

62605-U

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

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

Directors' Report and Audited Financial Statements
31 December 2015

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 2015.

PRINCIPAL ACTIVITY

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

RESULTS

	RM'000
Net profit for the year	<u>83,832</u>

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

In the opinion of the directors, the results of the operations of the 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 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.

DIRECTORS' REPORT

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 (Chairman)
Dato' Loh Lye Ngok
Dato' Sri Robin Tan Yeong Ching
Azhar Bin Mohamad
Yuji Kawauchi
Katsuyuki Tajiri
Datuk Bhupatrai A/L Mansukhlal Premji (Retired on 19 June 2015)

BERJAYA SOMPO INSURANCE BERHAD
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CORPORATE GOVERNANCE

The Company has complied with all the prescriptive requirements of, and adopts management practices that are consistent with the principles prescribed under 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 Company are as follows:

1. AUDIT COMMITTEE

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

- (i) Dato' Haji Ahmad bin Sidek (Chairman)
- (ii) Azhar Bin Mohamad
- (iii) Katsuyuki Tajiri
- (iv) Datuk Bhupatrai A/L Mansukhlal Premji (Resigned on 19 June 2015)

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 five (5) times during the financial year.

2. RISK MANAGEMENT COMMITTEE

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

- (i) Dato' Haji Ahmad bin Sidek (Chairman)
- (ii) Azhar Bin Mohamad
- (iii) Katsuyuki Tajiri
- (iv) Datuk Bhupatrai A/L Mansukhlal Premji (Resigned on 19 June 2015)

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 six (6) times during the financial year.

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3. NOMINATING COMMITTEE

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

- (i) Azhar Bin Mohamad (Chairman) (appointed on 30 July 2015)
- (ii) Dato' Sri Robin Tan Yeong Ching
- (iii) Dato' Haji Ahmad bin Sidek
- (iv) Dato' Loh Lye Ngok
- (v) Yuji Kawauchi
- (vi) Katsuyuki Tajiri
- (vii) Datuk Bhupatrai A/L Mansukhlal Premji (Resigned on 19 June 2015)

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.

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 three (3) times during the financial year.

4. REMUNERATION COMMITTEE

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

- (i) Dato' Haji Ahmad bin Sidek (Chairman) (appointed on 30 July 2015)
- (ii) Dato' Sri Robin Tan Yeong Ching
- (iii) Katsuyuki Tajiri
- (iv) Datuk Bhupatrai A/L Mansukhlal Premji (Resigned on 19 June 2015)

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 two (2) times during the financial year.

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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 22 and Note 25 to the financial statements 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.

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 in the company or its related corporations during the financial year.

OTHER STATUTORY INFORMATION

- (a) Before the statement of financial position of the Company and income statements of the Company were made out, the directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and that all known bad debts had been written off and adequate provision had been made for doubtful debts; and
 - (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) render the amount written off for bad debts or the amount of the provision for doubtful debts in the financial position of the Company and income statement of the Company inadequate to any substantial extent; and
 - (ii) render the values attributed to the current assets in the financial positions of the Company misleading.

BERJAYA SOMPO INSURANCE BERHAD
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OTHER STATUTORY INFORMATION (CONT'D.)

- (c) At the date of this report, the directors are not aware of any circumstances which would arise and which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
 - (i) no contingent 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 of the Company, income statements 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.

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BERJAYA SOMPO INSURANCE BERHAD
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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 30 March 2016.



Dato' Haji Ahmad bin Sidek



Dato' 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 Dato' 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 84 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia, and Financial Services Act 2013 so as to give a true and fair view of the financial position of the Company as at 31 December 2015.

Signed on behalf of the Board in accordance with a resolution of the directors dated 30 March 2016.



Dato' Haji Ahmad bin Sidek



Dato' Loh Lye Ngok

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

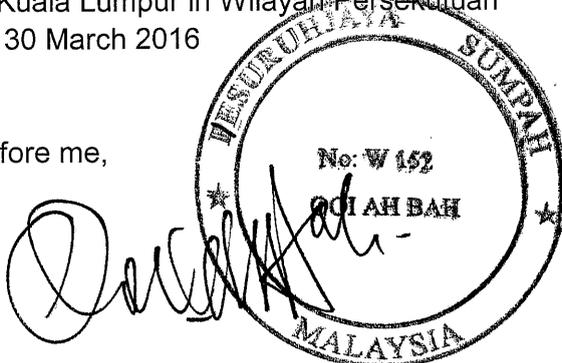
I, Gan Mei Mei, being the officer primarily responsible for the financial management of Berjaya Sampo Insurance Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 10 to 84 are in my opinion correct, and I make this solemn declaration conscientiously 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 Gan Mei Mei,
at Kuala Lumpur in Wilayah Persekutuan
on 30 March 2016



Gan Mei Mei

Before me,



NO. 48- 1st Floor
Jalan Branci Utara
Off Changkat Thambi Dollah, Pudu
55160 Kuala Lumpur

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

Report on the financial statements

We have audited the financial statements of Berjaya Sampo Insurance Berhad, which comprise the statement of financial position as at 31 December 2015, the income statement, the statement of comprehensive income, the statement of changes in equity and the cash flows statement of the Company for the year ended 31 December 2015, and a summary of significant accounting policies and other explanatory notes, as set out on pages 10 to 84.

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 entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of 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.

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Independent auditors' report to the members of
Berjaya Sompo 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 2015 and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on other legal and regulatory requirements

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

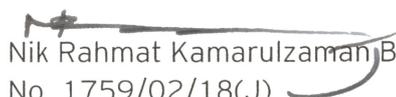
Other matters

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
30 March 2016



Nik Rahmat Kamarulzaman Bin Nik Ab. Rahman
No. 1759/02/18(J)
Chartered Accountant

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	2015 RM'000	2014 RM'000
ASSETS			
Property and equipment	3	98,569	103,276
Intangible assets	4	1,792	1,856
Investment properties	5	19,280	23,153
Investments	6	1,055,729	856,808
Malaysian government securities		5,927	19,942
Malaysian investment issues		8,997	
Debt securities		291,381	156,193
Warrants and loan stocks		624	18,035
Equity securities		101,199	135,426
Unit trust funds/wholesale funds		633,442	527,212
Loans and receivables			
Deposits with financial institutions		14,159	-
Reinsurance assets	7	444,461	247,862
Insurance receivables	8	72,357	52,925
Other receivables	9	76,444	67,803
Tax recoverable		4,688	4,788
Cash and cash equivalents	11	195,972	233,009
TOTAL ASSETS		1,969,292	1,591,480
EQUITY AND LIABILITIES			
EQUITY			
Share capital	12	118,000	118,000
Available-for-sale reserves		18,238	32,535
Retained profits		549,496	465,664
TOTAL EQUITY		685,734	616,199
LIABILITIES			
Insurance contract liabilities	13	1,139,384	876,130
Deferred tax liabilities	10	2,981	5,868
Insurance payables	14	112,597	53,897
Other payables	15	28,596	39,386
TOTAL LIABILITES		1,283,558	975,281
TOTAL EQUITY AND LIABILITIES		1,969,292	1,591,480

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

BERJAYA SOMPO INSURANCE BERHAD
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INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 RM'000	2014 RM'000
Gross earned premiums	16(a)	676,708	578,285
Premiums ceded to reinsurers	16(b)	<u>(161,888)</u>	<u>(122,455)</u>
Net earned premiums		<u>514,820</u>	<u>455,830</u>
Investment income	17	44,629	35,996
Realised gains and losses	18	42,271	9,271
Fair value gains	19	(4,870)	3,409
Commission income		38,431	36,384
Other operating income	20	<u>2,445</u>	<u>1,824</u>
Other revenue		<u>122,906</u>	<u>86,884</u>
Gross claims paid	21(a)	(343,873)	(303,336)
Claims ceded to reinsurers	21(b)	48,228	49,803
Gross change in contract liabilities	21(c)	(241,610)	(89,383)
Change in contract liabilities ceded to reinsurers	21(d)	<u>199,912</u>	<u>51,604</u>
Net claims incurred	21	<u>(337,343)</u>	<u>(291,312)</u>
Commission expense		(86,560)	(79,873)
Management expense	22	<u>(110,564)</u>	<u>(81,811)</u>
Other expenses		<u>(197,124)</u>	<u>(161,684)</u>
Profit before tax		103,259	89,718
Tax expense	23	(19,427)	(13,864)
Net profit for the year		<u>83,832</u>	<u>75,854</u>
Earnings per share (sen)	24	71.0	64.3

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 2015

	Note	2015 RM'000	2014 RM'000
Net profit for the year		83,832	75,854
Other comprehensive income:			
Items that may be reclassified to Income Statements in subsequent periods:			
Available-for-sale fair value reserves:			
Net unrealised gain/(loss) on fair value changes		3,108	(12,256)
Transfer to profit or loss upon disposal		<u>(21,920)</u>	<u>(4,359)</u>
		(18,812)	(16,615)
Tax effects	10	<u>4,515</u>	<u>4,153</u>
		<u>(14,297)</u>	<u>(12,462)</u>
Total comprehensive income for the year		<u>69,535</u>	<u>63,392</u>

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

BERJAYA SOMPO INSURANCE BERHAD
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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Non-distributable	Distributable	Total	
	Share	Fair value	Retained	
	capital	reserves	profits	
	RM'000	RM'000	RM'000	
	RM'000	RM'000	RM'000	
At 1 January 2014	118,000	44,997	389,810	552,807
Profit for the year	-	-	75,854	75,854
Other comprehensive loss for the year	-	(12,462)	-	(12,462)
Total comprehensive income for the year	-	(12,462)	75,854	63,392
At 31 December 2014	118,000	32,535	465,664	616,199
At 1 January 2015	118,000	32,535	465,664	616,199
Profit for the year	-	-	83,832	83,832
Other comprehensive income for the year	-	(14,297)	-	(14,297)
Total comprehensive income for the year	-	(14,297)	83,832	69,535
At 31 December 2015	118,000	18,238	549,496	685,734

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

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)

CASH FLOWS STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 RM'000	2014 RM'000
<u>Operating activities</u>			
Cash generated from			
Operating activities :			
Profit Before Tax		103,259	89,718
Investment Income		(44,629)	(35,996)
Realised gains recorded in profit or loss		(34,577)	(9,136)
Fair value recorded in profit or loss		(770)	(3,409)
Gain on disposal of property and equipment		(7,689)	(135)
Amortisation of premium		340	255
Impairment allowance		5,869	1,097
Bad debts written off		1,010	79
Bad debts recovery		(14)	(11)
Depreciation on property and equipment		3,452	2,592
Amortisation on intangible assets		348	372
Decrease/(increase) in insurance receivable		(19,433)	(14,438)
Decrease/(increase) in other receivable		(8,640)	(11,273)
Decrease/(increase) in reinsurance assets		(196,599)	(69,149)
Decrease/(increase) in LAR		(14,159)	62,100
Increase/(decrease) in insurance contract liabilities		263,255	141,627
Increase/(decrease) in insurance payable		58,700	13,599
Increase/(decrease) in other payable		(10,790)	12,018
Dividend income received		21,748	20,317
Interest income received		19,189	24,502
Rental income received		1,132	1,138
Income tax paid		(17,921)	(15,199)
Net cash flows generated from operating activities		<u>123,081</u>	<u>210,668</u>

BERJAYA SOMPO INSURANCE BERHAD
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CASH FLOWS STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015 (CONT'D.)

	Note	2015 RM'000	2014 RM'000
<u>Investing activities</u>			
Cash generated from investing activities			
Purchases of property and equipment and intangible assets		(3,770)	(2,129)
Purchases of building		(8,732)	(4,127)
Proceeds from sale of property and equipment		8,890	231
Purchase of financial assets		(521,746)	(436,036)
Proceeds from sale of financial assets		365,240	305,968
Net cash flows used in investing activities		<u>(160,118)</u>	<u>(136,093)</u>
Net (decrease)/increase in cash and cash equivalents		(37,037)	74,575
Cash and cash equivalents at beginning of year	11	<u>233,009</u>	<u>158,434</u>
Cash and cash equivalents at end of year	11	<u>195,972</u>	<u>233,009</u>

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 2015

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 immediate holding company is Sompo Japan Asia Holding Pte Ltd, which is incorporated in Singapore. The ultimate holding company is NKSJ Holdings, Inc which is incorporated in Japan and 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 statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 30 March 2016

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements of the Company have also been prepared on a historical cost basis, unless otherwise stated in the summary of significant accounting policies.

The Company has met the minimum capital requirements as prescribed by RBC as 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 liabilities simultaneously. Income and expenses will not be offset in the income statements unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

BERJAYA SOMPO INSURANCE BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.1 BASIS OF PREPARATION (CONT'D.)

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

The Company has adopted the amendments to MFRS and IC Interpretation mandatory for annual financial periods beginning on or after 1 January 2015 during the financial

Description	Effective for annual periods beginning on or after date
Amendments to MFRS 119 : Defined Benefit Plans : Employee Contributions	1 July 2014
Annual Improvements to MFRS 2010-2012 Cycle	1 July 2014
Annual Improvements to MFRS 2011-2013 Cycle	1 July 2014

The adoption of the amendments to MFRS and IC Interpretation during the year has not resulted in any material financial impact to the financial statements.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Property and equipment

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:

BERJAYA SOMPO INSURANCE BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

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

The residual values, useful life and depreciation method are reviewed at each reporting date to ensure that the amount, method and period 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 infinite. The useful life of computer software is five years while the useful life of the life-time golf club memberships is infinite. 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 infinite 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 infinite 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 to earn rental income or for capital appreciation or 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.

Any gains or losses arising from the changes in fair value of investment properties 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.)

(d) Investment properties (Cont'd.)

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.

(e) Impairment of non-financial assets

The carrying amounts of non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of 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 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
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(f) Financial instruments: Financial assets and liabilities

Financial instruments are recognised in the statements 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 recognised initially 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 ("FVTPL")

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 as FVTPL are designated at their initial recognition date and only if the criteria under MFRS 139 are satisfied, which includes the following:

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

BERJAYA SOMPO INSURANCE BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(f) Financial instruments: Financial assets and liabilities (Cont'd.)

(i) Financial assets (Cont'd.)

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

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value.

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 ("LAR")

LAR are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the financial assets. All transaction costs directly attributable to the acquisition are also included in the cost of the financial assets. After initial measurement, such financial assets are carried at amortised cost using the effective interest method. Gains or losses are recognised in the income statements 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 2.3(f)(i)(e).

LAR includes insurance receivables, and deposits with financial institutions.

(c) Held-to-maturity ("HTM") financial assets

HTM financial assets 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 financial assets are carried at amortised cost using the effective interest method, less any impairment loss. Gains or losses are recognised in the income statements when the investments are derecognised or impaired, as well as through the amortisation process.

BERJAYA SOMPO INSURANCE BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(f) Financial instruments: Financial assets and liabilities (Cont'd.)

(i) Financial assets (Cont'd.)

(d) Available-for-sale ("AFS") financial assets

AFS financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. 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 other comprehensive income, 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 estimated future cash flow of the asset.

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.

Insurance receivables are derecognised when the rights to receive cash flows from them have expired or when they have been transferred and the company have also transferred substantially all risks and rewards of ownership.

BERJAYA SOMPO INSURANCE BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(f) Financial instruments: Financial assets and liabilities (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 in the statements of financial position.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared and approved by the Company's shareholder. Interim dividend are deducted from equity when they are paid.

Dividends for the year that are approved after balance sheet date are dealt with as an event after the balance sheet date.

(iv) Fair value measurement

The Company measures certain financial instruments at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

BERJAYA SOMPO INSURANCE BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(f) Financial instruments: Financial assets and liabilities (Cont'd.)

(iv) Fair value measurement (Cont'd.)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which all input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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 transaction costs directly attributable to the acquisition are also included in the cost of the investment.

BERJAYA SOMPO INSURANCE BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(f) Financial instruments: Financial assets and liabilities (Cont'd.)

(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 income statement.

When assessing the impairment of an equity instruments, the Company considers, in addition to observable data about loss events, whether there is a significant or prolonged declined in the fair value of the equity investments, and whether the cost of the investments in the equity instruments may be recovered. When there is evidence that the cost of investment in the equity instrument may not be recovered, an impairment loss is recognised.

Impairment losses on AFS equity investments are not reversed in income statement 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.

(ii) Financial assets carried at amortised cost

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

BERJAYA SOMPO INSURANCE BERHAD
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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) Financial assets carried at amortised cost (Cont'd)

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.

Any subsequent 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 the income statement.

(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.

(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.

BERJAYA SOMPO INSURANCE BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(g) Derecognition of financial assets (Cont'd.)

- 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 as 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 financial risk component and significant insurance risk component, 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 basis as insurance contracts and the remaining element is accounted for as a deposit through the statement of financial position similar to investment contracts.

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

BERJAYA SOMPO INSURANCE BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(i) General Insurance contract liabilities

General 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. 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. The liability is not discounted for the time value of money. The liabilities are derecognised when the contract expires, discharged, or cancelled.

(ii) Premium liabilities

Premium liabilities represent the future obligations on insurance contracts as represented by premiums received for risks that have not yet expired. The movement in premium liabilities is released over the term of the insurance contracts and is recognised on premium income.

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.

BERJAYA SOMPO INSURANCE BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

(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. It 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.

(iv) Unearned premium reserves

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%

- Non-annual policies are time apportioned over the period of the risks.

(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 income statement.

BERJAYA SOMPO INSURANCE BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(i) General 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. Premium and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considerate direct business. Reinsurance liabilities represent balances due to reinsurance companies taking into account the product classification of the business. Amounts payables are estimated in a manner consistent with the related reinsurance contract. 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.

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

The Company also assumes reinsurance risk in the normal course of business when applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired when the contract is transferred to another party.

BERJAYA SOMPO INSURANCE BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(k) Other revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transactions will flow to the Company 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.

(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.

(iv) Fee and commission income

Commission income derived from reinsurers in the course of ceding of premiums to reinsurers are charged to income statement in the period in which they incurred.

(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.

BERJAYA SOMPO INSURANCE BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(l) Income tax (Cont'd.)

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, 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.

(m) Goods and Services Tax

In compliance to Goods and Services Tax ("GST") Act 2014, the Company has charged GST at the rate of six (6) per cent for all policies sold, except for those that are zero rated or exempted with effect from 1 April 2015.

(n) 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.

BERJAYA SOMPO INSURANCE BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(n) Employee benefits (Cont'd.)

(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.

(o) Functional and presentation currency

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.

(p) Foreign currencies

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 Dollar (USD) and Singapore Dollar (SGD).

(p) Related companies

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

(q) Cash and cash equivalents

For the purpose of the cash flow statements, cash and cash equivalents comprise of cash in hand and deposits held at financial institutions which matured within 3 months.

The cash flow statements are prepared using the indirect method.

BERJAYA SOMPO INSURANCE BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following are standards and annual improvements to standards issued by Malaysian Accounting Standard Board ("MASB"), but not yet effective, up to the date of issuance of the Company's financial statements. The Company intend to adopt these standards and annual improvements to standards, if applicable, when they become effective:

Description	Effective for annual beginning on or after
Annual Improvements to MFRSs 2012 - 2014 Cycle	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Deferred Investor and its Associate or Joint Venture	1 January 2016
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 127: Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 101: Disclosure Initiatives	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exceptions	1 January 2016
Amendments to MFRS 119 : Employee Benefits	1 January 2016
Amendments to MFRS 134 : Interim Financial Reporting	1 January 2016
MFRS 14 Regulatory Deferral Accounts	1 January 2016
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 9 Financial Instruments	1 January 2018

The directors expect that the adoption of the above Standards, Amendments to standards and improvements to published standards will have no material impact on the financial statements in the period of initial application except as discussed below:

BERJAYA SOMPO INSURANCE BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

MFRS 9 Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but no impact on the classification and measurement of the Company's financial liabilities.

BERJAYA SOMPO INSURANCE BERHAD
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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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 effects on the amounts recognised in the consolidated financial statements.

(i) 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.

(ii) Deferred tax assets

Deferred tax assets are recognised for unutilised business losses, unutilised business losses, unutilised capital allowances and provisions to the extent that it is probable that taxable profit will be available against which then losses, allowances and provision 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.

BERJAYA SOMPO INSURANCE BERHAD
(Incorporated in Malaysia)**2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)****2.4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)****(a) Critical judgements made in applying accounting policies (Cont'd.)****(iii) Income tax**

The Company is subject to income taxes in Malaysia. Significant judgement is required in determining the allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact income tax and deferred tax provisions in the period in which determination is made.

(iv) Impairment of trade receivables

The Company assesses at the end of each reporting date for objective evidence of impairment of financial asset. A receivable is considered as individually impaired if the counterparty is in the process of liquidation, absconded, having significant financial difficulty or legal actions have been taken to recover the outstanding. The Company also provides for allowance for impairment for potential defaults of credit terms and irrecoverability via collective assessment. No collateral is held as security for any past due or impaired assets. Where evidence exists that a receivable is impaired, the Company will recognised the impairment loss in the income statement.

(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.

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(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.)****(i) Uncertainty in accounting estimates for general insurance business (Cont'd.)**

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 all past experiences 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.

(iii) Pipeline premium

For pipeline premium, estimates is made on the expected unprocessed premium at the end of the reporting date. The pipeline premium is estimated by using the Company's average past two years trend of unprocessed premium in relation to each financial period.

Historical trend is further analysed by months, business lines and product type. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future in order to arrive at the estimated pipeline that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

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3. PROPERTY AND EQUIPMENT

	* Land and buildings RM'000	Building Work in- progress RM'000	Furniture, fittings, office equipment and computers RM'000	Motor vehicles RM'000	Total RM'000
Cost					
At 1 January 2014	31,687	60,522	22,804	2,819	117,832
Additions	-	13,755	1,106	252	15,113
Disposals	-	-	(1,631)	(418)	(2,049)
At 31 December 2014	31,687	74,277	22,279	2,653	130,896
At 1 January 2015	31,687	74,277	22,279	2,653	130,896
Additions	-	8,732	3,188	298	12,218
Disposals	(21,332)	-	(215)	(518)	(22,065)
Reclassification	82,530	(82,530)	-	-	-
At 31 December 2015	92,885	479	25,252	2,433	121,049
Accumulated depreciation					
At 1 January 2014	8,607	-	16,926	1,417	26,950
Charge for the year	633	-	1,427	532	2,592
Disposals	-	-	(1,597)	(325)	(1,922)
At 31 December 2014	9,240	-	16,756	1,624	27,620

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3. PROPERTY AND EQUIPMENT (CONT'D.)

	* Land and buildings RM'000	Building Work in- progress RM'000	Furniture, fittings, office equipment and computers RM'000	Motor vehicles RM'000	Total RM'000
Accumulated depreciation (Cont'd.)					
At 1 January 2015	9,240	-	16,756	1,624	27,620
Charge for the year	1,347	-	1,595	510	3,452
Disposals	(7,956)	-	(188)	(448)	(8,592)
At 31 December 2015	<u>2,631</u>	<u>-</u>	<u>18,163</u>	<u>1,686</u>	<u>22,480</u>
Net carrying amount					
At 31 December 2014	<u>22,447</u>	<u>74,277</u>	<u>5,523</u>	<u>1,029</u>	<u>103,276</u>
At 31 December 2015	<u>90,254</u>	<u>479</u>	<u>7,089</u>	<u>747</u>	<u>98,569</u>

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3. PROPERTY AND EQUIPMENT (CONT'D.)

* Land and buildings

Company	Freehold properties RM'000	Long-term leasehold properties RM'000	Total RM'000
Cost			
At 1 January 2014	25,067	6,620	31,687
At 31 December 2014	<u>25,067</u>	<u>6,620</u>	<u>31,687</u>
At 1 January 2015	25,067	6,620	31,687
Additions	82,530	-	82,530
Disposal	(21,332)	-	(21,332)
At 31 December 2015	<u>86,265</u>	<u>6,620</u>	<u>92,885</u>
Accumulated depreciation			
At 1 January 2014	7,780	827	8,607
Charge for the year	501	132	633
At 31 December 2014	<u>8,281</u>	<u>959</u>	<u>9,240</u>
At 1 January 2015	8,281	959	9,240
Charge for the year	1,215	132	1,347
Disposal	(7,956)	-	(7,956)
At 31 December 2015	<u>1,540</u>	<u>1,091</u>	<u>2,631</u>
Net carrying amount			
At 31 December 2014	<u>16,786</u>	<u>5,661</u>	<u>22,447</u>
At 31 December 2015	<u>84,725</u>	<u>5,529</u>	<u>90,254</u>

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4. INTANGIBLE ASSETS

	Club membership RM'000	Computer software RM'000	Total RM'000
Cost			
At 1 January 2014	715	4,034	4,749
Additions	-	779	779
At 31 December 2014	<u>715</u>	<u>4,813</u>	<u>5,528</u>
At 1 January 2015	715	4,813	5,528
Additions	-	284	284
Disposals	-	(5)	(5)
At 31 December 2015	<u>715</u>	<u>5,092</u>	<u>5,807</u>
Accumulated amortisation			
At 1 January 2014	-	3,300	3,300
Charge for the year	-	372	372
At 31 December 2014	<u>-</u>	<u>3,672</u>	<u>3,672</u>
At 1 January 2015	-	3,672	3,672
Charge for the year	-	348	348
Disposals	-	(5)	(5)
At 31 December 2015	<u>-</u>	<u>4,015</u>	<u>4,015</u>
Net carrying amount			
At 31 December 2014	<u>715</u>	<u>1,141</u>	<u>1,856</u>
At 31 December 2015	<u>715</u>	<u>1,077</u>	<u>1,792</u>

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5. INVESTMENT PROPERTIES

	2015	2014
	RM'000	RM'000
At 1 January	23,153	19,860
Disposals	(3,500)	-
Fair value adjustment (Note 19)	(373)	3,293
At 31 December	<u>19,280</u>	<u>23,153</u>

6. INVESTMENTS

	2015	2014
	RM'000	RM'000
Malaysian government securities	5,927	19,942
Government investment issues	8,997	-
Debt securities	291,381	156,193
Warrants and loan stocks	624	18,035
Equity securities	101,199	135,426
Unit trust funds/wholesale funds	633,442	527,212
Deposits with financial institutions	14,159	-
	<u>1,055,729</u>	<u>856,808</u>

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

	2015	2014
	RM'000	RM'000
Held-to-maturity financial assets ("HTM")	35,057	52,665
Loans and receivables ("LAR")	14,159	-
Available-for-sale financial assets ("AFS")	1,005,889	794,350
Financial asset at fair value through profit or loss ("FVTPL")	624	9,793
	<u>1,055,729</u>	<u>856,808</u>

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6. INVESTMENTS (CONT'D.)

(a) Held-To-Maturity financial assets

	2015 RM'000	2014 RM'000
Amortised Cost		
Government investment issues	5,005	10,023
Corporate debt securities, quoted in Malaysia	30,052	42,642
	<u>35,057</u>	<u>52,665</u>
Fair Value		
Government investment issues	5,046	10,109
Corporate debt securities, quoted in Malaysia	29,593	42,273
	<u>34,639</u>	<u>52,382</u>

(b) Loans and Receivables

	2015 RM'000	2014 RM'000
Amortised Cost		
Deposits with licensed financial institutions:		
- Commercial banks	14,159	-
	<u>14,159</u>	<u>-</u>

The carrying value of the deposits approximate their fair value due to relatively short term maturities.

(c) Available-For-Sale financial assets

	2015 RM'000	2014 RM'000
Fair Value		
Equity securities:		
- Quoted in Malaysia	98,564	132,662
- Quoted outside Malaysia	2,517	2,646
Unit trust funds	633,442	527,212
Malaysian government securities	5,927	19,942
Government investment issues	3,992	9,991
Debt securities:		
- Quoted in Malaysia	261,329	93,537
Loan stocks	-	8,242
	<u>1,005,771</u>	<u>794,232</u>

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6. INVESTMENTS (CONT'D.)

(c) Available-For-Sale financial assets (Cont'd.)

	2015	2014
	RM'000	RM'000
Cost		
Equity securities:		
- Unquoted in Malaysia	118	118
	<u>1,005,889</u>	<u>794,350</u>

The unquoted securities are valued at cost less impairment. The fair value of these equities has not been disclosed because the fair value cannot be measured reliably as there is no active market.

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

	2015	2014
	RM'000	RM'000
Fair Value		
Held for trading ("HFT") : Warrants	624	4,410
Designated upon initial recognition:		
- Loan stocks	-	5,383
	<u>624</u>	<u>9,793</u>

7. REINSURANCE ASSETS

	2015	2014
	RM'000	RM'000
Reinsurance of insurance contracts		
Claims liabilities (Note 13)	389,469	189,557
Premium liabilities (Note 13)	54,992	58,305
	<u>444,461</u>	<u>247,862</u>

The reinsurance assets is net of accumulated individual provisions for impairment in relation to Best Re (L) Limited amounting to RM1.0 million (2014 : RM3.2 million).

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8. INSURANCE RECEIVABLES

	2015	2014
	RM'000	RM'000
Due premiums including agents, and brokers balances and co-insurers balances	75,442	51,291
Due from reinsurers and cedants	6,551	5,773
Due from related parties	4,554	4,182
Allowance for impairment	(14,190)	(8,321)
	<u>72,357</u>	<u>52,925</u>

Amounts due from reinsurers and cedants that have been offset against amount due to the same are as follows:

	Gross carrying amount RM'000	Gross amounts offset in the balance sheet RM'000	Net amounts in the balance sheet RM'000
31 December 2015			
Premiums	449,788	(445,957)	3,831
Claims	32,411	(29,691)	2,720
	<u>482,199</u>	<u>(475,648)</u>	<u>6,551</u>
31 December 2014			
Premiums	345,823	(344,174)	1,649
Claims	29,992	(25,868)	4,124
	<u>375,815</u>	<u>(370,042)</u>	<u>5,773</u>

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8. INSURANCE RECEIVABLES (CONT'D.)

Receivables that are impaired

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

Movement in allowance account	Individually impaired RM'000	Collectively impaired RM'000	Total RM'000
At 1 January 2014	438	6,786	7,224
(Write back)/ allowance for impairment loss	1,180	(83)	1,097
Reversal of allowance for impairment losses	(67)	-	(67)
Bad debts written-off net of recovery	67	-	67
At 31 December 2014	<u>1,618</u>	<u>6,703</u>	<u>8,321</u>
At 1 January 2015	1,618	6,703	8,321
Allowance/(write back) for impairment loss	(270)	6,139	5,869
Reversal of allowance for impairment losses	(30)	(967)	(997)
Bad debts written-off net of recovery	30	967	997
At 31 December 2015	<u>1,348</u>	<u>12,842</u>	<u>14,190</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.

9. OTHER RECEIVABLES

	2015 RM'000	2014 RM'000
Other receivables and deposits	4,124	2,583
Share of other assets held under Malaysia Motor Insurance Pool ("MMIP") (net)*	68,182	61,703
Staff loans **	2	9
Interest Income due and accrued	4,136	3,508
	<u>76,444</u>	<u>67,803</u>
** Staff loans:		
- Unsecured	<u>2</u>	<u>9</u>

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9. OTHER RECEIVABLES (CONT'D.)

* As a participating member of MMIP, the Company shares a proportion of the Pool's net assets/liabilities. At each reporting date, the Company accounts for its share of net assets, liabilities and performance of the Pool. The net assets held under MMIP represents the Company's share of Pool's net assets, before insurance contract liabilities. The Company's share of the Pool's insurance contract liabilities is disclosed in Note 13.

The net assets held under MMIP of the Company also includes cumulative cash contribution of RM34,359,346 (2014: RM27,347,770) made to MMIP, following a cash call made by MMIP for current financial year and previous years respectively. The contribution was made in respect of the Company's share of MMIP's accumulated losses up to 31 December 2014.

** The unsecured staff loans are interest-free.

10. DEFERRED TAX LIABILITIES

	2015 RM'000	2014 RM'000
At beginning of year	(5,868)	(8,213)
Recognised in AFS reserve	4,515	4,153
Recognised in the income statement (Note 24)	(1,628)	(1,808)
At end of year	<u>(2,981)</u>	<u>(5,868)</u>

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

Deferred tax assets

	Premium liabilities RM'000	Other provision RM'000	Provision for impairment in investments RM'000	Total RM'000
At 1 January 2014	(175)	1,739	8,979	10,543
Recognised in the income statement	259	330	(1,648)	(1,059)
At 31 December 2014	<u>84</u>	<u>2,069</u>	<u>7,331</u>	<u>9,484</u>
At 1 January 2015	84	2,069	7,331	9,484
Recognised in the income statement	92	1,882	(3,185)	(1,211)
At 31 December 2015	<u>176</u>	<u>3,951</u>	<u>4,146</u>	<u>8,273</u>

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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 2014	(2,516)	(14,999)	(1,241)	(18,756)
Recognised in AFS reserve	-	4,153	-	4,153
Recognised in the income statement	(906)	-	157	(749)
At 31 December 2014	<u>(3,422)</u>	<u>(10,846)</u>	<u>(1,084)</u>	<u>(15,352)</u>
At 1 January 2015	(3,422)	(10,846)	(1,084)	(15,352)
Recognised in AFS reserve	-	4,515	-	4,515
Recognised in the income statement	3,170	-	(3,587)	(417)
At 31 December 2015	<u>(252)</u>	<u>(6,331)</u>	<u>(4,671)</u>	<u>(11,254)</u>

11. CASH AND CASH EQUIVALENTS

	2015 RM'000	2014 RM'000
Fixed and call deposits with licensed financial institutions (with maturity of less than three months)	176,844	223,379
Cash and bank balances	19,128	9,630
	<u>195,972</u>	<u>233,009</u>
Fixed and call deposits were placed with:		
- Investment banks	57,667	32,675
- Commercial banks	119,177	190,704
	<u>176,844</u>	<u>223,379</u>

12. SHARE CAPITAL

Company	Number of ordinary shares of RM1 each		Amount	
	2015 '000	2014 '000	2015 RM'000	2014 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>

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13. INSURANCE CONTRACT LIABILITIES

Note	2015			2014		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Provision for claims reported by policyholders	557,847	(293,455)	264,392	368,491	(126,361)	242,130
Provision for IBNR	269,996	(96,014)	173,982	217,742	(63,196)	154,546
Claim liabilities (a)	827,843	(389,469)	438,374	586,233	(189,557)	396,676
Premium liabilities (b)	311,541	(54,992)	256,549	289,897	(58,305)	231,592
Insurance contract liabilities	1,139,384	(444,461)	694,923	876,130	(247,862)	628,268

(a) Claim liabilities

At 1 January	586,233	(189,557)	396,676	496,850	(137,953)	358,897
Claims incurred for the current accident year	585,483	(248,140)	337,343	392,719	(101,407)	291,312
Adjustment to claims incurred in prior accident years (direct & facultative)	551,030	(222,694)	328,336	372,747	(94,461)	278,286
Movement in MMIP	4,847	-	4,847	9,173	-	9,173
Claims incurred during the year (treaty inwards claims)	(208)	-	(208)	(254)	-	(254)
Movement in Fund PRAD of claims liabilities at 75% confidence level	29,272	(25,446)	3,826	10,247	(6,946)	3,301
Movement in claims handling expenses	542	-	542	806	-	806
Claims paid during the year	(343,873)	48,228	(295,645)	(303,336)	49,803	(253,533)
At 31 December	827,843	(389,469)	438,374	586,233	(189,557)	396,676

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13. INSURANCE CONTRACT LIABILITIES (CONT'D.)

	Note	Gross RM'000	2015 Reinsurance RM'000	Net RM'000	Gross RM'000	2014 Reinsurance RM'000	Net RM'000
(b) Premium liabilities							
At 1 January		289,897	(58,305)	231,592	237,653	(40,760)	196,893
Premiums written during the year		698,352	(158,575)	539,777	630,529	(140,000)	490,529
Premiums earned during the year		(676,708)	161,888	(514,820)	(578,285)	122,455	(455,830)
At 31 December		<u>311,541</u>	<u>(54,992)</u>	<u>256,549</u>	<u>289,897</u>	<u>(58,305)</u>	<u>231,592</u>

As at 31 December 2015, the insurance contract liabilities above includes the Company's share of MMIP's claims and premium liabilities amounting to RM67,320,994 (2014: RM62,474,200) and RM8,225,640 (2014: RM11,604,000) respectively.

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14. INSURANCE PAYABLES

	2015 RM'000	2014 RM'000
Amount due to agents, brokers, insured and co-insurers	36,922	9,157
Amount due to reinsurers and ceding companies	72,550	42,392
Amount due to related parties	3,125	2,348
	<u>112,597</u>	<u>53,897</u>

Included in the above are balances due to related parties as disclosed in Note 25.

The Company's amounts due to reinsurers and ceding companies that have been offset against amount due from the same are as follows:

	Gross carrying amount RM'000	Gross amounts offset in the balance sheet RM'000	Net amounts in the balance sheet RM'000
31 December 2015			
Premiums	(259,055)	310,698	51,643
Claims	57,898	(56,476)	1,422
	<u>(201,157)</u>	<u>254,222</u>	<u>53,065</u>
31 December 2014			
Premiums	452,950	(419,453)	33,497
Claims	46,559	(52,047)	(5,488)
	<u>499,509</u>	<u>(471,500)</u>	<u>28,009</u>

15. OTHER PAYABLES

	2015 RM'000	2014 RM'000
Accrued liabilities	16,654	10,737
Other payables	3,270	19,743
Cash collaterals held on behalf of insureds	8,526	8,906
GST Payable	146	-
	<u>28,596</u>	<u>39,386</u>

The carrying amounts disclosed above approximate fair values at balance sheet date. All amounts are payable within a year.

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16. NET EARNED PREMIUMS

	RM'000	2014 RM'000
(a) Gross earned premiums		
General insurance contract	698,352	630,529
Change in premium liabilities	(21,644)	(52,244)
	<u>676,708</u>	<u>578,285</u>
(b) Premiums ceded to reinsurers		
General reinsurance contracts	(158,575)	(140,000)
Change in premium liabilities	(3,313)	17,545
	<u>(161,888)</u>	<u>(122,455)</u>
Net Earned Premiums	<u>514,820</u>	<u>455,830</u>

17. INVESTMENT INCOME

	2015 RM'000	2014 RM'000
Rental income from investment properties	1,075	1,202
Interest/income from HTM financial assets quoted in Malaysia	2,007	3,261
Interest/income from AFS financial assets quoted in Malaysia	11,097	103
HTM financial assets amortisation of premiums, net of accretion	(340)	(255)
Dividend/distribution income from AFS financial assets quoted in Malaysia	21,196	19,848
LAR fixed and call deposits interest/income	6,963	8,925
Others	2,631	2,912
	<u>44,629</u>	<u>35,996</u>

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18. REALISED GAIN AND LOSS

	2015 RM'000	2014 RM'000
Property and equipment		
Realised gain/(loss)	7,689	135
AFS financial assets:		
Realised gain:		
Equity securities		
- quoted in Malaysia	33,422	7,469
Unit Trust Distribution		
- in Malaysia	1,206	1,667
Realised loss:		
Equity securities		
- quoted in Malaysia	-	-
Debt securities		
- quoted in Malaysia	(46)	-
	<u>42,271</u>	<u>9,271</u>

19. FAIR VALUE GAIN

	2015 RM'000	2014 RM'000
Fair value adjustment on investment properties (Note 5)	(373)	3,293
Fair value adjustment on HFT financial assets reclassified as FVTPL	770	116
Impairment loss on AFS	(5,267)	-
	<u>(4,870)</u>	<u>3,409</u>

20. OTHER OPERATING INCOME

	2015 RM'000	2014 RM'000
Realised gain/(loss) on foreign exchange	93	(119)
Sundry income	2,352	1,943
	<u>2,445</u>	<u>1,824</u>

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21. NET CLAIMS INCURRED

	2015	2014
	RM'000	RM'000
(a) Gross claims paid		
General insurance contracts (Note 13)	(343,873)	(303,336)
(b) Claims ceded to reinsurers		
General insurance contracts (Note 13)	48,228	49,803
(c) Gross change in contract liabilities		
General insurance contracts	(241,610)	(89,383)
(d) Change in contract liabilities ceded to reinsurers		
General insurance contracts	199,912	51,604
	<u>(337,343)</u>	<u>(291,312)</u>

22. MANAGEMENT EXPENSE

	2015	2014
	RM'000	RM'000
Employee benefits expense (Note 22(a))	59,817	51,925
Directors' fees and allowances (Note 22(b))	196	174
Auditors' remuneration:		
- statutory audits	240	180
- other services	90	-
Rental of properties	1,354	475
Depreciation of property and equipment	3,452	2,592
Amortisation of intangible assets	348	372
Property and equipment written off		
Allowance for impairment losses on receivables	5,869	1,098
Bad debts written-off	1,010	79
Computer service charges	3,987	3,498
Other expenses	34,201	21,418
	<u>110,564</u>	<u>81,811</u>

(a) Employee benefits expense

	2015	2014
	RM'000	RM'000
Wages, salaries and bonus	52,341	45,322
Social security contributions	478	460
Contributions to defined contribution plan, EPF	6,417	5,701
Other benefits	581	442
	<u>59,817</u>	<u>51,925</u>

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22. MANAGEMENT EXPENSE (CONT'D.)

(b) Remuneration for Executive and Non-Executive Directors including benefits-in-kind

The details of remuneration received / receivable during the financial year was as follows:

	2015	2014
	RM'000	RM'000
(i) Chief Executive Officer/Executive Director		
Dato' Loh Lye Ngok		
- Salaries	1,096	1,062
- Bonus	386	647
- Contribution to defined contribution plan, EPF	223	257
- Benefits-in-kind	35	31
	<u>1,740</u>	<u>1,997</u>
(ii) Executive Director		
Allowance		
- Hiroei Suzuki	-	50
- Yuji Kawauchi	168	93
	<u>168</u>	<u>143</u>
Benefits-in-kind		
- Hiroei Suzuki	-	20
- Yuji Kawauchi	78	37
	<u>78</u>	<u>57</u>
Total remuneration for Executive Directors	<u>1,986</u>	<u>2,197</u>
(iii) Non-Executive directors		
Directors Fees		
- Dato' Haji Ahmad Bin Sidek	78	69
- Datuk Bhupatrai A/L Mansukhlal Premji	27	36
- Azhar Bin Mohamad	54	36
	<u>159</u>	<u>141</u>
Meeting allowances		
- Dato' Haji Ahmad Bin Sidek	18	14
- Datuk Bhupatrai A/L Mansukhlal Premji	8	11
- Azhar Bin Mohamad	11	8
	<u>37</u>	<u>33</u>
Total director fees and allowances for non-executive directors	<u>196</u>	<u>174</u>

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23. INCOME TAX EXPENSE

	2015	2014
	RM'000	RM'000
Income tax:		
- Current income tax	17,681	14,310
- (Over)/Under-provision in prior years	118	(2,254)
	<u>17,799</u>	<u>12,056</u>
Deferred tax (Note 10):		
- Relating to origination and reversal of temporary differences	(1,469)	2,035
Relating to reduction		
in Malaysian income tax rate	812	-
- Under provision in prior years	2,285	(227)
	<u>1,628</u>	<u>1,808</u>
Tax expense for the year	<u>19,427</u>	<u>13,864</u>

Current income tax is calculated at the Malaysian tax rate of 25% (2014: 25%) on the estimated assessable profit for the year.

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 is as follows:

	2015	2014
	RM'000	RM'000
Profit before tax	<u>103,259</u>	<u>89,718</u>
Taxation at Malaysian statutory tax rate of 25%	25,815	22,429
Effect of income not subject to tax	(10,542)	(4,979)
Effect of expenses not deductible for tax purposes	2,692	1,234
Effect on opening deferred tax of reduction		
in Malaysian income tax rate	812	-
Underprovision of deferred tax in prior years	2,285	(227)
Overprovision of income tax in prior years	118	(2,254)
* Deduction in relation to MMIP cash calls	(1,753)	(2,339)
Tax expense for the year	<u>19,427</u>	<u>13,864</u>

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23. INCOME TAX EXPENSE (CONT'D.)

- * In accordance with P.U (A) 419 Income Tax (Deduction for contribution by Licensed Insurers to the Malaysian Motor Insurance Pool) Rules 2012, cash contributions made to MMIP via cash call is allowed for as a deduction in the year when such payment to the MMIP by a licensed insurer in respect of the insurer's share of the losses suffered by the MMIP. The Company has recognised this benefit as an additional tax deduction in the current year.

On 25 October 2013, the 2014 Malaysian Budget stated that the corporate tax rate will be reduced by 1% from the current rate of 25% to 24%, with effect from year assessment 2016 onwards. This change in corporate tax rate has been reflected in the carrying value of deferred taxes of the Company.

24. EARNINGS PER SHARE

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

	2015	2014
Net profit for the year (RM'000)	<u>83,832</u>	<u>75,854</u>
Number of ordinary shares in issue ('000)	<u>118,000</u>	<u>118,000</u>
Basic earnings per share (sen)	<u>71.0</u>	<u>64.3</u>

There were no potential dilutive effects on the ordinary shares during and at the end of the financial year. There have been no other transactions involving ordinary shares between the reporting date and the date of these financial statements.

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25. 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 transactions between the Company and its related parties were based on normal commercial terms and conditions and made on terms equivalent to those that prevail in arm's length transactions.

(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, the key management personnel include Chief Executive Officer and the Deputy Chief Executive Officer who are also the Directors of the Company.

(c) Related party transactions and balances

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

	2015	2014
	RM'000	RM'000
Related party transactions:		
Income/(expenses):		
Penultimate Holding Company:		
- Sompo Japan Insurance Inc.		
Premium ceded	(1,450)	(194)
Commission received	214	28
Claims recoveries	272	55
	<hr/>	<hr/>

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25. RELATED PARTY DISCLOSURES (CONT'D.)

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

	2015	2014
	RM'000	RM'000
Holding Company:		
- Sompo Japan Nipponkoa Holdings (Asia) Pte. Ltd. (Formerly knowns as Sompo Japan Asia Holdings Pte. Ltd.)		
Premium ceded	(4,926)	(10,523)
Commission received	1,280	2,732
Claims recoveries	2,419	1,130
	<u> </u>	<u> </u>
Other related companies:		
- Companies in which a controlling shareholder of the ultimate holding company has an interest		
Premium ceded	(8,270)	(10,429)
Commission received	2,351	2,870
Claims recoveries	1,716	1,919
	<u> </u>	<u> </u>
Controlled wholesale unit trust funds:		
Investment Income	-	2,642
	<u> </u>	<u> </u>
Corporate shareholder:		
- Berjaya Corporation Berhad and its related companies		
Gross premium income	29,174	29,733
Brokerage fee	(3,656)	(3,411)
	<u> </u>	<u> </u>
Related party balances:		
Due to related companies		
Penultimate Holding Company:		
- Sompo Japan Insurance Inc.	<u>(2,685)</u>	<u>(2,159)</u>
Holding Company:		
- Sompo Japan Asia Holdings Pte. Ltd.	<u>(13)</u>	<u>(15)</u>
Other related companies:		
- Companies in which a controlling shareholder of the ultimate holding company has an interest	<u>(427)</u>	<u>(174)</u>

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25. RELATED PARTY DISCLOSURES (CONT'D.)

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

	2015	2014
	RM'000	RM'000
Related party balances:		
Due from related company:		
Corporate shareholder		
- Berjaya Corporation Berhad and its related companies	4,554	4,182
	<u>4,554</u>	<u>4,182</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.

Compensation of key management personnel

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

	2015	2014
	RM'000	RM'000
Short term employee benefits		
- Salaries, allowances and bonus	1,650	1,852
- Other remuneration	223	257
- Benefits-in-kind	113	88
	<u>1,986</u>	<u>2,197</u>

BERJAYA SOMPO INSURANCE BERHAD
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26. RISK MANAGEMENT FRAMEWORK

(a) Framework and Responsibility

The Board of Directors is committed to the development of an effective Enterprise Risk Management Framework ("ERM"), 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 ERM is established to provide guiding principles on risk management approach, risk governance structure, roles and responsibilities, methodology used for risk assessment, and risk monitoring and reporting.

Under the ERM, the Company adopts the three lines of defence approach, where the Business Units being the "first line of defence", while the risk control unit ("second line of defence") rests on Risk Management and Compliance, providing an independent oversight to assist the Management in achieving its strategic plans and missions by implementing risk management and compliance activities across the organisation.

The Board entrusts the Risk Management Committee ("RMC") with the overall responsibility for overseeing the risk management activities of the Company to ensure an appropriate risk management process is in place and functioning effectively as well as to endorse appropriate risk management policies/frameworks and measurement methodologies across the organisation.

The RMC has a broad mandate to ensure the effective implementation of the objectives outlined in the ERM and compliance with them throughout the Company. The RMC is responsible for periodically reporting higher risk exposures to the Board. The roles and responsibilities as well as the authorities of the RMC are set out in the Board approved Term of Reference ("TOR") for RMC.

Risk Management Working Committee ("RMWC") has been established by RMC to serve as a medium between the RMC and the Management. This Committee will oversee the daily risk management activities of the Company to ensure that risk inherent in daily business activities is managed efficiently and effectively and will report regularly to the RMC on its recommendations and/or decisions.

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26. RISK MANAGEMENT FRAMEWORK (CONT'D.)

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

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

The detailed line accountability for risk management is fully aligned with the Company's Risk Governance 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 entire 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.

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26. RISK MANAGEMENT FRAMEWORK (CONT'D.)

(c) Capital Management Plan (Cont'd.)

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.

27. 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.

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BERJAYA SOMPO INSURANCE BERHAD
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27. INSURANCE RISK (CONT'D.)

(a) Concentration of risks by class of business

General insurance business premiums by type of product:

	2015			2014		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Motor	358,638	(15,578)	343,060	332,793	(14,268)	318,525
Fire	108,205	(69,106)	39,099	96,253	(58,158)	38,095
Marine, Aviation & Transit	28,020	(14,639)	13,381	24,837	(12,307)	12,530
Miscellaneous	203,489	(59,252)	144,237	176,646	(55,267)	121,379
	<u>698,352</u>	<u>(158,575)</u>	<u>539,777</u>	<u>630,529</u>	<u>(140,000)</u>	<u>490,529</u>

Insurance contract liabilities by type of product:

Premium Liabilities

Motor	179,177	(6,666)	172,511	172,120	(5,285)	166,835
Fire	31,316	(21,442)	9,874	33,692	(25,003)	8,689
Marine, Aviation & Transit	4,488	(1,785)	2,703	6,474	(2,936)	3,538
Miscellaneous	96,560	(25,099)	71,461	77,611	(25,081)	52,530
	<u>311,541</u>	<u>(54,992)</u>	<u>256,549</u>	<u>289,897</u>	<u>(58,305)</u>	<u>231,592</u>

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BERJAYA SOMPO INSURANCE BERHAD
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27. INSURANCE RISK (CONT'D.)

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

General insurance business premiums by type of product: (cont'd.)

	Gross RM'000	2015 Reinsurance RM'000	Net RM'000	Gross RM'000	2014 Reinsurance RM'000	Net RM'000
Claims Liabilities						
Motor	354,341	(25,238)	329,103	326,109	(24,704)	301,405
Fire	229,562	(206,552)	23,010	86,756	(67,080)	19,676
Marine, Aviation & Transit	15,422	(8,791)	6,631	12,180	(5,965)	6,216
Miscellaneous	228,518	(148,888)	79,630	161,188	(91,808)	69,380
	<u>827,843</u>	<u>(389,469)</u>	<u>438,374</u>	<u>586,233</u>	<u>(189,557)</u>	<u>396,676</u>

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27. 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
- Average claim

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.

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27. 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 2015					
Average Claims Cost	+10%	86,927	38,842	(38,842)	(29,132)
Average Number of Claims	+10%	47,366	19,222	(19,222)	(14,417)
Average Claim Settlement Period	Increased by 6 months	6,654	3,720	(3,720)	(2,790)
31 December 2014					
Average Claims Cost	+10%	67,979	42,313	(42,313)	(31,735)
Average Number of Claims	+10%	38,679	21,702	(21,702)	(16,276)
Average Claim Settlement Period	Increased by 6 months	5,358	2,540	(2,540)	(1,905)

* *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.

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27. INSURANCE RISK (CONT'D.)

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

Gross General Insurance Contract Liabilities for 2015 (RM '000)

	2007	2008	2009	2010	30.04.2011	31.12.2011	2012	2013	2014	2015	Total
	RM'000										
Accident Year											
Ultimate Claims Incurred											
At end of accident year				287,709	315,751	200,827	295,219	338,905	390,854	600,496	
One year later			283,350	279,538	310,577	220,868	282,486	325,678	379,357		
Two years later		215,547	285,751	288,667	310,373	212,340	289,540	309,973			
Three years later	183,060	218,525	287,740	281,001	303,543	205,987	279,734				
Four years later	183,669	218,009	278,040	273,702	301,697	201,481					
Five years later	182,832	214,093	273,151	269,032	297,606						
Six years later	179,815	209,806	268,203	264,643							
Seven years later	177,676	506,650	263,217								
Eight years later	176,433	203,907									
Nine years later	174,494										
Current estimate of Cumulative claims incurred	174,494	203,907	263,217	264,643	297,606	201,481	279,734	309,973	379,357	600,496	2,974,909
Cumulative Claims Paid											
At end of accident year	59,660	74,873	94,519	121,630	131,049	65,454	120,830	137,093	146,210	184,676	
One year later	126,010	150,182	189,035	206,994	217,351	156,677	215,667	231,664	255,704		
Two years later	140,325	170,109	229,616	231,273	249,553	176,052	251,009	253,250			
Three years later	155,610	190,043	245,909	248,681	269,658	180,830	259,632				
Four years later	167,310	196,842	253,022	254,798	276,000	182,488					
Five years later	169,994	200,554	258,699	256,628	277,856						
Six years later	171,713	202,308	260,391	259,891							
Seven years later	172,762	202,826	261,352								
Eight years later	173,015	203,206									
Nine years later	173,541										
Cumulative payments to date	173,541	203,206	261,352	259,891	277,856	182,488	259,632	253,250	255,704	184,676	2,311,596
Gross general insurance outstanding liabilities (direct and facultative inwards)	953	701	1,865	4,752	19,750	18,993	20,102	56,723	123,653	415,820	663,313
Case Reserves for Accident Years Prior to 2006											577
Treaty Inwards											1,170
MMIP											67,321
Best Estimate of Claim Liabilities											732,381
Claim Handling Expenses											7,127
Fund PRAD at 75% Confidence Interval											88,335
Gross general insurance contract liabilities (Note 13)											827,843

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27. INSURANCE RISK (CONT'D.)
(c) Claims Development Table (Cont'd.)
Net General Insurance Contract Liabilities for 2015 (RM '000)

Accident Year	2007	2008	2009	2010	30.04.2011	31.12.2011	2012	2013	2014	2015	Total
	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	250,321	267,467	305,055	364,968	
One year later		171,844	234,672	240,602	263,707	176,436	236,815	252,739	291,453		
Two years later		179,078	239,689	244,690	262,851	171,128	234,789	240,713			
Three years later	158,347	181,291	240,792	239,310	257,357	168,901	228,884				
Four years later	158,687	180,360	233,458	233,943	255,273	165,150					
Five years later	157,991	177,406	228,230	228,145	252,880						
Six years later	156,515	173,743	223,356	223,793							
Seven years later	153,886	170,893	220,652								
Eight years later	152,904	169,363									
Nine years later	152,208										
Current estimate of cumulative claims incurred	152,208	169,363	220,652	223,793	252,880	165,150	228,884	240,713	291,453	364,968	2,310,064
Cumulative Claims Paid											
At end of accident year	54,369	61,683	86,389	103,322	121,391	61,935	114,139	121,059	134,283	168,712	
One year later	110,576	122,630	162,902	179,048	199,397	137,878	190,988	198,337	221,062		
Two years later	121,844	139,827	191,951	198,383	225,135	153,736	209,273	214,897			
Three years later	135,203	158,027	205,805	213,034	240,364	157,844	216,399				
Four years later	146,212	164,218	212,082	218,403	244,453	159,192					
Five years later	148,717	166,729	217,018	219,933	246,022						
Six years later	150,048	168,277	218,507	221,232							
Seven years later	151,048	168,750	219,284								
Eight years later	151,299	169,051									
Nine years later	151,643										
Cumulative payments to date	151,643	169,051	219,284	221,232	246,022	159,192	216,399	214,897	221,062	168,712	1,987,494
Net general insurance outstanding liabilities (direct and facultative inwards)	565	312	1,368	2,561	6,858	5,958	12,485	25,816	70,391	196,256	322,570
Case Reserves for Accident Years Prior to 2006											570
Treaty Inwards											1,170
MMIP											67,321
Best Estimate of Claim Liabilities											391,631
Claim Handling Expenses											7,127
Fund PRAD at 75% Confidence Interval											38,569
Additional provision											1,047
Net general insurance contract liabilities (Note 13)											438,374

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28. 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.

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28. 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.

31 December 2015	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		
Financial assets at FVTPL							
Warrants and loan stocks	-	-	-	-	624	-	624
HTM financial investments							
Government investment issues	-	-	-	-	5,005	-	5,005
Corporate debt securities	15,031	15,021	-	-	-	-	30,052
LAR							
Fixed and call deposits	8,000	6,159	-	-	-	-	14,159
AFS financial investments							
Equity securities	-	-	-	-	101,199	-	101,199
Unit trust funds	-	-	-	-	633,442	-	633,442
Debt securities	27,865	233,464	-	-	-	-	261,329
Malaysian government securities	-	-	-	-	5,927	-	5,927
Government investment issues	-	-	-	-	3,992	-	3,992
Loan stocks	-	-	-	-	-	-	-
Reinsurance assets	-	15,576	161,179	-	212,714	-	389,469
Insurance receivables	-	-	193	-	42,323	29,841	72,357
Other receivables	-	-	-	-	76,444	-	76,444
Cash and cash equivalent	102,242	65,085	21,549	7,072	24	-	195,972
	<u>153,138</u>	<u>335,305</u>	<u>182,921</u>	<u>7,072</u>	<u>1,081,694</u>	<u>29,841</u>	<u>1,789,971</u>

* Based on public ratings assigned by reputable rating agencies.

** An ageing analysis for financial assets past due is provided on page 75.

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28. FINANCIAL RISKS (CONT'D.)

(a) Credit Risk (Cont'd.)

Credit exposure by credit rating (Cont'd.)

31 December 2014	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		
Financial assets at FVTPL							
Warrants and loan stocks	-	-	-	-	9,793	-	9,793
HTM financial investments							
Government investment issues	-	-	-	-	10,023	-	10,023
Government guaranteed loan	-	-	-	-	-	-	-
Corporate debt securities	22,598	20,044	-	-	-	-	42,642
LAR							
Fixed and call deposits	-	-	-	-	-	-	-
AFS financial investments							
Equity securities	-	-	-	-	135,426	-	135,426
Unit trust funds	-	-	-	-	527,212	-	527,212
Debt securities	13,540	79,997	-	-	-	-	93,537
Malaysian government securities	-	-	-	-	19,942	-	19,942
Government investment issues	-	-	-	-	9,991	-	9,991
Loan stocks	-	-	-	-	8,241	-	8,241
Reinsurance assets	-	10,839	50,051	1,928	185,044	-	247,862
Insurance receivables	-	-	-	-	38,164	14,761	52,925
Other receivables	-	-	-	-	67,803	-	67,803
Cash and cash equivalent	95,924	62,442	42,013	23,000	9,630	-	233,009
	132,062	173,322	92,064	24,928	1,021,269	14,761	1,458,406

* Based on public ratings assigned by reputable rating agencies.

** An ageing analysis for financial assets past due is provided on page 75.

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BERJAYA SOMPO INSURANCE BERHAD
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28. FINANCIAL RISKS (CONT'D.)

(a) Credit Risk (Cont'd.)

Age Analysis of Financial Assets Past-Due But Not impaired

	Past due but not impaired					
	< 30 days	31 to 60	61 to 90	91 to 180	more than	Total
	RM'000	days	days	days	180 days	RM'000
		RM'000	RM'000	RM'000	RM'000	
31 December 2015						
Insurance receivables:						
Due premium including agents/brokers and co-insurers balances	8,301	3,324	3,984	10,848	2,773	29,230
Due from reinsurers and cedants	34	237	340	-	-	611
	<u>8,335</u>	<u>3,561</u>	<u>4,324</u>	<u>10,848</u>	<u>2,773</u>	<u>29,841</u>
31 December 2014						
Insurance receivables:						
Due premium including agents/brokers and co-insurers balances	5,495	2,358	2,224	1,241	2,439	13,757
Due from reinsurers and cedants	258	200	125	144	277	1,004
	<u>5,753</u>	<u>2,558</u>	<u>2,349</u>	<u>1,385</u>	<u>2,716</u>	<u>14,761</u>

BERJAYA SOMPO INSURANCE BERHAD
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28. 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.

Premium liabilities and the reinsurers' share of the premium liabilities have been excluded from the analysis as these are not contractual obligations.

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28. 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 2015						
Financial instruments:						
FVTPL	624	-	624	-	-	624
HTM	35,057	10,280 *	10,904 *	19,283 *	-	40,467
LAR	14,159	14,159	-	-	-	14,159
AFS - Equity Securities	101,199	-	-	-	101,199	101,199
AFS - Debt Securities	261,329	3,110 *	142,743 *	188,201 *	-	334,054
AFS - Unit trust funds	633,442	-	-	-	633,442	633,442
AFS - Malaysian Government Securities	5,927	-	1,185 *	4,917 *	-	6,102
AFS - Government Investment Issues	3,992	-	4,700	-	-	4,700
Reinsurance assets - claim liabilities	389,469	218,102	135,737	35,630	-	389,469
Insurance receivables	72,357	72,357	-	-	-	72,357
Other receivables	76,444	4,136	-	-	72,308	76,444
Cash and cash equivalents	195,972	177,360 *	-	-	19,128	196,488
Total Assets	1,789,971	499,504	295,893	248,031	826,077	1,869,505
Insurance contract liabilities:						
Claims liabilities	827,843	441,487	330,728	55,628	-	827,843
Insurance payables	112,597	112,597	-	-	-	112,597
Other payables	28,596	28,377	219	-	-	28,596
Total Liabilities	969,036	582,461	330,947	55,628	-	969,036

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

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28. 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 2014						
Financial instruments:						
FVTPL	9,793	3,461	6,332	-	-	9,793
HTM	52,665	18,000 *	22,043 *	19,870 *	-	59,913
LAR	-	-	-	-	-	-
AFS - Equity Securities	135,426	-	-	-	135,426	135,426
AFS - Debt Securities	93,537	5,285 *	40,235 *	77,998 *	-	123,518
AFS - Unit trust funds	527,212	-	-	-	527,212	527,212
AFS - Malaysian Government Securities	19,942	-	10,749 *	12,734 *	-	23,483
AFS - Government Investment Issues	9,991	10,185 *	-	-	-	10,185
AFS - Loan stocks	8,241	8,241	-	-	-	8,241
Reinsurance assets - claim liabilities	189,557	95,959	73,924	19,674	-	189,557
Insurance receivables	52,925	52,925	-	-	-	52,925
Other receivables	67,803	3,508	-	-	64,295	67,803
Cash and cash equivalents	233,009	223,830 *	-	-	9,633	233,463
Total Assets	1,400,101	421,394	153,283	130,276	736,566	1,441,519
Insurance contract liabilities:						
Claims liabilities	586,233	296,795	250,296	39,142	-	586,233
Insurance payables	53,897	53,897	-	-	-	53,897
Other payables	39,386	39,386	-	-	-	39,386
Total Liabilities	679,516	390,078	250,296	39,142	-	679,516

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

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28. 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.

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28. 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, warrants, loan stocks, Malaysian government securities, government investment issues 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 2015			
Market Indices			
Bursa Malaysia	+ 10%	62	75,433
Bursa Malaysia	- 10%	(62)	(75,433)
31 December 2014			
Market Indices			
Bursa Malaysia	+ 10%	979	59,567
Bursa Malaysia	- 10%	(979)	(59,567)

* impact on Equity reflects adjustments for tax, when applicable

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

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28. FINANCIAL RISK (CONT'D.)

(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. Level 1 - Active Market - quoted price

Financial instruments which are regarded as quoted in an active market if quoted price are readily available from the exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices which represent actual and regularly occurring market transactions on an arm's length basis.

ii. Level 2 - No Active Market - Measurement using significant observable inputs

Inputs other than quoted price included within Level 1 that are observable for the asset or liability, either directly (ie prices) or indirectly (ie derived from prices).

Example of Level 2 instruments include investment properties, AFS designated corporate and government bonds.

iii. Level 3 - No Active Market - Measurement using unobservable inputs

Financial instruments where fair values are measured using unobservable inputs. The valuation measurement is consistent with Level 2.

Example of Level 3 instruments include corporate bonds in illiquid markets.

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28. FINANCIAL RISK (CONT'D.)

(h) Fair value hierarchy (cont'd.)

	Date of valuation	2015				2014			
		Fair value measurement using:				Fair value measurement using:			
		Quoted prices in active market Level 1 RM'000	Significant unobservable inputs Level 2 RM'000	Significant unobservable inputs Level 3 RM'000	Total RM'000	Quoted prices in active market Level 1 RM'000	Significant unobservable inputs Level 2 RM'000	Significant unobservable inputs Level 3 RM'000	Total RM'000
Assets									
Assets measured at fair value:									
Investment properties (Note 5)	31 December 2015	-	-	19,280	19,280	-	-	23,153	23,153
Available-for-sale investments (Note 6 (c))									
Equity securities:									
Quoted in Malaysia	31 December 2015	98,564	-	-	98,564	132,662	-	-	132,662
Quoted outside Malaysia	31 December 2015	2,517	-	-	2,517	2,646	-	-	2,646
Unit trust funds	31 December 2015	633,442	-	-	633,442	527,212	-	-	527,212
Debt securities:									
Quoted in Malaysia	31 December 2015	261,329	-	-	261,329	93,537	-	-	93,537
Loan stocks	31 December 2015	-	-	-	-	8,242	-	-	8,242
Government securities	31 December 2015	9,919	-	-	9,919	9,950	-	-	9,950
Held-to-maturity investments (Note 6 (a))									
Government investment issues	31 December 2015	5,046	-	-	5,046	10,109	-	-	10,109
Debt securities:									
Quoted in Malaysia	31 December 2015	29,593	-	-	29,593	42,273	-	-	42,273
Financial investments at FVTPL (Note 6 (d))									
(i) Designated upon initial recognition:									
Loan stocks	31 December 2015	-	-	-	-	5,383	-	-	5,383
Wholesale funds	31 December 2015	-	-	-	-	-	-	-	-
(ii) Held-for-trading ("HFT")									
Warrants	31 December 2015	624	-	-	624	4,410	-	-	4,410
Total Assets		1,041,034	-	19,280	1,060,314	836,424	-	23,153	859,577

The fair value of the investment properties of the Company are categorised as Level 3. The Investment properties have been revalued based on valuations performed by an accredited independent valuer. The valuations are based on comparison method. In arriving at the fair value of the assets, the valuer had taken into account the sales of similar properties and related market data, and establishes a value estimate by processes involving comparison. In general, the properties being valued is compared with sales of similar properties that have been transacted in the open market. Listing and offering may also be considered. Valuation under this method may be significantly affected by the timing and the characteristics (such as location, accessibility, design, size and condition) of the property transaction used for comparison.

The significant unobservable input is the floor area and the weighted average value per square feet of the properties. The unobservable value was in the range of RM260 - RM2,500 per square feet. The fair value would increase (decrease) if floor area is bigger (smaller) and weighted average value per square feet is higher (lower).

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29. 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 2015, as prescribed under the RBC Framework is provided below:

	Note	2015 RM'000	2014 RM'000
Eligible Tier 1 Capital			
Share capital (paid-up)	12	118,000	118,000
Retained earnings		549,496	465,664
		<u>667,496</u>	<u>583,664</u>
Tier 2 Capital			
Eligible reserves		<u>18,238</u>	<u>32,535</u>
Deductions			
Intangible assets	4	<u>(1,792)</u>	<u>(1,856)</u>
Total capital available		<u>683,942</u>	<u>614,343</u>

30. CAPITAL COMMITMENTS

	2015 RM'000	2014 RM'000
Capital Expenditure approved and contracted for :		
Property, plant and equipment	<u>31,913</u>	<u>8,300</u>

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31. COMPARATIVES

Certain comparative figures have been restated following the reclassification of items in the statement of financial position.

The reclassification of the statements of financial position for comparative period and previously reported balances and detailed as follows:

	Note	As previously stated at 31.12.2014 RM'000	Reclassi- fication RM'000	as restated at 1.1.2015 RM'000
Insurance receivables	8	61,197	(8,272)	52,925
Insurance payables	14	(62,169)	8,272	(53,897)