30. FINANCIAL RISK (CONT'D.)

(c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

The Company's policies on asset allocation, portfolio mix structure have been set in line with the Company's risk management policy after taking cognisance of the regulatory requirements in respect of maintenance of assets and solvency.

Compliance with the policies is monitored and reported to the Board and Investment Committee.

(d) Currency Risk

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

The Company's primary transactions are carried out in Ringgit Malaysia (RM) and its exposure to currency risk arises principally with respect to US Dollar (USD).

As the Company's business is conducted primarily in Malaysia, the Company's financial assets and its insurance contract liabilities are also primarily maintained in Malaysia, and denominated in RM.

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

(e) Interest Rate 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.

The investment in deposit placements is not exposed to significant interest rate risk as the interest rates thereon are fixed. The investments in fixed rate debt securities are classified as HTM and therefore, not sensitive to changes in interest rate.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

30. FINANCIAL RISK (CONT'D.)

(f) 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 price (other than those arising from interest rate 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.

The Company is exposed to equity price risk arising from investments held by the Company, comprises quoted equities and unit trusts/wholesale funds.

The analysis below is performed for reasonably possible movements in equity price with all other variables held constant, showing the impact on profit before tax and equity.

	Changes in variable	Impact on Profit before tax RM'000	Impact on equity* RM'000
31 December 2012			
Market Indices			
Bursa Malaysia	+ 10%	9,693	17,653
Bursa Malaysia	- 10%	(12,775)	(15,342)
		Changes in variable RM'000	Impact on equity* RM'000
31 December 2011			
Market Indices			
Bursa Malaysia	+ 10%	13,879	13,879
Bursa Malaysia	- 10%	(13,879)	(13,879)
		Changes in variable RM'000	Impact on equity* RM'000
1 May 2011			
Market Indices			
Bursa Malaysia	+ 10%	17,634	17,634
Bursa Malaysia	- 10%	(17,634)	(17,634)

* impact on Equity reflects adjustments for tax, when applicable

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

30. FINANCIAL RISK (CONT'D.)

(f) Price Risk (Cont'd.)

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

(g) Operational Risk

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

The Company cannot expect to eliminate all operational risks but mitigates them by establishing a control framework and by monitoring and responding to potential risks.

Business risks, such as changes in environment, technology and the industry are monitored through the Company's strategic and budgeting process.

(h) Fair Value Hierarchy

(i) Fair value of financial instrument

The fair value of HTM financial assets are disclosed in Note 6(a). The carrying value of deposits with financial institutions, insurance receivables, income due and accrued, insurance payable and other financial liabilities approximate fair value due to their short term in nature.

(ii) Fair value hierarchy

The table below analyses those financial instruments carried at fair value by their valuation methods. The different levels have been defined as follows:

- (a) Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (b) Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie. as prices) or indirectly (ie. derived from prices)
- (c) Level 3 : Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

30. FINANCIAL RISK (CONT'D.)

(h) Fair Value Hierarchy (Cont'd.)

(ii) Fair value hierarchy

31 December 2012	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial Assets				
Debt securities	11,055	-	-	11,055
Warrants and loan stocks	5,639	-	-	5,639
Equity securities	194,820	-	-	194,820
Unit trust funds/ wholesale funds	120,790	-	-	120,790
31 December 2011	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial Assets				
Debt securities	26,096	-	-	26,096
Equity securities	181,880	-	-	181,880
Unit trust funds	26,314	-	-	26,314
1 May 2011	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial Assets				
Debt securities	39,716	-	-	39,716
Equity securities	202,546	-	-	202,546
Unit trust funds	25,147	-	-	25,147

There were no significant transfer between Level 1 and Level 2 fair value hierarchy during the financial year.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

31. REGULATORY CAPITAL REQUIREMENT

Pursuant to the Risk-Based Capital Framework issued by Bank Negara Malaysia, insurance companies are required to meet the minimum capital adequacy ratio of 130%. The Company has met the minimum regulatory capital requirement.

The capital structure of the Company as at 31 December 2012, as prescribed under the RBC Framework is provided below:

	Note	2012 RM'000	2011 RM'000
Eligible Tier 1 Capital			
Share capital (paid-up)	12	118,000	118,000
Retained earnings		322,300	262,504
		<u>440,300</u>	<u>380,504</u>
Tier 2 Capital			
Eligible reserves		<u>36,284</u>	<u>34,063</u>
Deductions			
Intangible assets		<u>(1,101)</u>	<u>(826)</u>
Total capital available		<u>475,483</u>	<u>413,741</u>