Company No.

277714	A

GIBRALTAR BSN LIFE BERHAD
(Incorporated in Malaysia)

FINANCIAL STATEMENTS

FOR THE 9 MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2014

Company No.

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GIBRALTAR BSN LIFE BERHAD
(Incorporated in Malaysia)

FINANCIAL STATEMENTS
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GIBRALTAR BSN LIFE BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Company for the financial period from 1 April 2014 to 31 December 2014.

CHANGE OF FINANCIAL YEAR END

The financial year end of the Company was changed from 31 March to 31 December so as to be coterminous with the financial year end of its ultimate holding company as required by Section 168(1)(b) of Companies Act, 1965. Accordingly, the current financial statements are prepared for nine months from 1 April 2014 to 31 December 2014 and as a result, the comparative figures stated in statement of income, statement of changes in equity, statement of cash flows and the related notes are not comparable.

PRINCIPAL ACTIVITY

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

FINANCIAL RESULTS

	RM'000
Loss for the financial period	(1,173)

DIVIDENDS

The Company paid an interim single-tier exempt dividend of 2 sen per share in respect of the financial year ended 31 March 2014, totalling RM 2,500,000 on 2 May 2014. The Directors do not recommend any final dividend for the financial period ended 31 December 2014.

RESERVES AND PROVISIONS

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

SHARE CAPITAL

There was no issuance of new ordinary shares during the financial period.

PROVISION FOR INSURANCE LIABILITIES

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

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Company were made out, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and satisfied themselves that all known bad debts had been written off and adequate allowance had been made for doubtful debts.

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

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

(a) any charge on the assets of the Company that has arisen since the end of the financial period which secures the liabilities of any other person; or
(b) any contingent liability in respect of the Company that has arisen since the end of the financial period.

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Company during the financial period were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in the financial statements.

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

CORPORATE GOVERNANCE

The composition of the Board during the period since the close of the last report is as follows:

(a) The composition of the Board during the period since the close of the last period is as follows:

i) Independent Directors

<u>Name of Directors</u>
Dato' Haji Kamil Khalid Ariff
Datuk Azizan Bin Haji Abd Rahman
Dato' Danapalan A/L T.P. Vinggrasalam

ii) Non-Independent Directors

<u>Name of Directors</u>
Benett Maximillian Theseira (Chairman)
Jan van den Berg
Tim Oommen Thomas
John Sneddon McConnachie
Datuk Adinan Bin Maning

(b) Importance and commitment

The Company, with the leadership of the Board of Directors ("the Board"), has adopted the necessary measures to ensure that the corporate and management practices are consistent with the regulatory requirements and best practice standards ordained under BNM/RH/GL/003-1: Minimum Standards for Prudential Management of Insurers (Consolidated) and BNM/RH/GL/003-2: Prudential Framework of Corporate Governance for Insurers, issued by BNM. The Company's policy is to achieve best practices in their business standards for all activities throughout the Company and good corporate governance, which the Board fully recognises to be one of its principal responsibilities to protect and enhance shareholder value and financial performance of the Company.

CORPORATE GOVERNANCE (CONTINUED)

(c) Key issues and aspects

Key elements of the industry's corporate governance captured by the Frameworks are:

i. An effective and balanced Board appointed through a predetermined appointment procedure;
ii. Executive remuneration set by the Remuneration Committee that attracts and retains the people needed to run the Company;
iii. A sound system of internal controls that safeguards the Company's assets and investments, and identifies and manages business risks.
iv. The process in respect to disclosure of conflict of interest situation where arise.

The Company's commitment to the corporate governance standards entails the following:

i. The Board has a mix of independent and non-independent Directors. The Board comprises seven non-executive Directors and one executive Director with vast experience, of which three are independent non-executive Directors of the calibre necessary to carry sufficient weight in Board's decisions. The role of independent non-executive Directors is important in ensuring that the strategies proposed by management are fully discussed and examined, and takes into account the long-term interest of various stakeholders. The Board appoints new Director on the recommendation of the Nominating Committee.
ii. Executive remuneration is set by the Remuneration Committee. The Company's executive remuneration policy is to reward employees competitively, taking into account individual performance, company performance, market comparisons and the competitiveness in the local insurance industry. Remuneration packages are reviewed annually and comprise a mix of basic salary and performance-linked elements.
iii. The Board is responsible for the Company's system of internal controls and risk management, and reviewing the effectiveness of these systems which are designed to proactively manage, rather than eliminate, the risk of failure to achieve sustainable business objectives. In achieving this, the following are put in place:

    - the Risk Management Committee which oversees and provides overall direction on risk management efforts;
    - a system of financial and business controls which provides regular reports by the Chief Financial Officer ("CFO") and the Chief Executive Officer ("CEO") to the Board;
    - regular assessments of internal controls by the Company's internal audit department; and
    - review of the effectiveness of the internal control processes by the Audit Committee, on behalf of the Board.

CORPORATE GOVERNANCE (CONTINUED)

(d) Board responsibilities

The Board is ultimately responsible for the Company's strategic direction and overseeing the performance of the Company. Its focuses are on the following:

i. Strategy plan
ii. Development
iii. Shareholder value
iv. Oversight and control
v. Corporate governance

(e) Supply of information

The Board is mindful that its strategic focus on matters relating to their business and exposures should be based on informed decisions. Hence, all the Directors are provided with the meeting agenda and Board reports well ahead of Board meetings. This is to enable the Directors to obtain further explanations, where necessary, in order to be briefed properly before the meeting. As and when necessary, the Board, in furtherance of their duties may seek independent professional advice at the Company's expense. All the Directors have access to the advice and services of the Company Secretary.

The Board meetings and attendance for the financial period ended 31 December 2014 are as follows:

Name of Directors	Number of Board meetings	
	Attend	Held
Benett Maximillian Theseira (Chairman)	4	4
Jan van den Berg	3	4
Tim Oommen Thomas	4	4
John Sneddon McConnachie	3	4
Datuk Adinan Bin Maning	4	4
Datuk Azizan Bin Haji Abd Rahman	4	4
Dato' Danapalan A/L T.P. Vinggrasalam	4	4
Dato' Haji Kamil Khalid Ariff	4	4

CORPORATE GOVERNANCE (CONTINUED)

(f) Appointment/re-appointment of Directors

The appointment/re-appointment of the Directors is based on the Company's Articles of Association. All the Directors who are appointed by the Board are subject to re-election every succeeding year; thereafter one-third of the Directors (being those who have been longest in office) shall be retired or re-elected.

(g) Directors' training

The Directors are encouraged to attend continuous education programs and seminars to keep abreast with developments in the industry. The Company has established a mechanism for all the Directors to be kept abreast of changes and new legal and regulatory requirements on a regular basis. The Company also keeps a record of the Directors' training programs and attendance to the said programme.

(h) Directors' responsibility statement with respect to the financial statements.

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial period which have been made out in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and comply with the requirements of the Companies Act, 1965 in Malaysia and give a true and fair view of the state of affairs of the Company at the end of the financial period and of the results and cash flows of the Company for the financial period.

In preparing the financial statements, the Directors have:

- adopted suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- ensured that all applicable accounting standards have been followed; and
- prepared financial statements on the going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Company has adequate resources to continue in operational existence for the foreseeable future.

The Directors have the responsibility for ensuring that the Company keeps accounting records, which disclose with reasonable accuracy, the financial position of the Company and to ensure that the financial statements comply with the requirements of the Companies Act, 1965 in Malaysia.

The Directors have overall responsibility to take steps to safeguard the assets of the Company and to prevent and detect fraud and irregularities.

(i) Financial reporting

In presenting the annual financial statements, the Directors aim to present a balanced and understandable assessment of the Company's position and prospects.

CORPORATE GOVERNANCE (CONTINUED)

(j) Board Committees

The Board has assigned specific responsibilities to five Board committees (Audit, Remuneration, Nomination, Risk Management, and Investment Committees), details of which are set out below. These committees have the authority to examine particular issues and report back to the Board with their recommendations. The ultimate responsibility for the final decision on all matters, however, lies with the Board.

(k) Audit Committee

The Audit Committee comprises the following members:

- Datuk Azizan Bin Haji Abd Rahman (Chairman)
- Dato' Haji Kamil Khalid Ariff
- Tim Oommen Thomas

The Audit Committee reviews the Company's accounting policies, systems of internal controls and risk management, reports from the Company's internal and external auditors and determines that appropriate actions are being taken by the management. Its conclusions are reported to the Board, which takes responsibility for the Company's system of internal controls.

The Audit Committee also considers the Company's published financial statements for statutory compliance and best practice standards, and recommends to the Board appropriate disclosure in these reports. It also reviews the performance of the Company's external auditors annually to ensure an objective, professional and cost-effective relationship. It recommends to the Board the external auditors fees for their audit services.

(l) Remuneration Committee

The Remuneration Committee comprises the following members:

- Dato' Haji Kamil Khalid Ariff (Chairman)
- Jan van den Berg
- Tim Oommen Thomas
- Dato' Danapalan A/L T.P. Vinggrasalam

The Remuneration Committee sets the remuneration policy for the Directors, the CEO and senior management reporting to the Board. Specifically, the Remuneration Committee agrees their service/employment contracts, salaries, other benefits, including bonuses and participation in the Company's long-term incentive plans, and other terms and conditions of service/employment.

It also agrees terms for their cessation of service/employment, approves changes in the Company's long term incentive plans, recommends to the Board those plans which require shareholder approval and oversees their operations.

CORPORATE GOVERNANCE (CONTINUED)

(l) Remuneration Committee (continued)

<u>Remuneration of the Directors and the CEO</u>

The aggregate remuneration of the Directors and the remuneration of the CEO have been disclosed in Note 24 to the financial statements, meeting the minimum requirement of BNM/RH/GL 015-3.

(m) Nomination Committee

The Nomination Committee comprises the following members:

- Dato' Haji Kamil Khalid Ariff (Chairman)
- Jan van den Berg
- Tim Oommen Thomas
- John Sneddon McConnachie
- Dato' Danapalan A/L T.P. Vinggrasalam

The Nomination Committee recommends to the Board the appointments of all Directors and regularly reviews a profile of the skills and attributes required from the Directors as a whole to ensure an appropriate balance of expertise and ability. This profile is used to assess the suitability of candidates put forward by the Directors and shareholders.

(n) Risk Management Committee

The Risk Management Committee comprises the following members:

- Dato' Haji Kamil Khalid Ariff (Chairman)
- Tim Oommen Thomas
- Datuk Azizan Bin Haji Abd Rahman
- Benett Maximillian Theseira

The roles of the Risk Management Committee are:

- to oversee the development of risk management capabilities and development of an acceptable risk culture for the Company;
- to review the completeness of risk identification, assessment, controls and the managing of risks on a group-wide basis and assess their effectiveness on a regular basis;
- to oversee the development of general risk policies and procedures, and to monitor and evaluate their effectiveness;
- to oversee the implementation of a risk management framework in a manner that is consistent with the overall risk management objectives of the Company.

CORPORATE GOVERNANCE (CONTINUED)

(o) Investment Committee

The Investment Committee comprises the following members;

- Tim Oommen Thomas (Chairman)
- Datuk Adinan Bin Maning
- John Sneddon McConnachie

The Investment Committee is empowered by the Board to assist the Board and management in its strategic responsibilities and accountabilities in the investment areas of the Company. The Committee shall report to the Board the results, observations and recommendations for their deliberation and formalisation pertaining to the investment activities of the Company.

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, the Directors in office at the end of the financial period did not hold any interest in shares and options over shares in the Company or shares and debentures of its related corporations during the financial period.

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than Directors' remuneration as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

ULTIMATE HOLDING COMPANY

The Directors regard Prudential Financial, Inc., as the ultimate holding company and The Prudential Insurance Company of America, as the penultimate holding company. Both companies are incorporated in the United States of America.

AUDITORS

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

Signed on behalf of the Board in accordance with their resolution dated 11 March 2015.

BENETT MAXIMILLIAN THESEIRA	DATUK AZIZAN BIN HAJI ABD RAHMAN
CHAIRMAN	DIRECTOR

Singapore

Company No.

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GIBRALTAR BSN LIFE BERHAD
(Incorporated in Malaysia)

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

We, Benett Maximillian Theseira and Datuk Azizan Bin Haji Abd Rahman, two of the Directors, state that, in the opinion of the Directors, the financial statements set out on pages 14 to 97 are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 December 2014 and of the results and cash flows of the Company for the financial period ended on that date in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and comply with the requirements of the Companies Act, 1965 in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated 11 March 2015.

BENETT MAXIMILLIAN THESEIRA
CHAIRMAN

DATUK AZIZAN BIN HAJI ABD RAHMAN
DIRECTOR

Singapore

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

I, Kwo Shih Kang, the officer primarily responsible for the financial management of Gibraltar BSN Life Berhad, do solemnly and sincerely declare that the financial statements set out on pages 14 to 97 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.

Kwo Shih Kang

Subscribed and solemnly declared by the above named Kwo Shih Kang at Kuala Lumpur, Wilayah Persekutuan in Malaysia on 11 March 2015, before me.

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF GIBRALTAR BSN LIFE BERHAD
(Incorporated in Malaysia)
(Company No. 277714 A)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Gibraltar BSN Life Berhad, which comprise the statement of financial position as at 31 December 2014, and the statements of income, comprehensive income, changes in equity and cash flows for the financial period from 1 April 2014 to 31 December 2014, and a summary of significant accounting policies and other explanatory notes to the financial statements, as set out on pages 14 to 97.

Directors' Responsibilities for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF GIBRALTAR BSN LIFE BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 277714 A)

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2014 and of its financial performance and cash flows for the financial period from 1 April 2014 to 31 December 2014 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and comply with 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 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.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

MANJIT SINGH
(No. 2954/03/15 (J))
Chartered Accountant

Kuala Lumpur
11 March 2015

Company No.

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GIBRALTAR BSN LIFE BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Note	31.12.2014	31.03.2014
		RM'000	RM'000
ASSETS			
Properties and equipment	3	24,930	23,488
Investment property	4	5,500	5,500
Intangible assets	5	4,598	3,391
Prepaid lease property	6	240	243
Investments	7	2,113,682	2,215,404
Held-to-maturity financial assets ("HTM")		364,010	373,903
Loans and receivables ("LAR")		354,479	540,644
Available-for-sale financial assets ("AFS")		953,321	864,131
Fair value through profit and loss financial assets ("FVTPL")		441,872	436,726
Reinsurance assets	8	5,465	6,131
Insurance receivables	9	8,256	8,298
Other receivables	10	13,329	15,409
Tax recoverable		12,089	9,734
Cash and cash equivalents		12,636	12,475
TOTAL ASSETS		2,200,725	2,300,073

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

GIBRALTAR BSN LIFE BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014 (CONTINUED)

	Note	31.12.2014 RM'000	31.03.2014 RM'000
EQUITY AND LIABILITIES			
Share capital	11	125,000	125,000
Retained earnings	12 (a)	273,981	277,654
Available-for-sale fair value reserves	12 (b)	1,360	(1,203)
Asset revaluation reserves	12 (b)	2,269	2,259
TOTAL EQUITY		402,610	403,710
Insurance contract liabilities	13	1,606,773	1,712,093
Deferred tax liabilities	14	47,708	50,249
Insurance payables	15	107,896	109,307
Other payables	16	35,738	24,714
TOTAL LIABILITIES		1,798,115	1,896,363
TOTAL EQUITY AND LIABILITIES		2,200,725	2,300,073

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

Company No.

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GIBRALTAR BSN LIFE BERHAD
(Incorporated in Malaysia)

STATEMENT OF INCOME
FOR THE 9 MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2014

	Note	Financial period from 01.04.2014 to 31.12.2014 RM'000	Financial year ended 31.03.2014 RM'000
Operating revenue	17	281,231	388,825
Gross premiums	18 (a)	218,800	296,071
Premiums ceded to reinsurers	18 (b)	(15,608)	(13,370)
Net premiums		203,192	282,701
Investment Income	19	62,431	92,754
Realised gains	20	15,910	30,011
Fair value (losses)/gains	21	(36,112)	23,710
Other operating income	22	1,693	1,854
Other income		43,922	148,329
Gross benefits and claims	23 (a)	(295,709)	(400,485)
Claims ceded to reinsurers	23 (b)	7,815	7,344
Gross change in contract liabilities	23 (c)	123,986	129,608
Change in contract liabilities ceded to reinsurers	23 (d)	322	(2,850)
Net insurance benefits and claims		(163,586)	(266,383)
Fee and commission expenses		(20,095)	(29,962)
Management expenses	24	(61,253)	(58,275)
Other expenses		(81,348)	(88,237)
Profit from operations		2,180	76,410
Finance costs	25	-	(2,140)
Profit before taxation		2,180	74,270
Income tax expense attributable to participating fund and unit holders		(1,575)	(7,152)
Profit before tax attributable to shareholders		605	67,118
Tax expenses	26	(3,353)	(24,514)
Tax expense attributable to participating fund and unit holders		1,575	7,152
Tax expense attributable to shareholders		(1,778)	(17,362)
(Loss)/profit for the period/year		(1,173)	49,756
Basic (loss)/earnings per share (sen)	27	(0.94)	39.80

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

Company No.

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GIBRALTAR BSN LIFE BERHAD
(Incorporated in Malaysia)

STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE 9 MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2014

	Note	Financial period from 01.04.2014 to 31.12.2014	Financial year ended 31.03.2014
		RM'000	RM'000
(Loss)/profit for the financial period/year		(1,173)	49,756
Other comprehensive income/(loss):			
Item that may be subsequently reclassified to statement of income:			
Available-for-sale fair value reserves			
- Gross fair value changes	7(e)	5,921	(28,168)
- Taxation	14	(1,112)	5,247
Change in insurance contract liabilities arising from			
- Unrealised fair value changes	13	(2,441)	11,629
- Taxation	13	195	(930)
		2,563	(12,222)
Item that may not be subsequently reclassified to statement of income:			
Gross surplus from revaluation of properties and equipment		62	1,664
Taxation	14	(3)	(46)
Change in insurance contract liabilities arising from			
- Unrealised fair value changes	13	(49)	(1,433)
		10	185
Total comprehensive income for the financial period/year		1,400	37,719

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

GIBRALTAR BSN LIFE BERHAD
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE 9 MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2014

		Non-distributable			Distributable	
	Share capital	Assets revaluation reserves	Available for-sale fair value reserves	Life non participating surplus *	Retained earnings	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 April 2014	125,000	2,259	(1,203)	197,670	79,984	403,710
Other comprehensive income for the financial period	-	10	2,563	-	-	2,573
Loss for the financial period	-	-	-	(4,327)	3,154	(1,173)
Dividend paid in respect of financial period ended 31 March 2014	-	-	-	-	(2,500)	(2,500)
At 31 December 2014	125,000	2,269	1,360	193,343	80,638	402,610
As at 1 April 2013	125,000	2,074	11,019	149,837	78,061	365,991
Other comprehensive loss for the financial year	-	185	(12,222)	-	-	(12,037)
Profit for the financial year	-	-		47,833	1,923	49,756
As at 31 March 2014	125,000	2,259	(1,203)	197,670	79,984	403,710

* The Life non-participating surplus amount is net of deferred tax. This amount is restricted for distribution until the actual recommended transfer from the life fund into the shareholders' fund by the Appointed Actuary in accordance with the Financial Services Act, 2013.

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

GIBRALTAR BSN LIFE BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE 9 MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2014

	Note	Financial period from 01.04.2014 to 31.12.2014	Financial year ended 31.03.2014
		RM'000	RM'000
OPERATING ACTIVITIES			
Cash used in operating activities	28	(47,841)	(8,831)
Dividend income received		6,037	8,887
Interest/profit income received		59,252	81,835
Rental income on investment property received		250	290
Finance cost paid		-	(2,383)
Income tax paid		(9,836)	(18,651)
Net cash flow from operating activities		7,862	61,147
INVESTING ACTIVITIES			
Proceeds from disposal of properties and equipment		1	65
Purchase of properties and equipment		(2,819)	(2,247)
Purchase of intangible assets		(2,383)	(1,543)
Net cash flow used in investing activities		(5,201)	(3,725)
FINANCING ACTIVITIES			
Dividend paid		(2,500)	-
Repayment of subordinated term loan to former immediate holding company		-	(53,000)
Net cash flow used in financing activities		(2,500)	(53,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS		161	4,422
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		12,475	8,053
CASH AND CASH EQUIVALENTS AT END OF YEAR		12,636	12,475
Cash and cash equivalents comprise:			
Cash and bank balances		12,636	12,475
		12,636	12,475

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE 9 MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2014

1 PRINCIPAL ACTIVITIES AND CORPORATE INFORMATION

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

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan.

The principal place of business of the Company is located at Bangunan Gibraltar BSN, 16, Jalan Tun Tan Siew Sin, 50050 Kuala Lumpur.

The financial statements were authorised for issue by the Board in accordance with a resolution of the Directors dated 11 March 2015.

The financial year end of the Company was changed from 31 March to 31 December so as to be coterminous with the financial year end of its ultimate holding company as required by Section 168(1)(b) of Companies Act, 1965. Accordingly, the current financial statements are prepared for nine months from 1 April 2014 to 31 December 2014 and as a result, the comparative figures stated in statement of income, statement of changes in equity, statement of cash flows and the related notes are not comparable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Company for the financial period ended 31 December 2014 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 preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reported period. It also requires the Board to exercise its judgment in the process of applying the Company’s accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual result may differ.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.26 to the financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(a) The new accounting standards, amendments and improvements to published standards and interpretations to the existing standards that are applicable and effective to the Company for the financial period beginning on or after 1 April 2014:

- Amendments to MFRS 132 "Offsetting Financial Assets and Financial Liabilities"
- Amendments to MFRS 136 "Recoverable Amount Disclosures for Non-financial Assets"
- IC interpretation 21 "Levies"

The adoption of the above new accounting standards, amendments and improvements to published standards and interpretations have no significant impact to the financial statements of the Company.

Other standards, amendments and interpretations which are effective for the financial period beginning for the financial period beginning on 1 April 2014 are not relevant to the Company.

(b) New accounting standards, amendments and improvements to published standards and interpretations to the existing standards that are applicable to the Company but not yet effective:

- MFRS 116 "Property, plant and equipment" and MFRS 138 "Intangible assets"

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(b) New accounting standards, amendments and improvements to published standards and interpretations to the existing standards that are applicable to the Company but not yet effective (continued):

- MFRS 15 “Revenue from contracts with customers”

  MFRS 15 ‘Revenue from contracts with customers’ (effective from 1 Jan 2017) deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces MFRS 118 ‘Revenue’ and MFRS 111 ‘Construction contracts’ and related interpretations.

- MFRS 9 “Financial Instruments”

  MFRS 9 ‘Financial Instruments’ (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement". The complete version of MFRS 9 was issued in November 2014.

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

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

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

The Company will apply these standards when effective. The adoption of the above standards, amendments and improvements to published standards and interpretations to existing standards are not expected to have any significant impact on the financial statements of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Properties and equipment

Properties and equipment are initially stated at cost. Land and building are subsequently revalued, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation and impairment losses. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other properties and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

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

The surplus arising on revaluation is credited to the revaluation reserves except that a surplus, to the extent that such surplus is related to and not greater than a deficit arising on revaluation previously recorded as an expense, is credited to statement of income. A deficit arising from revaluation is recognised as an expense except that, to the extent that such a deficit is related to a surplus which was previously recorded as a credit to the asset revaluation reserves account and which has not been subsequently reversed or utilised, it is charged directly to the revaluation reserves.

Freehold land is not depreciated as it has an infinite life. Other properties and equipment are depreciated on a straight line basis to write off the cost of the assets, or their revalued amounts, to their residual values over their estimated useful lives, summarised as follows:

Freehold building	50 years
Motor vehicles	5 years
Office equipment	4 years
Computers	3 years
Furniture fittings and renovation	5 years

Leasehold buildings are depreciated over the remaining lease term of the leasehold land on which the building resides.

Residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Properties and equipment (continued)

At each date of the statement of financial position, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2.23 to the financial statements on impairment of assets.

Gains and losses on disposal are determined by comparing proceeds with the carrying amount and are included in the statement of income. On disposal of revalued assets, the revaluation reserves relating to those assets are transferred to retained earnings and/or unallocated surplus.

2.3 Intangible assets – computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 5 years.

Costs associated with maintaining computer software programmes are recognised as an expense when incurred. Costs that are directly associated with identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised using the straight line method over their estimated useful lives of 5 years.

2.4 Investment property

Investment property, comprising principally land and office building, is held for long term rental yields or for capital appreciation or both, and is not occupied by the Company.

Investment property is initially stated at cost and subsequently carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Company uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. The fair values of investment property is reviewed annually, and a formal valuation by an independent professional valuer is carried out once in every three years or earlier if the carrying value of the investment property differs materially from the fair value. Changes in fair values are recorded in the statement of income as part of other income.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Prepaid lease property

Payment for rights to use land over the predetermined period is classified as prepaid lease property and is stated at cost less accumulated amortisation and accumulated impairment. The prepaid lease property are amortised on a straight line basis over the lease periods of up to 99 years.

2.6 Insurance receivables

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

If there is objective evidence that the insurance receivables are impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in statement of income. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2.23 to the financial statements.

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.23 to the financial statements, have been met.

2.7 Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances, excluding fixed and call deposits.

2.8 Payables

Trade and other payables are classified as current liabilities if payment is due within one year or less.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.9 Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Borrowings

Borrowings are recognised initially at the amount of proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, using the effective interest rate method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the statement of income over the period of the borrowings.

Interest relating to borrowings is reported within finance costs in the statement of income.

2.11 Share capital

Proceeds from ordinary shares issued are accounted for as equity, with the nominal value of the share being separately disclosed as share capital. Costs directly attributable to the issuance of new ordinary shares are accounted for as a deduction from equity.

2.12 Contingent liabilities and contingent assets

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Employee benefits

(i) Short term employee benefits

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

(ii) Defined contribution plans

A defined contribution plan is a pension plan under which the Company pays fixed contributions to the state pension scheme, the Employees Provident Fund ("EPF").

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

(iii) Share-based compensation

The Company participates in share-based compensation plans granted to certain senior management employees of the Company as consideration for services rendered.

(i) Equity-settled share based compensation

The fair value of equity settled, share-based compensation granted to employees as at the grant date is recognised in the income statement over the vesting periods of the grant based on the closing price of the holding company, Prudential Financial, Inc. stock on grant date.

At each date of statement of financial position, the Company reviews its estimates of the number of employees expected to meet service vesting conditions and the fair value of the liability incurred. The impact of the revision of the original estimate, if any, is recognised in the income statement.

(ii) Cash-settled share-based compensation

The fair value of the employee services received in exchange for the grant of the share appreciation rights is recognised in the income statement over the vesting periods of the grant with a corresponding increase in liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Product classification

The Company issues contracts that transfer insurance risk or financial risk or both.

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 non-financial variable that the variable is not specific to a party to the contract. Insurance risk is the risk other than financial risk. All discretionary participation features (“DPF”) liabilities, including unallocated surpluses, both guaranteed and discretionary at the end of the reporting year are held within insurance liabilities.

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. The Company defines insurance risk to be significant when the ratio of the insurance risk over the deposit component is not less than 105% of the deposit component at any point of the insurance contract in force.

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

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its life-time, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Based on the Company’s assessment, all contracts underwritten by the Company meet the definition of insurance contracts and accordingly are classified as insurance contracts.

Insurance and investment contracts are further classified as being either with or without DPF. DPF is a contractual right to receive, as supplement to guaranteed benefits, additional benefits that are:

(i) Likely to be significant portion of the total contractual benefits;

(ii) Whose amount or timing is contractually at the discretion of the issuer, and

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Product classification (continued)

Local statutory regulations and the terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based (the DPF eligible surplus) and within which the Company may exercise its discretion as to the quantum and timing of their payment to contract holders. The amount and timing of the distribution to individual contract holders is at the discretion of the Company, subject to the advice of the Appointed Actuary. All DPF liabilities, including unallocated surpluses both guaranteed and discretionary, at the end of the reporting year are held within insurance liabilities.

Surpluses in the non-DPF funds are attributable wholly to the shareholders and the amount and timing of distribution to shareholders is subject to the advice of the Company's Appointed Actuary.

For financial options and guarantees which are not closely related to the host insurance contract and/or investment contract with DPF, bifurcation is required if the embedded derivative is itself an insurance contract and/or investment contract with DPF, or if the host insurance contract and/or investment contract itself is measured at fair value through profit or loss.

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

2.15 Reinsurance

The Company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contracts.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Life insurance contract liabilities

Life insurance contract liabilities comprise:

(i) Actuarial liabilities
(ii) Unallocated surplus of DPF contracts
(iii) Claims liabilities
(iv) Available-for-sale fair value reserves
(v) Asset revaluation reserves
(vi) Net asset value attributable to unit holders

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised. The valuation of life insurance contract liabilities is determined according to BNM's RBC Framework as follows:

<u>Participating fund insurance contract liabilities</u>

Participating plans are valued using a prospective actuarial valuation based on the sum of the present value of future guaranteed and appropriate level of non-guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate risk discount rate.

The participating life insurance liability is taken as the higher of the guaranteed benefit liabilities or the total benefit liabilities.

<u>Non-participating fund insurance contract liabilities</u>

The liability of non-participating life plans is valued using a prospective actuarial valuation based on the sum of the present value of future benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate risk discount rate.

<u>Investment-linked fund insurance contract liabilities</u>

The liability is the sum of:

(i) The unit reserves, calculated as the value of the underlying assets backing the units relating to the policy; and

(ii) The non-unit reserves are determined by projecting future cashflows to ensure that all future outflows can be met without recourse to additional finance or capital support at any future time during the duration of the investment-linked policy.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Life insurance contract liabilities (continued)

Unallocated surplus

Surpluses in the DPF are distributable to policyholders and shareholders in accordance with the relevant terms under the insurance contracts. The Company, however, has the discretion over the amount and timing of the distribution of these surpluses to policyholders and shareholders. Surpluses in the non-DPF fund are attributable wholly to the shareholders and the amount and timing of the distribution to the shareholders is subject to the advice of the Company's Appointed Actuary.

Liability adequacy test

BNM Guidelines on Financial Reporting for Insurers (BNM/RH/GL003-28) stipulates that insurers are deemed to comply with the requirements of the liability adequacy test under MFRS 4 Insurance Contracts as long as the valuation methods used are in accordance with Appendix VI or Appendix VII of the RBC Framework for Insurers. As the Company complies with the valuation method stipulated in the RBC Framework, the Company is deemed to have complied with the liability adequacy test.

Claims liabilities

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

AFS fair value reserves

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

Asset revaluation reserves

Asset revaluation reserves represent unrealised gains arising from the revaluation of self-occupied properties of the Life fund. The reserves arising in DPF and non-DPF is reported as a separate component of insurance contract liabilities and equity respectively until the properties are derecognised or the properties are determined to be impaired.

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

Net asset value attributable to unit holders

The unit liabilities of investment-linked policy are equal to the net asset value of the investment-linked funds.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Life insurance underwriting results

Distribution of life fund surplus to the shareholders

The surplus distributable from the life insurance fund to the shareholders is based on the surplus determined by an annual actuarial valuation of the long term liabilities to policyholders, made in accordance with the provisions of the Financial Services Act, 2013 and related regulations by the Company's Appointed Actuary.

Gross premiums

Premium income includes premium recognised in the life fund and the Investment-linked funds. Premium income of the life fund is recognised as soon as the amount of the premium can be reliably measured. First premium is recognised from inception date and subsequent premium is recognised when it is due.

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

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

Reinsurance premium

Outward reinsurance premium are recognised in the same accounting period as the original policies to which the reinsurance relates.

Commission and agency expenses

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

Benefits, claims and expenses

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

Recoveries on reinsurance claims are accounted for in the same financial year as the original claims are recognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Life insurance underwriting results (continued)

Benefits, claims and expenses (continued)

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

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

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

2.18 Other revenue recognition

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

Other interest income including the amount of amortisation of premium and accretion of discount is recognised on a time proportion basis that takes into account the effective yield of the assets.

Rental income is recognised on an accrual basis except where default in 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, income is recognised on the receipt basis until all arrears have been paid.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Taxation

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

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements.

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

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

2.20 Dividends

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholder and upon receipt of approval from BNM.

2.21 Financial instruments

<u>Classification, recognition and measurement of financial assets</u>

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Financial instruments (continued)

Classification, recognition and measurement of financial assets (continued)

(i) FVTPL

Financial assets at FVTPL include financial assets held for trading, derivative and those designated at fair value through statement of income at inception. Investments typically bought with the intention to sell in the near future are classified as held-for-trading. For investments designated at fair value through profit or loss at inception, the following criteria must be met:

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

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

These investments are initially recorded at fair value and transaction costs are expensed in statement of income. Subsequent to initial recognition, these investments are re-measured at fair value. Fair value adjustments and realised gains and losses are recognised in statement of income.

(ii) HTM

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

(iii) LAR

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Financial instruments (continued)

(iv) AFS

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

Fair value gains and losses of these investments are reported as a separate component of equity or insurance contract liabilities until the investments are derecognised or the investments are determined to be impaired.

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

Derecognition and impairment of financial assets

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

All financial assets, except for FVTPL, are subject to review for impairment (see Note 2.23 to the financial statements).

2.22 Fair value of financial instruments

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Fair value of financial instruments (continued)

For financial instruments where there is no active market, the fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and/or option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument. Certain financial instruments are valued using pricing models that consider, among others factors, contractual and market prices, co-relation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The fair value of debenture securities (Malaysia Government Securities, debt securities) are measured based on the bid price obtained from Bond Pricing Agency Malaysia.

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

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

2.23 Impairment of assets

Financial assets

The Company assess at each reporting date whether a financial asset or group financial assets is impaired. A financial asset or group financial assets is impaired only if there is objective evidence of impairment as a result of one or more events that occurred has an impact on the estimated future cash flows that can be reliably estimated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Impairment of assets (continued)

- Financial assets carried at amortised costs

  If there is objective evidence that an impairment loss on 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 flow (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the impairment loss is recorded in the statement of income. If in a subsequent period, the amount of the impairment loss decreases, the amount of reversal shall recognised in the statement of income.

- 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 other comprehensive income, is transferred from equity or insurance contract liabilities to statement of income. Reversal of impairment loss on equity instruments classified as AFS is not recognised in statement of income. Reversal of impairment losses on debt instruments classified as AFS is reversed through statement of income if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in the statement of income.

- Financial assets carried at cost

  if there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument carried at cost, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial assets.

<u>Non-financial assets</u>

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Impairment of assets (continued)

Non-financial assets that had suffered impairment are reviewed for possible reversal of the impairment at each reporting date. The impairment loss is charged to statement of income unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount is recognised in statement of income unless it reverses an impairment loss on a revalued asset, in which case it is taken a revaluation surplus.

2.24 Fair value measurement

The Company categorises its fair value measurements according to a three-level hierarchy. The hierarchy prioritises the inputs used by the Company's valuation techniques for determining the fair value of the financial instruments. A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The three-level hierarchy is defined as follows:

Level 1 – Fair value measurements that are measured by reference to published quotes prices (unadjusted) in active markets for identical assets and liabilities that the Company has the ability to access at the measurement date. Valuations are based on quoted prices reflecting market transactions involving assets or liabilities identical to those being measured.

Level 2 – Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, inputs that are observable that are not prices (such as interest rates, credit risks, etc) and inputs that are derived from or corroborated by observable market data. Valuation techniques are based on assumptions that are supported by prices from observable current market transaction are instruments for which pricing is obtained.

Level 3 – Fair value measurements using significant non market observable inputs. These include valuations for assets and liabilities that are derived using data, some or all of which is not market observable, including assumptions about risk. Unobservable inputs are inputs not supported by market data, but which are set on the basis that they represent what is reasonable given the prevailing market conditions.

In determining the fair value of its financial instruments, the Company uses observable market data, when available, and minimises the use of unobservable inputs to the extent possible when determining fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Foreign currencies

(i) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(ii) Transactions and balances

Foreign currency transactions of the Company are translated into the functional currency using the exchange rates prevailing at the transaction dates. Foreign currency monetary assets and liabilities are translated at exchange rates prevailing at the statement of financial position date.

Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the statement of income.

2.26 Critical accounting estimates and judgements

Estimates and judgements are continuously evaluated by the Directors and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

A Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting will by definition rarely equal the related actual results.

To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Company's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Critical accounting estimates and judgements (continued)

A Critical accounting estimates and assumptions (continued)

Valuation of life insurance contract liabilities

The valuation of the ultimate liability arising from policy benefits made under life insurance contracts is the Company's most critical accounting estimate.

The main assumptions used relate to mortality, morbidity, expenses, persistency and discount rates. The Company bases mortality and morbidity on established industry and Malaysian tables which reflect historical experiences, adjusted when appropriate to reflect the Company's unique risk exposure, product characteristics, targets markets and own claims severity and frequency experiences.

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

Assumption on future expenses are based on the experience of the Company and long-term expected expenses levels. An inflation rate of 4% per annum is assumed over time. The Company conducts an expenses study annually. The latest study suggests that the Company is currently is an expense overrun position. Allowance is also made for payment of commission to distributors. Lapse and surrender rates are based on the Company's historical experience of lapses and surrenders.

Discount rates for non-participating policies, guaranteed benefits of participating policies and the non-unit liability of investment-linked policies are based on the yields available on Malaysian Government Securities ("MGS") of the term up to 15 years. In the case of total benefits liabilities of participating policies, the discount rate is based on the historical yield and future investment outlook of the participating fund, net of tax on investment income of the life fund.

Any movement in the above key assumptions will have an effect in determining the insurance business liabilities. It should be noted that movements in these assumptions are non-linear and would vary according to the current economic assumptions.

Refer to Note 32(e)(vi) to the financial statements for the sensitivity analysis of the above mentioned key assumptions.

B Critical judgements in applying the entity's accounting policies

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

GIBRALTAR BSN LIFE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 9 MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2014 (CONTINUED)

3 PROPERTIES AND EQUIPMENT

	Note	Freehold land	Buildings	Motor vehicles	Office equipment and computers	Furniture fittings and renovation	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost/valuation							
At 1 April 2014		8,900	10,340	379	13,813	7,763	41,195
Additions		-	-	163	731	1,925	2,819
Disposals		-	-	-	(316)	(5)	(321)
Reversal on accumulated depreciation on property		-	(2)	-	-	-	(2)
Revaluation surplus in insurance contract liabilities	12	-	49	-	-	-	49
Revaluation surplus recorded in other comprehensive income		-	13	-	-	-	13
At 31 December 2014		8,900	10,400	542	14,228	9,683	43,753
Accumulated depreciation							
At 1 April 2014		-	-	74	12,534	5,099	17,707
Disposals		-	-	-	(316)	(5)	(321)
Reversal on accumulated depreciation on property		-	(2)	-	-	-	(2)
Depreciation charge		-	2	28	556	853	1,439
At 31 December 2014		-	-	102	12,774	5,947	18,823
Net book value							
At 31 December 2014		8,900	10,400	440	1,454	3,736	24,930

3 PROPERTIES AND EQUIPMENT (CONTINUED)

	Note	Freehold land	Buildings	Motor vehicles	Office equipment and computers	Furniture fittings and renovation	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost/valuation							
At 1 April 2013		7,800	9,950	417	12,924	6,770	37,861
Additions		-	-	279	974	994	2,247
Disposals		-	-	(317)	(85)	(1)	(403)
Reversal on accumulated depreciation on property		-	(174)	-	-	-	(174)
Revaluation surplus in insurance contract liabilities	12	866	567	-	-	-	1,433
Revaluation surplus/(reversal)recorded in other comprehensive income		234	(3)	-	-	-	231
At 31 March 2014		8,900	10,340	379	13,813	7,763	41,195
Accumulated depreciation							
At 1 April 2013		-	-	253	12,031	4,104	16,388
Disposals		-	-	(265)	(73)	(1)	(339)
Reversal on accumulated depreciation on property		-	(174)	-	-	-	(174)
Depreciation charge		-	174	86	576	996	1,832
At 31 March 2014		-	-	74	12,534	5,099	17,707
Net book value							
At 31 March 2014		8,900	10,340	305	1,279	2,664	23,488

The land and building were revalued in 31 December 2014 based on open market values of the properties on existing use basis carried out by an independent professional valuer, Knight Frank, Registered Valuer (V-335).

3 PROPERTIES AND EQUIPMENT (CONTINUED)

Had the freehold building and long term leasehold buildings been carried at historical cost less accumulated depreciation, the carrying amounts that would have been included in the financial statements at the end of the financial period are as follows:

	31.12.2014 RM'000	31.03.2014 RM'000
Freehold building and long term leasehold buildings	5,732	5,832

The long term leasehold buildings have unexpired lease periods ranging from 64 years to 79 years (31.03.2014: 65 years to 80 years).

Fair value information

Fair value of freehold land and buildings is categorised as Level 2 as follows:

	31.12.2014 RM'000	31.03.2014 RM'000
Land	8,900	8,900
Buildings	10,400	10,340
Total land and buildings	19,300	19,240

4 INVESTMENT PROPERTY

	Note	31.12.2014 RM'000	31.03.2014 RM'000
At 1 April		5,500	5,000
Fair value changes	21	-	500
At 31 December/31 March		5,500	5,500
The following investment property is held under lease terms:			
Leasehold land and building		5,500	5,500

Investment property is stated at fair value, which had been determined based on valuations performed by an external independent professional valuer in 31 December 2014. Valuation is performed on an annual basis and fair value changes are recorded in the statement of income. Investment property was revalued on 31 December 2014 based on open market values of the properties on existing use basis carried out by an independent professional valuer.

Fair value information

Fair value of investment property is categorised as Level 2 as follows:

	31.12.2014 RM'000	31.03.2014 RM'000
Investment property	5,500	5,500

The following are recognised in the statement of income in respect of investment property:

	Financial period from 01.04.2014 to 31.12.2014 RM'000	Financial year ended 31.03.2014 RM'000
Rental income	247	327
Direct operating expenses	(33)	(38)

5 INTANGIBLE ASSETS

	31.12.2014	31.03.2014
	RM'000	RM'000
Software costs		
Cost		
At 1 April	8,783	7,240
Additions	2,383	1,543
At 31 December/31 March	11,166	8,783
Accumulated amortisation		
At 1 April	5,392	3,859
Charge for the financial period/year	1,176	1,533
At 31 December/31 March	6,568	5,392
Net book value		
At 31 December/31 March	4,598	3,391

6 PREPAID LEASE PROPERTY

	31.12.2014	31.03.2014
	RM'000	RM'000
Cost		
At 1 April	265	265
Accumulated amortisation		
At 1 April	22	19
Charge for the financial period/year	3	3
At 31 December/31 March	25	22
Net book value		
At 31 December/31 March	240	243

7 INVESTMENTS

	31.12.2014 RM'000	31.03.2014 RM'000
Malaysian Government Securities	46,646	51,548
Malaysian government guaranteed bonds	294,609	190,533
Debt securities	988,397	1,009,471
Equity securities	304,023	288,158
Structured investments	78,892	80,222
Unit trust and property trust funds	46,636	54,828
Loans	91,916	90,727
Fixed and call deposits	262,563	449,917
	2,113,682	2,215,404
Held-to-maturity financial assets ("HTM")	364,010	373,903
Loans and receivables ("LAR")	354,479	540,644
Available-for-sale financial assets ("AFS")	953,321	864,131
Fair value through profit and loss financial assets ("FVTPL")	441,872	436,726
	2,113,682	2,215,404
The following investments mature after 12 months:		
HTM	333,615	349,744
LAR	91,233	89,327
AFS	797,075	782,698
	1,221,923	1,221,769

(a) HTM

	31.12.2014 RM'000	31.03.2014 RM'000
Amortised cost		
Unquoted in Malaysia		
Malaysian Government Securities	14,995	19,985
Malaysian government guaranteed bonds	15,023	15,025
Debt securities	329,485	333,993
Accrued interest	4,507	4,900
	364,010	373,903
Fair value		
Unquoted in Malaysia		
Malaysian Government Securities	15,033	20,194
Malaysian government guaranteed bonds	14,483	14,344
Debt securities	317,801	318,512
Accrued interest	4,507	4,900
	351,824	357,950

7 INVESTMENTS (CONTINUED)

(b) LAR

	31.12.2014 RM'000	31.03.2014 RM'000
Amortised cost		
Fixed and call deposits	261,993	447,492
Policy loans	36,015	33,192
Secured loans	45,000	45,000
Unsecured loans	557	1,238
Staff loans	242	196
Accrued interest	10,672	13,526
	354,479	540,644
Fair value		
Fixed and call deposits	261,993	447,492
Policy loans	36,015	33,192
Secured loans	45,000	45,000
Unsecured loans	557	1,238
Staff loans	242	196
Accrued interest	10,672	13,526
	354,479	540,644

Fixed and call deposits of the Company have an average maturity of 9 days (31.03.2014: 38 days). The interest rate per annum of fixed deposits, that was effective as at the end of the reporting period was 3.50% per annum. (31.03.2014: 3.26% per annum)

(c) AFS

	31.12.2014 RM'000	31.03.2014 RM'000
Fair value		
Unquoted in Malaysia		
Equity securities	2,242	2,154
Debt securities	632,544	647,514
Malaysian Government Securities	30,935	31,267
Malaysian government guaranteed bonds	276,802	173,065
Accrued interest	10,798	10,131
	953,321	864,131

7 INVESTMENTS (CONTINUED)

(d) FVTPL

	31.12.2014	31.03.2014
	RM'000	RM'000
Fair value		
Quoted in Malaysia		
Held-for-Trading		
Equity securities	225,326	200,053
Unit trust and property trust funds	7,460	8,433
By designation		
Equity securities	71,263	80,321
Unit trust and property trust funds	-	512
Quoted outside Malaysia		
By designation		
Equity securities	5,192	5,630
Unit trust and property trust funds	-	299
Unquoted in Malaysia		
By designation		
Debt securities	14,420	15,485
Accrued interest	142	187
Structured investments	78,893	80,222
Unquoted outside Malaysia		
By designation		
Unit trust and property trust funds	39,176	45,584
	441,872	436,726

7 INVESTMENTS (CONTINUED)

(e) Carrying value of financial investments

	HTM RM'000	AFS RM'000	FVTPL RM'000	Total RM'000
At 1 April 2014	373,903	864,131	436,726	1,674,760
Purchases	-	232,605	369,738	602,343
Maturities/disposals/proceeds	(9,180)	(149,691)	(344,640)	(503,511)
Realised gains/(losses)	8	(248)	16,150	15,910
Fair value gains/(losses) recorded in:				
Statement of income	-	-	(36,057)	(36,057)
Other comprehensive income	-	5,921	-	5,921
Movement in impairment allowance	-	(54)	-	(54)
Amortisation of premium	(328)	(10)	-	(338)
Movement of investment income accrued	(393)	667	(45)	229
At 31 December 2014	364,010	953,321	441,872	1,759,203
At 1 April 2013	383,961	897,842	356,348	1,638,151
Purchases	10,022	197,872	374,582	582,476
Maturities/disposals/proceeds	(20,163)	(206,795)	(344,315)	(571,273)
Realised gains	22	7,206	22,782	30,010
Fair value gains/(losses) recorded in:				
Statement of income	-	-	27,293	27,293
Other comprehensive income	-	(28,168)	-	(28,168)
Movement in impairment allowance	-	(4,083)	-	(4,083)
Accretion of discount	231	149	-	380
Movement of investment income accrued	(170)	108	36	(26)
At 31 March 2014	373,903	864,131	436,726	1,674,760

7 INVESTMENTS (CONTINUED)

(f) Estimation of fair value

Fair value hierarchy disclosure

The following table presents the Company's assets that are measured at fair value.

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 December 2014				
Financial assets at FVTPL				
Quoted in Malaysia				
Equity securities	296,589	-	-	296,589
Unit trust and property trust funds	7,460	-	-	7,460
Quoted outside Malaysia				
Equity securities	5,192	-	-	5,192
Unquoted in Malaysia				
Debt securities	-	14,562	-	14,562
Structured investments	-	-	78,893	78,893
Unquoted outside Malaysia				
Unit trust and property trust funds	-	39,176	-	39,176
AFS				
Unquoted in Malaysia				
Equity securities	-	-	2,242	2,242
Debt securities	-	626,685	5,859	632,544
Malaysia Government Securities	-	30,935	-	30,935
Malaysia government guaranteed bonds	-	276,802	-	276,802
Accrued interest	-	10,798	-	10,798
Total assets	309,241	998,958	86,994	1,395,193
31 March 2014				
Financial assets at FVTPL				
Quoted in Malaysia				
Equity securities	280,374	-	-	280,374
Unit trust and property trust funds	8,945	-	-	8,945
Quoted outside Malaysia				
Equity securities	5,630	-	-	5,630
Unit trust and property trust funds	299	-	-	299
Unquoted in Malaysia				
Debt securities	-	15,672	-	15,672
Structured investments	-	-	80,222	80,222
Unquoted outside Malaysia				
Unit trust and property trust funds	-	45,584	-	45,584
AFS				
Unquoted in Malaysia				
Equity securities	-	-	2,154	2,154
Debt securities	-	647,514	-	647,514
Malaysia Government Securities	-	31,267	-	31,267
Malaysia government guaranteed bonds	-	173,065	-	173,065
Accrued interest	-	10,131	-	10,131
Total assets	295,248	923,233	82,376	1,300,857

7 INVESTMENTS (CONTINUED)

(f) Estimation of fair value (continued)

Fair value hierarchy disclosure (continued)

	31.12.2014	31.03.2014
	RM'000	RM'000
Level 3		
At 1 April	82,376	82,194
Total losses for the period recognised in statement of income, presented in insurance contract liabilities	(192)	(92)
Fair value gains	2,576	1,879
Sales of financial assets	(3,625)	(1,605)
Transfer from level 2 due to lack of observable market data from recent transactions	5,859	-
At 31 December/31 March	86,994	82,376

Impaired financial assets

At 31 December 2014, impaired financial assets comprised of AFS financial assets of RM nil (31.03.2014: RM 7,171,439). A reconciliation of the allowance for impairment losses for AFS financial assets is as follows:

	31.12.2014	31.03.2014
	RM'000	RM'000
At 1 April	7,172	3,089
Charge for the financial period/ year	54	4,083
Recoveries	(7,226)	-
At 31 December/31 March	-	7,172

8 REINSURANCE ASSETS

	31.12.2014	31.03.2014
	RM'000	RM'000
Reinsurance of insurance contracts (Note 13)		
Claims liabilities	3,009	3,997
Insurance contract liabilities	2,456	2,134
	5,465	6,131

9 INSURANCE RECEIVABLES

	31.12.2014 RM'000	31.03.2014 RM'000
Outstanding premiums including agents, brokers and co-insurers balances	6,214	7,100
Amounts due from reinsurers	2,063	1,219
Allowance for impairment	(21)	(21)
	8,256	8,298

Impairment movement

At 1 April	(21)	(22)
Reversal during the financial period/year	-	1
At 31 December/31 March	(21)	(21)

The Company does not off-set its insurance receivables against insurance payables. The Company does not have any financial instruments subject to an enforceable master netting arrangement or financial collateral (pledged or received) as at 31 December 2014 (31.03.2014: RM nil).

10 OTHER RECEIVABLES

	31.12.2014 RM'000	31.03.2014 RM'000
Income due and accrued	237	345
Receivable from fund managers and brokers	11,169	13,287
Other receivables, deposits and prepayments	1,923	1,777
	13,329	15,409
Receivables after 12 months:	406	414

The Company does not off-set its other receivables against other payables. The Company does not have any financial instruments subject to an enforceable master netting arrangement or financial collateral (pledged or received) as at 31 December 2014 (31.03.2014: RM nil).

11 SHARE CAPITAL

	31.12.2014		31.03.2014	
	Number of shares	Nominal value	Number of shares	Nominal value
	000	RM'000	000	RM'000
Authorised, Issued and paid-up:				
Ordinary shares of RM1.00 each				
At beginning and end of financial period/year	125,000	125,000	125,000	125,000

12 RESERVES

(a) Retained earnings

The non-distributable retained earnings represent the unallocated surplus from the non-Par Fund. In accordance with Section 83 of the FSA, the unallocated surplus is only available for distribution to the shareholders upon approval/recommendation by the Appointed Actuary.

Pursuant to the single tier system, any dividends distributed by the Company will be exempted from tax in the hand of shareholders. The Company shall not be entitled to deduct on dividend paid, credited or distributed to shareholders.

The Company may distribute single tier exempt dividend to its shareholders out of its retained earnings. Pursuant to Section 51(1) of the FSA, the Company is required to obtain BNM's written approval prior to declaring or paying any dividend with effect from financial year beginning 1 January 2014. Pursuant to the RBC Framework for Insurers, the Company shall not pay dividends if its Capital Adequacy position is less than its internal target capital level or if the payment of dividend would impair its Capital Adequacy Ratio position to below its internal target.

(b) Other reserves

Other reserves consist of AFS reserves and asset revaluation reserve.

The AFS reserves of the Company represent the fair value gains or losses of the AFS financial assets, net of deferred tax, of the Life Non-Participating and Shareholders' funds.

The assets revaluation reserve represents the revaluation surplus of self-occupied properties.

13 INSURANCE CONTRACT LIABILITIES

	31.12.2014			31.03.2014		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Benefits and claims liabilities	119,959	(3,009)	116,950	103,587	(3,997)	99,950
Actuarial liabilities	1,198,712	(2,456)	1,196,256	1,299,382	(2,134)	1,297,248
Unallocated surplus	30,632	-	30,632	48,119	-	48,119
Available-for-sale fair value reserves	1,283	-	1,283	(963)	-	(963)
Asset revaluation reserves	9,324	-	9,324	9,275	-	9,275
Net asset value attributable to unit holders	246,863	-	246,863	252,693	-	252,693
	1,606,773	(5,465)	1,601,308	1,712,093	(6,131)	1,705,962

13 INSURANCE CONTRACT LIABILITIES (CONTINUED)

	Gross			Reinsurance			
	With DPF	Without DPF	Total	With DPF	Without DPF	Total	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 April 2014	1,033,598	678,495	1,712,093	(50)	(6,081)	(6,131)	1,705,962
Change in life insurance fund contract liabilities							
Due to assumptions change							
Expenses	1,848	6,173	8,021	-	-	-	8,021
Mortality/morbidity	(42)	(494)	(536)	-	-	-	(536)
Lapse/withdrawal	(192)	(617)	(809)	-	-	-	(809)
Interest and bonus rate	(8,273)	(3,513)	(11,786)	-	14	14	(11,772)
Others	(4,335)	(1,725)	(6,060)	-	-	-	(6,060)
Projected cash flow for inforce policies							
Premium	89,382	84,877	174,259	-	(3,151)	(3,151)	171,108
Investment return	28,823	9,662	38,485	-	(47)	(47)	38,438
Benefits	(228,457)	(58,200)	(286,657)	-	3,589	3,589	(283,068)
Expenses/commission	(12,557)	(19,756)	(32,313)	-	7	7	(32,306)
Variance on inforce policies	8,294	3,271	11,565	-	(737)	(737)	10,828
New business reserves	145	4,986	5,131	-	-	-	5,131
Others	-	30	30	-	3	3	33
Benefits and claims experience variation	11,947	4,425	16,372	(23)	1,011	988	17,360
Net asset value attributable to unit holders	-	(5,830)	(5,830)	-	-	-	(5,830)
Available-for-sale fair value reserves	2,441	-	2,441	-	-	-	2,441
Assets revaluation reserves	49	-	49	-	-	-	49
Unallocated surplus	(17,487)	-	(17,487)	-	-	-	(17,487)
Deferred tax effects:							
Available-for-sale fair value reserves	(195)	-	(195)	-	-	-	(195)
At 31 December 2014	904,989	701,784	1,606,773	(73)	(5,392)	(5,465)	1,601,308

GIBRALTAR BSN LIFE BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 9 MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2014 (CONTINUED)

13 INSURANCE CONTRACT LIABILITIES (CONTINUED)

	Gross			Reinsurance			
	With DPF	Without DPF	Total	With DPF	Without DPF	Total	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 April 2013	1,177,204	645,820	1,823,024	(202)	(8,158)	(8,360)	1,814,664
Change in life insurance fund contract liabilities							
Due to assumptions change							
Expenses	48	6,803	6,851	-	-	-	6,851
Mortality/morbidity	(119)	(9,165)	(9,284)	-	2,769	2,769	(6,515)
Lapse/withdrawal	219	202	421	-	-	-	421
Interest and bonus rate	(647)	(35,190)	(35,837)	-	7	7	(35,830)
Others	112	55	167	-	-	-	167
Projected cash flow for inforce policies							
Premium	125,515	105,454	230,969	-	(4,462)	(4,462)	226,507
Investment return	44,040	10,815	54,855	-	(61)	(61)	54,794
Benefits	(336,008)	(57,743)	(393,751)	-	4,872	4,872	(388,879)
Expenses/commission	(17,844)	(22,591)	(40,435)	-	13	13	(40,422)
Variance on inforce policies	12,399	3,759	16,158	-	(274)	(274)	15,884
New business reserves	(115)	(1,207)	(1,322)	-	-	-	(1,322)
Others	404	179	583	-	(14)	(14)	569
Benefits and claims experience variation	27,036	907	27,943	152	(773)	(621)	27,322
Net asset value attributable to unit holders	-	30,397	30,397	-	-	-	30,397
Available-for-sale fair value reserves	(11,629)	-	(11,629)	-	-	-	(11,629)
Assets revaluation reserves	1,433	-	1,433	-	-	-	1,433
Unallocated surplus	10,620	-	10,620	-	-	-	10,620
Deferred tax effects:							
Available-for-sale fair value reserves	930	-	930	-	-	-	930
At 31 March 2014	1,033,598	678,495	1,712,093	(50)	(6,081)	(6,131)	1,705,962

14 DEFERRED TAX LIABILITIES

	31.12.2014 RM'000	31.03.2014 RM'000
At 1 April	50,249	41,471
Recognised in:		
Statement of income (Note 26)	(3,656)	13,979
Other comprehensive income		
Deferred tax on AFS	1,112	(5,247)
Deferred tax on assets revaluation reserves	3	46
At 31 December/31 March	47,708	50,249

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

	31.12.2014 RM'000	31.03.2014 RM'000
Presented after appropriate offsetting as follows:		
Deferred tax assets	(3,143)	(3,877)
Deferred tax liabilities	50,851	54,126
	47,708	50,249
Current	(1,705)	(166)
Non current	49,413	50,415
	47,708	50,249

14 DEFERRED TAX LIABILITIES (CONTINUED)

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

	Fair value of investment assets	Loan and receivable	Accelerated capital allowance on properties and equipment	Accretion of discounts on investment	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Deferred tax assets					
At 1 April 2013	(2,743)	-	-	(327)	(3,070)
Recognised in:					
Statement of income	(62)	-	(1)	(42)	(105)
Other comprehensive income	(702)	-	-	-	(702)
At 31 March 2014	(3,507)	-	(1)	(369)	(3,877)
Recognised in:					
Statement of income	418	(6)	(9)	(118)	285
Other comprehensive income	449	-	-	-	449
At 31 December 2014	(2,640)	(6)	(10)	(487)	(3,143)

14 DEFERRED TAX LIABILITIES (CONTINUED)

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

	Fair value of investment assets	Fair value of investment property	Accelerated capital allowance on properties and equipment	Accretion of discounts on investment	Unallocated surplus	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Deferred tax liabilities						
At 1 April 2013	6,061	619	304	98	37,459	44,541
Recognised in:						
Statement of income	1,938	40	(10)	158	11,958	14,084
Other comprehensive income	(4,545)	46	-	-	-	(4,499)
At 31 March 2014	3,454	705	294	256	49,417	54,126
Recognised in:						
Statement of income	(2,838)	-	85	(107)	(1,081)	(3,941)
Other comprehensive income	663	3	-	-	-	666
At 31 December 2014	1,279	708	379	149	48,336	50,851

15 INSURANCE PAYABLES

	31.12.2014	31.03.2014
	RM'000	RM'000
Amount due to insureds	92,891	100,796
Amount owing to client and intermediaries	7,241	5,491
Amount owing to reinsurers and cedants	7,764	3,020
	107,896	109,307

The carrying amounts disclosed above approximate fair value at the statement of financial position date.

The Company does not off-set its insurance payables against insurance receivables. The Company does not have any financial instruments subject to an enforceable master netting arrangement or financial collateral (pledged or received) as at 31 December 2014 (31.03.2014: RM Nil).

16 OTHER PAYABLES

	31.12.2014	31.03.2014
	RM'000	RM'000
Accrued expenses	11,378	7,239
Provision for bonus	6,901	8,155
Payable to investment brokers	7,911	571
Unclaimed monies	4,868	2,599
Other payables and accruals	4,680	6,150
	35,738	24,714

The carrying amounts disclosed above approximate fair value at the statement of financial position date.

The Company does not off-set its other payables against other receivables. The Company does not have any financial instruments subject to an enforceable master netting arrangement or financial collateral (pledged or received) as at 31 December 2014 (31.03.2014: RM Nil).

17 OPERATING REVENUE

	Financial period from 01.04.2014 to 31.12.2014	Financial year ended 31.03.2014
	RM'000	RM'000
Gross premiums (Note 18)	218,800	296,071
Investment income (Note 19)	62,431	92,754
	281,231	388,825

18 NET PREMIUMS

	Financial period from 01.04.2014 to 31.12.2014 RM'000	Financial year ended 31.03.2014 RM'000
(a) Gross premiums:		
Insurance contracts	218,800	296,071
(b) Premiums ceded to reinsurers:		
Insurance contracts	(15,608)	(13,370)
Net premiums	203,192	282,701

19 INVESTMENT INCOME

	Financial period from 01.04.2014 to 31.12.2014 RM'000	Financial year ended 31.03.2014 RM'000
Rental income from investment properties	214	289
FVTPL financial assets - held for trading purposes:		
Interest	608	772
Dividend/distribution income		
- Equity securities quoted in Malaysia	5,509	8,582
- Equity securities quoted outside Malaysia	117	201
- Equity securities unquoted in Malaysia	303	-
HTM financial assets:		
Interest	14,373	19,411
Accretion of discounts net of amortisation of premiums	(328)	231
AFS financial assets:		
Interest	28,956	37,576
Accretion of discounts net of amortisation of premiums	(10)	149
LAR:		
Interest from loan	2,757	6,953
Interest from fixed and called deposits	9,932	19,790
Amortisation of premiums net of accretion of discounts	-	(1,200)
	62,431	92,754

20 REALISED GAINS

	Financial period from 01.04.2014 to 31.12.2014 RM'000	Financial year ended 31.03.2014 RM'000
Properties and equipment	-	1
Financial assets at FVTPL - held for trading purposes:		
- Debt securities outside Malaysia	(288)	12
- Equity securities and unit trusts quoted in Malaysia	18,634	26,377
- Equity securities and unit trusts quoted outside Malaysia	(2,196)	(3,607)
HTM financial assets:		
- Debt securities unquoted in Malaysia	8	22
AFS financial assets:		
- Debt securities	(248)	7,206
	15,910	30,010
Total realised gains	15,910	30,011

21 FAIR VALUE (LOSSES)/GAINS

	Financial period from 01.04.2014 to 31.12.2014 RM'000	Financial year ended 31.03.2014 RM'000
Investment property (Note 4)	-	500
FVTPL investments – held for trading purposes	(22,582)	11,985
FVTPL investments – designated		
Quoted in Malaysia		
Equity securities	(17,038)	13,177
Unit trust and property trust funds	24	(88)
Quoted outside Malaysia		
Equity securities	487	(893)
Unit trust and property trust funds	13	(13)
Unquoted in Malaysia		
Debt securities	272	(491)
Unit trust and property trust funds	2,488	1,866
Unquoted outside Malaysia		
Unit trust and property trust funds	278	1,750
Impairment on AFS debt securities	(54)	(4,083)
	(36,112)	23,710

22 OTHER OPERATING INCOME

	Financial period from 01.04.2014 to 31.12.2014 RM'000	Financial year ended 31.03.2014 RM'000
Policyholder administration and investment management services	2	4
Other income	1,691	1,850
	1,693	1,854

23 NET BENEFITS AND CLAIMS

	Financial period from 01.04.2014 to 31.12.2014 RM'000	Financial year ended 31.03.2014 RM'000
(a) Gross benefits and claims:		
Insurance contracts		
• Death	21,266	21,276
• Maturity	180,370	254,587
• Surrender	51,553	59,196
• Others	42,520	65,426
	295,709	400,485
(b) Claims ceded to reinsurers:		
Insurance contracts	(7,815)	(7,344)
(c) Gross change in contract liabilities:		
Insurance contracts	(123,986)	(129,608)
(d) Change in contract liabilities ceded to reinsurers:		
Insurance contracts	(322)	2,850

24 MANAGEMENT EXPENSES

	Note	Financial period from 01.04.2014 to 31.12.2014 RM'000	Financial year ended 31.03.2014 RM'000
Employee benefits expense	24 (a)	27,690	30,750
Directors' remuneration:			
- current year	24 (d)	246	606
- prior year overprovision		(5)	-
Auditors' remuneration:			
- current year		238	250
- prior year under/ (over)provision		21	(62)
Depreciation of properties and equipment		1,439	1,832
Amortisation of intangible assets		1,176	1,533
Amortisation of prepaid lease property		3	3
Training expenses		1,210	405
Printing and stationery		408	477
Postage, telephone and telefax		922	1,245
EDP expenses		730	723
Rental of office from third parties		1,283	1,754
Legal fees		1,307	2,224
Investment expenses		3,948	5,787
Administration and general expenses		20,637	10,748
		61,253	58,275

(a) Employee benefits expense

Wages, salaries and bonuses	21,427	25,045
Contributions to social security ("SOCSO")	142	154
Contributions to EPF	3,687	3,689
Share based payment	22	-
Other benefits	2,412	1,862
Total employee benefits expenses	27,690	30,750

The remuneration, including benefits-in-kind, attributable to the Chief Executive Officer of the Company during the financial period amounted to RM 1,861,734 (31.03.2014: RM 1,735,961) as disclosed in Note 24(b) to the financial statements.

24 MANAGEMENT EXPENSES (CONTINUED)

(b) Chief Executive Officer remuneration

The details of remuneration, attributable to the Chief Executive Officer of the Company are as follow:

	Financial period from 01.04.2014 to 31.12.2014 RM'000	Financial year ended 31.03.2014 RM'000
Salary	798	860
Bonus	805	633
Benefits-in-kind	18	19
Retirement benefit	241	224
	1,862	1,736

(c) Compensation of key management personnel

The compensation of the key management personnel excluding the Chief Executive Officer as disclosed in note 24(b) to the financial statements is as follows:

	Financial period from 01.04.2014 to 31.12.2014 RM'000	Financial year ended 31.03.2014 RM'000
Short term employee benefits	2,300	1,802
Defined contribution plan	347	536
Other employee benefits	21	1
	2,668	2,339

(d) Directors' remuneration

	Financial period from 01.04.2014 to 31.12.2014 RM'000	Financial year ended 31.03.2014 RM'000
Executive Directors		
Fee	-	99
Allowance	-	25
Non-Executive Directors		
Fee	205	371
Allowance	41	111
	246	606

25 FINANCE COSTS

	Financial period from 01.04.2014 to 31.12.2014	Financial year ended 31.03.2014
	RM'000	RM'000
Interest on subordinated term loan	-	2,140

On 31 December 2013, the Company repaid in full, the principal of RM53 million and interest outstanding of RM2,139,894 in accordance with the subordinated term loan agreement, to Uni.Asia Capital Sdn Bhd.

26 TAXATION

	Financial period from 01.04.2014 to 31.12.2014	Financial year ended 31.03.2014
	RM'000	RM'000
Tax expense – current financial period	6,814	10,719
Under/(over) provision in prior financial year	195	(184)
Deferred Tax (Note 14)	(3,656)	13,979
	3,353	24,514

Domestic income tax for shareholders' fund is calculated at the Malaysian statutory rate of 25% of the estimated assessable profit for the financial year.

The amount of tax charged on the life fund is based on the method prescribed under the Income Tax Act, 1967 for life insurance business. The statutory tax rate for the life insurance business is 8%.

26 TAXATION (CONTINUED)

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

	Financial period from 01.04.2014 to 31.12.2014 RM'000	Financial year ended 31.03.2014 RM'000
Profit before tax	2,180	74,270
Less: Tax expense on investment income attributable to policyholders and unit holders	(1,575)	(7,152)
Profit before taxation attributable to shareholders	605	67,118
Taxation at Malaysian statutory tax rate of 25%	151	16,780
Income not subject to tax	(52)	(108)
Expense not deductible for tax purpose	136	1,363
Effect of difference in tax rate	1,524	(776)
Current year tax on investment income attributable to policyholders and unit holders	1,575	7,152
Under/(over) provision of tax expenses in prior financial period/year from shareholders' fund	19	103
Tax expense for the financial period/year	3,353	24,514

27 EARNINGS PER SHARE

	Financial period from 01.04.2014 to 31.12.2014	Financial year ended 31.03.2014
Basic:		
(Loss)/profit for the financial period/year attributable to shareholders (RM'000)	(1,173)	49,756
Number of ordinary shares of RM1 each (000)	125,000	125,000
Basic earnings per share (sen)	(0.94)	39.80

28 CASH FLOWS

	Financial period from 01.04.2014 to 31.12.2014 RM'000	Financial year ended 31.03.2014 RM'000
Profit before tax attributable to shareholders	605	67,118
Tax expense attributable to participating fund and unit holders	1,575	7,152
Investment income	(62,431)	(92,754)
Realised gains recorded in statement of income	(15,910)	(30,011)
Fair value losses/(gains) recorded in statement of income	35,922	(23,950)
Purchases of FVTPL financial assets	(369,738)	(374,582)
Maturity/proceeds from sale of FVTPL financial assets	344,640	344,315
Purchases of AFS financial assets	(232,605)	(197,872)
Maturity/proceeds from sale of AFS financial assets	149,691	206,795
Purchase of HTM financial assets	-	(10,022)
Maturity of HTM financial assets	9,180	20,163
Decrease in LAR	183,311	184,183
Non-cash items:		
Depreciation of properties and equipment	1,439	1,832
Amortisation of intangible assets	1,176	1,533
Amortisation of prepaid lease property	3	3
Interest expense	-	2,140
Reversal of allowance for doubtful debts	-	(1)
Changes in working capital:		
(Increase)/decrease in reinsurance assets	(1,468)	2,229
Decrease in insurance receivables	42	502
Decrease/(increase) in other receivables	7,813	(34,173)
Decrease insurance contract liabilities	(108,413)	(89,666)
Decrease in insurance payables	(1,410)	(15,764)
Increase in other payables	8,737	21,999
Cash used in operating activities	(47,841)	(8,831)

29 CAPITAL COMMITMENTS

As of 31 December 2014, capital expenditure approved by Directors but not provided for in the financial statements are as follows:

	31.12.2014	31.03.2014
	RM'000	RM'000
Authorised and contracted but not provided for:		
Computer hardware and software	2,273	1,261
Properties and equipment	395	991
	2,668	2,252
Approved and not contracted for:		
Computer hardware and software	463	903

30 REGULATORY CAPITAL REQUIREMENTS

The capital structure of the Company as at 31 December 2014, as prescribed under the RBC Framework is provided below:-

	31.12.2014	31.03.2014
	RM'000	RM'000
Eligible Tier 1 Capital		
Share capital (paid up)	125,000	125,000
Valuation surplus, retained earnings and other capital available	468,727	501,560
	593,727	626,560
Tier 2 Capital		
Eligible Tier 2 Capital	15,157	9,665
Amount deducted from Capital	(39,087)	(5,515)
	(23,930)	4,150
Total Capital Available	569,797	630,710

31 RELATED PARTY DISCLOSURES

(a) Related parties and relationship

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

Related companies	Country of Incorporation	Relationship
Prudential Financial, Inc. ("PFI")	United States of America	Ultimate holding company
The Prudential Insurance Company of America ("PICA")	United States of America	Penultimate holding company
Bank Simpanan Nasional ("BSN")	Malaysia	Substantial shareholder
Gibraltar BSN Holdings Sdn Bhd ("GH")	Malaysia	Immediate holding company
Affiliated company		
Key management personnel	Malaysia	Key management personnel are those people defined as having authority and responsibility for planning, directing and controlling the activities of the Company, either directly or indirectly.

31 RELATED PARTY DISCLOSURES (CONTINUED)

(b) Related party balances

The significant related party balances as at end of the financial period/year are as follows:

	Note	31.12.2014	31.03.2014
		RM'000	RM'000
Included in investment:	7		
Fixed and call deposits placed with			
• BSN		58,038	74,904
Interest income receivable from			
• BSN		177	438
Included in insurance payables:	15		
Outstanding commissions due to			
• BSN		(87)	(40)
Included in other payables:	16		
Outstanding general and administrative expenses due to			
• PFI		(480)	-
Bank balances included in cash and bank balances placed with			
• BSN		4,177	420
Include in other receivable	10		
• GH		3	-

31 RELATED PARTY DISCLOSURES (CONTINUED)

(c) Related party transactions

The significant related party transactions of the Company with related parties during the financial period/year are as follows:

	Financial period from 01.04.2014 to 31.12.2014 RM'000	Financial year ended 31.03.2014 RM'000
Gross premium received/receivable from:		
• Key management personnel	52	51
Loan received/receivable from:		
• Key management personnel	21	-
Commission expenses paid/payable to:		
• BSN	526	118
Interest income received/receivable from:		
• BSN	2,250	1,184
• Key management personnel	4	4
General and administrative expenses paid/payable to:		
• PFI	1,705	-
• BSN	3,032	-

32 RISK MANAGEMENT FRAMEWORK

(a) Overview of the Enterprise Risk Management Framework

The Enterprise Risk Management Framework ("the Framework") sets out the governance structure in place to support implementation of a structured Risk Management process and to embed the risk management culture across the Company. It seeks to promote principles of sound corporate governance and effective management of risk to ensure that the risk-taking activities are aligned with the Company's objective.

The Framework ensures that all key risks are identified, adequately assessed, treated, monitored, controlled and reported to the relevant stakeholders on a timely basis. Apart from safeguarding the Company financial strength and providing a strong platform for sustainable growth, it enables the Company to fulfill its obligations due to policyholders, shareholders, stakeholders, and at the same time, meeting the expectation of the Regulator.

(b) Enterprise Risk Management Principles

Risk is defined as the possibility that an event may occur and adversely impact the achievement of the Company's mission or business objectives. Proactive management of risk is an integral part of our business and the main objective of having the Framework in place is to ensure that all key risks are appropriately managed.

Broadly, the Framework classifies management of risks into five broad categories and these are:

1. Insurance risk
2 Asset risk (Market and credit risk)
3. Asset-Liability Management ("ALM") risk
4. Operational risk
5. Strategic / Business risk

During the course of business, decisions taken and/or functions performed may expose the Company to one or more categories of risks. In order to strike a right balance of risks versus returns, these risks are managed to within acceptable limits, either by the Business and/or operational heads or established committees. This is possible owing to the proper Risk Governance structure being put in place within the Company. To this end, each of the committees have been set up and governed under clearly defined Terms of Reference, roles and responsibilities and level of delegated authorities, to ensure that the committees perform as intended.

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(c) Capital management

The Company's capital management policy is to ensure that scenarios under which the possibility of future shortage of capital are accurately and timely identified and reported so that immediate remedial actions can be taken, utilise capital efficiently given limited resources for life insurers, achieve optimal balance in the management of risk, return, capital requirement as well as capital availability, and reduce the capital requirement by putting in place proper controls, risk management processes and procedures to eliminate unwanted surprise /losses.

Regulatory capital

The Company is required to comply with the RBC Framework which is the capital adequacy framework for all insurers licensed under the Financial Services Act, 2013. The Company is expected to comply by maintaining the Capital Adequacy Ratio ("CAR") at above the supervisory target level of 130% at all times. The CAR is calculated as follows:

$$\text{CAR} = \frac{\text{Total Capital Available ('TCA')}}{\text{Total Capital Required ('TCR')}} \times 100\%$$

The Company has met all the regulatory requirements and operates at capital level above Individual Target Capital Level throughout the financial year.

(d) Governance framework

The Company's Board of Directors retains the overall risk management responsibilities in accordance with BNM's Minimum Standards for Prudential Management of Insurers (BNM/RH/GL/003-1) Guidelines on Prudential Framework of Corporate Governance for Insurers (BNM/RH/GL/003-2) and Guidelines on Risk Governance (BNM/RH/GL 013-5).

Whilst the Board still retains ultimate responsibilities for risk management and for determining the appropriate level of risk appetite, a Board Risk Management Committee consisting of non-executive directors has been established to assist the Board in overseeing the risk management strategies and provide an independent risk management reporting line for the Company.

An Executive Risk Management Committee is also established at Senior Management level and shall meet at least once every quarter, to review the Company's risk exposure and to raise and discuss matters regarding risk management.

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(d) Governance framework (continued)

Whilst the Risk Management Department spearheads the development and implementation of the Framework and Risk Management Policy of the Company, the Senior Management remains accountable and responsible for the development of detailed policies, procedures and limits for managing risks inherent in the Company's activities based on the business and risk management strategies approved by the Board.

Consistent with the provisions set out in the guidelines, the Company's operational management or business lines, typically known as the first line of defense, are accountable for the day-to-day management of business activities and all types of risks associated with these activities within the established limits. The Risk Management and Compliance functions, typically known as the second line of defense, are accountable for ensuring adequate programs are in place in exercising its control and oversight responsibilities. The internal audit function, typically known as the third line of defense are accountable for providing the Board with an independent assurance that the risk management and oversight approach undertaken, system of internal controls, governance process of the Company are adequate and effective.

(e) Insurance risks of life insurance contracts

The Company is exposed to life insurance risks when it signs a contract with the insured party or policyholder for a premium amount and in return promises to compensate the policyholder if a specified uncertain future event or an insured event adversely affects the policyholder. Life insurance risks arise when the prices charged for life insurance contracts may be ultimately inadequate to support the future contractual obligations due to adverse deviation of the assumptions used in pricing the insurance contracts from the actual experience. Assumptions used in product pricing include items such as policy lapses, policy claims such as mortality and morbidity, expenses as well as investment return and discount rate.

Experience studies are carried out annually to ensure that pricing assumptions are adequate, appropriate and consistent with the actual experience for insurance product pricing purposes.

The Company has implemented underwriting and claims management guidelines and procedures to manage its life insurance risks. Whilst proper underwriting process is put in place to control the risk of anti-selection, appropriate claims management systems also help to identify fraudulent claims.

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Insurance risks of life insurance contracts (continued)

The mortality and morbidity risks are also managed through reinsurance programme. The bulk of the Company's reinsurance is in the form of automatic treaties. These treaties are of risk premium type and cover both individual business and group business. In addition, there is another layer of reinsurance that is in the form of a catastrophe treaty. Both of these types of reinsurance serve to protect the Company's solvency, especially when there is an accumulation of risk, for example a natural disaster.

A substantial portion of the Company's life insurance funds is participating in nature. In the event of volatile investment climate and/or unusual claims experience, the Company has the option of revising the bonus rates and dividends payable to the policyholders.

For non-participating funds, the risk is that policy benefits are guaranteed to the policyholders and these obligations must be fulfilled in spite of the Company's poor investment performance or unfavorable claims experience. To mitigate this risk, investment mandate is put in place to ensure that appropriate investment strategy that focuses on Low Risk Assets ("LRA") and Private Debt Securities ("PDS") assets with minimum equity exposure is adopted by the fund managers.

For investment-linked funds, the risk exposure for the Company is limited only to the underwriting aspect as all investment risks are borne by the policyholders and proper expense management is in place to minimise actual costs incurred.

As required by the BNM's Guidelines on Stress Testing for Insurers, Stress Testing is performed at least once on a half-yearly basis. The purpose of Stress Testing is to test the solvency of life insurance funds under various scenarios according to the prescribed statutory valuation basis, simulating drastic changes in major parameters like interest rates, investment return, inflation rate, investment asset value, new business volume, mortality/morbidity patterns as well as expense patterns. In addition, stress testing also provides an early warning signal for the Company to take necessary measures to protect its financial position.

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Insurance risks of life insurance contracts (continued)

The table below shows the concentration actuarial liabilities by type of contract.

	Gross			Reinsurance			
	With DPF	Without DPF	Total	With DPF	Without DPF	Total	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 14							
Whole Life	182,981	25,602	208,583	-	-	-	208,583
Endowment	580,395	195,973	776,368	-	-	-	776,368
Term - Mortgage	-	205,520	205,520	-	(2,415)	(2,415)	203,105
Term - Others	-	10,076	10,076	-	(41)	(41)	10,035
Riders	(962)	(873)	(1,835)	-	-	-	(1,835)
Total insurance contract liabilities	762,414	436,298	1,198,712	-	(2,456)	(2,456)	1,196,256
31 March 14							
Whole Life	167,606	11,711	179,317	-	-	-	179,317
Endowment	721,547	183,214	904,761	-	-	-	904,761
Term - Mortgage	-	207,459	207,459	-	(2,112)	(2,112)	205,347
Term - Others	-	8,048	8,048	-	(22)	(22)	8,026
Riders	(1,375)	1,172	(203)	-	-	-	(203)
Total insurance contract liabilities	887,778	411,604	1,299,382	-	(2,134)	(2,134)	1,297,248

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Insurance risks of life insurance contracts (continued)

As all of the business is derived from Malaysia, the entire life insurance contract liabilities are in Malaysia.

Key assumptions

Material judgment is required in determining the liabilities and in the choice of assumptions. Valuation assumptions used are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Valuation assumptions and prudent estimates are determined at the date of valuation. Valuation assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

The key assumptions to which the estimation of liabilities is particularly sensitive are as below:

(i) Mortality rates

Best estimate assumptions are based on the Company's recent experience studies.

(ii) Expenses

Best estimate assumptions are based on the experience of the Company and long-term expected expenses levels. An inflation rate of 4% per annum is assumed over time. The Company conducts an expense study annually. The Company is currently in an expense overrun position estimated on the basis of the expected cost in restructuring the portfolio of business should the portfolio be held on a run-off basis. Allowance is also made for payment of commission to distributors.

(iii) Lapse and surrender rates

Best estimate assumptions are based on the experience studies. The Company conducts a persistency study annually, or on a more regular basis when appropriate. Statistical methods are used to determine appropriate lapse and surrender rates. Lapse and surrender rates vary by product type and policy duration.

(iv) Discount rate

Risk free discount rate is used in the valuation of actuarial liabilities for non-participating fund and the non-unit liabilities of investment-linked funds and the guaranteed benefit liabilities of participating funds.

These risk free rates from durations of 1 to 15 years are the MGS yields taken from Bond Pricing Agency Malaysia, which is a recognised bond pricing agency in Malaysia. Interpolation or extrapolation is used to determine yields for terms where MGS yields are not available. For cash flows with duration of 15 years or more, the 15-year MGS yield is used for discounting purposes.

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(e) Insurance risks of life Insurance contracts (continued)

(v) Fund based yield

Fund based yield is used in the valuation of actuarial liabilities for participating fund to discount expected cashflows for future years. Expected cashflows include an allowance for non-guaranteed benefits. The selected yield reflects the expected return on participating fund, based on investment strategy employed, and can be differentiated between groups of products to reflect characteristics of the products, which may affect the investment strategy employed. The yield is reduced to allow for expected tax on investment income.

(vi) Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities. No management actions (e.g. possible revision of bonus rates for participating fund products) have been assumed in the calculation of net and gross liabilities. 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. Sensitivity information will also vary according to the current economic assumptions.

	Impact on change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000
31 December 14			
Mortality/morbidity	+25%	64,181	51,658
Expenses	+25%	33,771	33,779
Lapse and surrender rates	+25%	1,716	1,698
Discount rate	-1%	121,217	121,206
31 March 14			
Mortality/morbidity	+25%	64,335	52,281
Expenses	+25%	33,313	33,322
Lapse and surrender rates	+25%	2,095	2,066
Discount rate	-1%	126,102	126,117

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

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(f) Financial Risk

(i) Credit risk

Credit risk is the potential financial loss resulting from counterparty's inability or unwillingness to fully meet its contractual financial obligations as and when they fall due. The counterparties may include debtors, borrowers, brokers, policyholders, reinsurers and guarantors.

The Company's primary exposure to credit risk is through its investments in fixed income securities, lending activities such as policy loans are secured against the surrender value of policies and carry no substantial credit risk and potential obligations of reinsurers arising out of reinsurance arrangements.

The Company's Investment Committee manages credit risk associated with investments in fixed income securities through the setting of investment policies as well as credit exposure limits approved by the Board and within the guidelines issued by BNM.

Credit evaluation of an issuer of credit facilities is undertaken by the Investment Department. The credit profile of an issuer is assessed by considering factors such as industry and business background, operating performance or viability of a project, business risk factors, financial ratio analysis, financial strength and flexibility, availability of cash flows and identified sources of repayment, management credibility and shareholders' profile as well as security enhancement.

In addition, a credit review of individual exposure is also conducted by the investment team at least once a year to review and monitor the creditworthiness of issuers or counterparties. Additional review will be carried out when there is a downgrade of credit rating, a change in the nature of an issuer's business or a corporate restructuring of an issuer.

Reinsurance programme is arranged with reinsurers that have a good credit rating in order to reduce credit risk arising from reinsurance arrangements.

Credit risk in respect of policyholder balances incurred on non-payment of premiums or contributions will only persist during the grace period specified in the policy document until expiry, when the policy is either paid up or terminated.

Credit exposure

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

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(f) Financial Risk (continued)

(i) Credit risk (continued)

Credit exposure (continued)

	Life and Shareholders' Fund RM'000	Investment-linked Funds RM'000	Total RM'000
31 December 2014			
HTM financial assets:			
Malaysian Government Securities	14,995	-	14,995
Malaysian government guaranteed bonds	15,023	-	15,023
Debt securities	329,485	-	329,485
Accrued interest	4,507	-	4,507
LAR:			
Loans	81,814	-	81,814
Fixed and call deposits	230,794	31,199	261,993
Accrued interest	10,601	71	10,672
AFS financial assets:			
Equity securities	2,242	-	2,242
Debt securities	632,544	-	632,544
Malaysian Government Securities	30,935	-	30,935
Malaysian government guaranteed bonds	276,802	-	276,802
Accrued interest	10,798	-	10,798
FVTPL financial assets:			
Equity securities	225,326	76,455	301,781
Structured investments	-	78,893	78,893
Debt securities	-	14,420	14,420
Unit trust and property trust funds	7,460	39,176	46,636
Accrued interest	-	142	142
Reinsurance assets	5,465	-	5,465
Insurance receivables	8,256	-	8,256
Other receivables	2,356	10,974	13,330
Cash and cash equivalents	12,514	121	12,635
	1,901,917	251,451	2,153,368

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(f) Financial Risk (continued)

(i) Credit risk (continued)

Credit exposure (continued)

	Life and Shareholders' Fund RM'000	Investment-linked Funds RM'000	Total RM'000
31 March 14			
HTM financial assets:			
Malaysian Government Securities	19,985	-	19,985
Malaysian government guaranteed bonds	15,025	-	15,025
Debt securities	333,993	-	333,993
Accrued interest	4,900	-	4,900
LAR:			
Loans	79,626	-	79,626
Fixed and call deposits	425,795	21,697	447,492
Accrued interest	13,485	41	13,526
AFS financial assets:			
Equity securities	2,154	-	2,154
Debt securities	647,514	-	647,514
Malaysian Government Securities	31,267	-	31,267
Malaysian government guaranteed bonds	173,065	-	173,065
Accrued interest	10,131	-	10,131
FVTPL financial assets:			
Equity securities	200,053	85,951	286,004
Structured investments	-	80,222	80,222
Debt securities	-	15,485	15,485
Unit trust and property trust funds	8,433	46,395	54,828
Accrued interest	-	187	187
Reinsurance assets	6,131	-	6,131
Insurance receivables	8,298	-	8,298
Other receivables	12,213	3,196	15,409
Cash and cash equivalents	12,387	88	12,475
	2,004,455	253,262	2,257,717

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(f) Financial Risk (continued)

(i) Credit risk (continued)

Credit exposure by credit rating

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

31 December 2014	Investment grade (A to AAA) RM'000	Non-investment grade (BBB and below) RM'000	Not rated RM'000	Not subject to credit risk RM'000	Investment-linked RM'000	Past-due but not impaired RM'000	Total RM'000
HTM financial assets							
Malaysian Government Securities	-	-	14,995	-	-	-	14,995
Malaysian government guaranteed bonds	-	-	15,023	-	-	-	15,023
Debt securities	277,394	46,601	5,490	-	-	-	329,485
Accrued interest	3,900	71	536	-	-	-	4,507
LAR							
Loans	-	-	81,814	-	-	-	81,814
Fixed and call deposits	131,227	-	99,567	-	31,199	-	261,993
Accrued interest	294	-	10,307	-	71	-	10,672
AFS financial assets							
Equity securities	-	-	2,242	-	-	-	2,242
Debt securities	626,685	5,859	-	-	-	-	632,544
Malaysian Government Securities	-	-	30,935	-	-	-	30,935
Malaysian government guaranteed bonds	30,045	-	246,757	-	-	-	276,802
Accrued interest	8,016	-	2,782	-	-	-	10,798
FVTPL financial assets							
Equity securities	-	-	-	225,326	76,455	-	301,781
Structured investments	-	-	-	-	78,893	-	78,893
Debt securities	-	-	-	-	14,420	-	14,420
Unit trust and property trust funds	-	-	-	7,460	39,176	-	46,636
Accrued interest	-	-	-	-	142	-	142
Reinsurance assets	3,009	-	2,456	-	-	-	5,465
Insurance receivables	2,063	-	6,193	-	-	-	8,256
Other receivables	-	-	2,340	15	10,974	-	13,329
Cash and cash equivalents	8,272	-	4,243	-	121	-	12,636
	1,090,905	52,531	525,680	232,801	251,451	-	2,153,368

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(f) Financial Risk (continued)

(i) Credit risk (continued)

Credit exposure by credit rating (continued)

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

31 March 2014	Investment grade (A to AAA) RM'000	Non-investment grade (BBB and below) RM'000	Not rated RM'000	Not subject to credit risk RM'000	Investment-linked RM'000	Past-due but not impaired RM'000	Total RM'000
HTM financial assets							
Malaysian Government Securities	-	-	19,985	-	-	-	19,985
Malaysian government guaranteed bonds	-	-	15,025	-	-	-	15,025
Debt securities	281,633	46,715	5,645	-	-	-	333,993
Accrued interest	3,764	870	266	-	-	-	4,900
LAR							
Loans	-	-	79,626	-	-	-	79,626
Fixed and call deposits	286,601	-	139,194	-	21,697	-	447,492
Accrued interest	12,630	-	855	-	41	-	13,526
AFS financial assets							
Equity securities	-	-	-	2,154	-	-	2,154
Debt securities	641,724	-	5,790	-	-	-	647,514
Malaysian Government Securities	-	-	31,267	-	-	-	31,267
Malaysian government guaranteed bonds	30,186	-	142,879	-	-	-	173,065
Accrued interest	8,142	-	1,989	-	-	-	10,131
FVTPL financial assets							
Equity securities	-	-	-	200,053	85,951	-	286,004
Structured investments	-	-	-	-	80,222	-	80,222
Debt securities	-	-	-	-	15,485	-	15,485
Unit trust and property trust funds	-	-	-	8,433	46,395	-	54,828
Accrued interest	-	-	-	-	187	-	187
Reinsurance assets	6,131	-	-	-	-	-	6,131
Insurance receivables	-	-	8,298	-	-	-	8,298
Other receivables	722	-	11,491	-	3,196	-	15,409
Cash and cash equivalents	11,928	-	459	-	88	-	12,475
	1,283,461	47,585	462,769	210,640	253,262	-	2,257,717

All financial assets of the Company as at 31 March 2014 are neither past due nor impaired.

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(f) Financial Risk (continued)

(i) Credit risk (continued)

<u>Collateral</u>

Credit risk is mitigated by entering into collateral agreements. For staff loans, the title of the properties is held as collateral.

(ii) Liquidity risk

Liquidity risk is the risk of exposure to losses in the event that insufficient liquid asset will be available from among the assets supporting the policy obligations to meet the cash flow requirements of the obligations to policyholders when they fall due. For example, lower than expected investment income to meet claims necessitate unexpected realisation of assets. Unexpected demands for liquidity may also be triggered by market conditions that encourage widespread exercise of embedded options, adverse change in the surrender rate as well as uncertainty in the level of new business growth.

The Company monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by the management to finance its operations and to mitigate the effects of fluctuations in cash requirements. Liquidity management requires the Company to maintain a liquid position at all times to meet unexpected claims payments when they fall due and simultaneously hold an asset mix that meets the Company's target return.

The Company manages its liquidity risk by maintaining an adequate level of cash and cash equivalents as well as calculating the asset and liability durations and monitoring the asset-liability gap on a monthly basis. The liquidity risk is also minimised by close monitoring of surrenders and redemptions.

In addition, guidelines on asset allocation, portfolio limit structure and maturity profile of assets are also put in place to ensure sufficient funding is available to meet insurance and investment contracts' obligations. Compliance with the guidelines and policies, exposures and breaches are monitored and reported monthly to the Company's Executive Risk Management Committee ("ERMC").

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(f) Financial Risk (continued)

(ii) Liquidity risk (continued)

Maturity Analysis

Below is the summary table for the maturity profile of the financial assets and liabilities based on remaining undiscounted contractual obligations, including interest / profit payable and receivable. For insurance contracts liabilities, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities. Unit-linked liabilities are repayable or transferable on demand and are included in the "Current" column. Repayments which are subject to notice are treated as if notice were to be given immediately.

31 December 2014	Carrying value RM'000	Current RM'000	1 – 5 years RM'000	5 – 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
Financial instruments:							
HTM	359,503	43,720	131,886	312,821	20,551	100	509,078
LAR	343,807	255,147	49,840	-	45,437	-	350,424
AFS	942,523	183,092	456,294	474,202	180,377	2,242	1,296,207
FVTPL	441,730	778	7,088	10,482	4,039	427,309	449,696
Accrued interest:							
HTM	4,507	4,507	-	-	-	-	4,507
LAR	10,672	10,672	-	-	-	-	10,672
AFS	10,798	10,798	-	-	-	-	10,798
FVTPL	142	142	-	-	-	-	142
Reinsurance assets	5,465	2,837	93	4,283	2,132	-	9,345
Insurance receivables	8,256	8,256	-	-	-	-	8,256
Other receivables	25,418	25,012	209	-	197	-	25,418
Cash and cash equivalents	12,636	12,636	-	-	-	-	12,636
Total assets	2,165,457	557,597	645,410	801,788	252,733	429,651	2,687,179

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(f) Financial Risk (continued)

(ii) Liquidity risk (continued)

Maturity analysis (continued)

31 December 2014	Carrying value RM'000	Current RM'000	1 – 5 years RM'000	5 – 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
Insurance contract liabilities	1,606,773	1,716,445	309,226	921,099	776,069	-	3,722,839
Insurance payables	107,896	18,260	2,707	76,269	10,660	-	107,896
Other payables	35,738	35,736	-	-	2	-	35,738
	1,750,407	1,770,441	311,933	997,368	786,731	-	3,866,473

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(f) Financial Risk (continued)

(ii) Liquidity risk (continued)

Maturity analysis (continued)

31 March 2014	Carrying value RM'000	Current RM'000	1 – 5 years RM'000	5 – 15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
Financial instruments:							
HTM	369,003	37,581	99,837	362,099	21,310	100	520,927
LAR	527,118	440,336	51,900	-	43,634	-	535,870
AFS	854,000	107,989	445,920	515,766	101,299	2,154	1,173,128
FVTPL	436,539	2,861	8,271	6,461	3,427	426,351	447,371
Accrued interest:							
HTM	4,900	4,900	-	-	-	-	4,900
LAR	13,526	13,526	-	-	-	-	13,526
AFS	10,131	10,131	-	-	-	-	10,131
FVTPL	187	187	-	-	-	-	187
Reinsurance assets	6,131	3,941	56	4,098	2,194	-	10,289
Insurance receivables	8,298	8,298	-	-	-	-	8,298
Other receivables	25,143	24,729	240	-	174	-	25,143
Cash and cash equivalents	12,475	12,475	-	-	-	-	12,475
Total assets	2,267,451	666,954	606,224	888,424	172,038	428,605	2,762,245
Insurance contract liabilities	1,712,093	584,136	141,300	1,080,728	804,372	-	2,610,536
Insurance payables	109,307	10,833	3,809	77,310	17,355	-	109,307
Other payables	24,714	24,619	93	-	2	-	24,714
	1,846,114	619,588	145,202	1,158,038	821,729	-	2,744,557

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(f) Financial Risk (continued)

(iii) Market risk

Market risk is the risk that the fair value of assets or future cash flows of assets supporting the insurance/investment contract liabilities, or the carrying value of the contract liabilities will fluctuate because of changes in market prices and rates. These include changes in equity prices, interest rates and exchange rates. Market risk also includes such factors as changes in economic environment, consumption pattern and investor's expectation that may have significant impact on the value of the investments.

The Company distinguishes market risk as follows:

(a) Interest rate risk;
(b) Equity price risk; and
(c) Currency risk.

The Company manages market risk by putting in place investment mandates and policies to ensure that appropriate investment strategy is adopted by the fund managers. In addition, asset allocation, portfolio and exposure limit structure as well as performance benchmark are also set to ensure that assets support the specific contract liabilities and that assets held are adequate and sufficient to deliver income and gains to policyholders in accordance with the terms of respective contracts and in line with the policyholders' expectations. Compliance with the investment mandates and policies is monitored and reported monthly to the Company's Executive Risk Management Committee ("ERMC") and exposures and breaches are reported as soon as practicable.

The Company also issues investment-linked policies. In the investment-linked business, the policyholders bear the investment risk on the assets held in the investment-linked funds as the policy benefits are directly linked to the net asset value of the funds. The Company's exposure to market risk on this business is therefore limited to the extent that income arising from asset management charges is based on the net asset value of the funds.

(a) Interest rate risk

The Company is exposed to interest rate risk primarily through investments of insurance funds in fixed income securities, credit facilities as well as cash deposits.

The presence of interest rate risk is the result of asset-liability duration mismatch. To illustrate, since the duration of contract liabilities is longer than the duration of assets, the Company's financial position is vulnerable to decrease in interest rates. When interest rates fall, the value of liabilities will increase significantly more than the value of assets due to the asset-liability duration mismatch, thus reducing the insurance fund's surplus.

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(f) Financial Risk (continued)

(iii) Market risk (continued)

(a) Interest rate risk (continued)

As one of the reasons for asset-liability duration mismatch is the scarcity of longer tenure assets in the local financial market, the Company has adopted investment strategy that focuses on identifying suitable investment opportunities which can lengthen the duration of assets and acquiring longer tenure assets whenever available so as to mitigate interest rate risk.

The Company has no significant concentration of interest rate risk.

The sensitivity analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax for the financial period/year ended:

Change in variables	Impact on equity before tax* RM'000	Impact on policyholders' fund RM'000
31 December 2014		
+50 basis points	(1,954)	(26,548)
-50 basis points	1,940	27,673
31 March 2014		
+50 basis points	(2,239)	(20,549)
-50 basis points	2,166	21,203

The above impact to the Company's equity arises from the Shareholders' fund investment in fixed income securities which are classified as financial assets. In the above analysis, the impact arising from changes in interest rate risk to fixed income securities and liabilities of the life fund are retained in the life insurance contract liabilities.

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

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(f) Financial Risk (continued)

(iii) Market risk (continued)

(b) Equity price risk

The Company is exposed to equity price risk through direct investments in equity of listed and unlisted companies by both life insurance funds and shareholders' fund as the Company bears some of the volatility in returns and investment performance risk.

Equity price risk also exists in investment-linked products as the revenue of the insurance operations are linked to the value of the underlying equity funds and this has an impact on the level of fees earned.

The Company monitors its equity exposure against a benchmark set and agreed by the Investment Committee. The portfolio benchmarks include indices such as the Kuala Lumpur Composite Index and the FTSE Bursa Malaysia Index.

The Company's investment policy also requires it to manage market risk by monitoring the country, sector and single security exposure of the portfolio against the internal investment limits as well as regulatory limits stipulated by BNM. The Company has complied with both the internal and BNM stipulated investment limits during the financial year and has no significant concentration of equity price risk.

The sensitivity analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on Profit before Tax for the financial period/year ended:

	Change in variables	Impact on equity	Impact on policyholders' fund and liabilities
31 December 2014		RM'000	RM'000
Bursa Malaysia	30%	3,328	66,507
Bursa Malaysia	-30%	(3,328)	(66,507)
31 March 2014			
Bursa Malaysia	30%	3,049	61,082
Bursa Malaysia	-30%	(3,049)	(61,082)

The potential impact arising from other market indices are deemed insignificant as the Company's holdings in equity securities listed in other bourses are not material.

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

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(f) Financial Risk (continued)

(iii) Market risk (continued)

(c) Currency risk

Currency risk is the risk that relative changes in currency values will ultimately decrease the value of foreign assets or increase the value of financial obligations denominated in foreign currencies.

As the Company operates mainly in Malaysia, its financial assets are primarily maintained in Malaysia as required under the Financial Services Act, 2013, and are primarily denominated in the same currency (the local RM) as its insurance and investment contract liabilities. Therefore, the main foreign exchange risk from recognised assets and liabilities arises from transactions other than those in which the insurance and investment contract liabilities are expected to be settled.

The Company does not engage in derivative transactions for speculative or hedging purposes.

As the Company's main foreign exchange 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, the impact arising from sensitivity in foreign exchange rates is deemed minimal as the Company has no significant concentration of foreign currency risk.

In the investment-linked business, the policyholders bear the currency risk on the foreign assets held in some of the investment-linked funds as the policy benefits are directly linked to the net asset value of the funds. The Company's exposure to currency risk on this business is therefore limited to the extent that income arising from asset management charges is based on the net asset value of the funds.

	Singapore Dollar	Hong Kong Dollar	Indonesia Rupiah	Philippine Peso	Thai Baht	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 31 December 2014						
Financial instruments:						
FVTPL	40,343	2,698	1,058	-	269	44,368
Total FVTPL – outside Malaysia	40,343	2,698	1,058	-	269	44,368
At 31 March 2014						
Financial instruments:						
FVTPL	46,808	2,707	926	447	625	51,513
Total FVTPL – outside Malaysia	46,808	2,707	926	447	625	51,513

32 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(g) Operational Risk

Operational risk may be defined as the risk of loss arising from system failure, inadequate or failed internal processes, human factors, from internal and/or external events. When the controls measures in place are inadequate or poorly implemented, it may expose the Company to Operational Risks. These Operational Risks, if materialised, may lead to both financial and/or non financial losses.

In mitigating this, the Company ensures the controls are implemented when discharging.

Business and operational activities continue to be relevant and effective. The manner in which operational risk is managed can be best demonstrated through implementation of proper governance structure, supported by over-arching framework of policies, procedures and standards. Some of the controls being implemented include clear reporting lines, proper segregation of duties and responsibilities, adequate check and balance, properly defined role-based access controls, authorisation and reconciliation procedures, staff training and evaluation procedures to name a few.

In order to gauge the effectiveness of the controls being put in place, all business and/or Operational Head perform thorough risk identification and assessment of risk through the use of the Company’s dedicated Enterprise Risk Management Reporting System, at least once, on a quarterly basis. In order to mitigate crystallisation of identified risks (moderate and above), the Business and/or Operational Heads will assess and implement mitigation action plans to manage the risk to within acceptable limits.

The Risk Management and compliance function continues to play proactive role in ensuring that proper programs are in place to instill the right control culture within the Company and at the same time, works with the Business and/or Operational Heads to assess the appropriateness of controls and remedial action plans being implemented in mitigating the risks, consistent with its control and oversight responsibilities.

The Internal Audit function will perform its independent assurance work to ensure that the risk management and oversight approach undertaken, systems of internal controls, governance process of the Company are adequate, relevant and effective in managing the risks.

(h) Strategic/ business risk

Business risk is the risk of loss arising from uncertainty about the demand for products, the price that can be charged for those products, or the cost of producing and delivering the products. The Company manages business risk by having in place a proper product development process and implementing effective product risk management procedures.

Strategic risk is the risk of loss arising from adverse business decisions, improper implementation of those decisions, and lack of responsiveness to industry or competitive environmental changes. This risk is monitored through the Company’s strategic planning and budgeting process.

33 INSURANCE FUNDS

The Company's activities are organised by funds and segregated into the life and shareholders' fund in accordance with Financial Services Act, 2013.

Statement of Financial Position by Funds

	Shareholders' Fund		Life Fund		Investment-linked Funds		Elimination		Total	
	31.12.2014	31.03.2014	31.12.2014	31.03.2014	31.12.2014	31.03.2014	31.12.2014	31.03.2014	31.03.2014	31.03.2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets										
Properties and equipment	-	-	24,930	23,488	-	-	-	-	24,930	23,488
Investment property	-	-	5,500	5,500	-	-	-	-	5,500	5,500
Intangible assets	-	-	4,598	3,391	-	-	-	-	4,598	3,391
Prepaid lease property	-	-	240	243	-	-	-	-	240	243
Investments	205,977	197,885	1,672,740	1,772,837	240,356	249,978	(5,391)	(5,296)	2,113,682	2,215,404
Reinsurance assets	-	-	5,465	6,131	-	-	-	-	5,465	6,131
Insurance receivables	-	-	8,256	8,298	-	-	-	-	8,256	8,298
Other receivables	246,306	249,266	2,337	11,521	11,344	7,017	(246,658)	(252,395)	13,329	15,409
Tax recoverable	-	7,056	11,442	1,920	647	758	-	-	12,089	9,734
Cash and cash equivalents	276	297	12,239	12,090	121	88	-	-	12,636	12,475
Total Assets	**452,559**	**454,504**	**1,747,747**	**1,845,419**	**252,468**	**257,841**	**(252,049)**	**(257,691)**	**2,200,725**	**2,300,073**
Share capital	125,000	125,000	-	-	-	-	-	-	125,000	125,000
Retained earnings	273,981	277,654	-	-	-	-	-	-	273,981	277,654
AFS fair value reserves	1,360	(1,203)	-	-	-	-	-	-	1,360	(1,203)
Asset revaluation reserves	2,269	2,259	-	-	-	-	-	-	2,269	2,259
Total Equity	**402,610**	**403,710**	**-**	**-**	**-**	**-**	**-**	**-**	**402,610**	**403,710**
Insurance contract liabilities	-	-	1,359,910	1,459,400	252,254	257,989	(5,391)	(5,296)	1,606,773	1,712,093
Deferred tax liabilities	48,915	49,576	631	1,424	(1,838)	(751)	-	-	47,708	50,249
Insurance payables	-	-	107,896	109,307	-	-	-	-	107,896	109,307
Other payables	1,034	1,218	279,310	275,288	2,052	603	(246,658)	(252,395)	35,738	24,714
Total Liabilities	**49,949**	**50,794**	**1,747,747**	**1,845,419**	**252,468**	**257,841**	**(252,049)**	**(257,691)**	**1,798,115**	**1,896,363**
Total policyholders' fund and liabilities	**452,559**	**454,504**	**1,747,747**	**1,845,419**	**252,468**	**257,841**	**(252,049)**	**(257,691)**	**2,200,725**	**2,300,073**

33 INSURANCE FUNDS (CONTINUED)

Statement of Income by Funds
For the financial period/year ended

	Shareholders' Fund		Life Fund		Investment-Linked Fund		Elimination		Total	
	Financial period from 01.04.2014 to 31.12.2014	Financial year ended 31.03.2014	Financial period from 01.04.2014 to 31.12.2014	Financial year ended 31.03.2014	Financial period from 01.04.2014 to 31.12.2014	Financial year ended 31.03.2014	Financial period from 01.04.2014 to 31.12.2014	Financial year ended 31.03.2014	Financial period from 01.04.2014 to 31.12.2014	Financial year ended 31.03.2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Operating revenue	6,030	9,513	254,870	343,512	20,331	35,800	-	-	281,231	388,825
Gross premium	-	-	201,335	263,770	17,465	32,301	-	-	218,800	296,071
Premium ceded to reinsurers	-	-	(15,608)	(13,370)	-	-	-	-	(15,608)	(13,370)
Net premiums	-	-	185,727	250,400	17,465	32,301	-	-	203,192	282,701
Investment income	6,030	9,513	53,535	79,742	2,866	3,499	-	-	62,431	92,754
Realised gains and losses	178	138	5,960	25,424	9,772	4,449	-	-	15,910	30,011
Fair value gains and losses	(624)	223	(21,917)	8,299	(13,476)	15,308	(95)	(120)	(36,112)	23,710
Other operating income	(2)	-	1,332	1,497	363	357	-	-	1,693	1,854
Other income	5,582	9,874	38,910	114,962	(475)	23,613	(95)	(120)	43,922	148,329
Gross benefits and claims	-	-	(275,629)	(379,827)	(20,080)	(20,658)	-	-	(295,709)	(400,485)
Claims ceded to reinsurers	-	-	7,815	7,344	-	-	-	-	7,815	7,344
Gross change in contract liabilities	-	-	118,156	160,005	5,735	(30,517)	95	120	123,986	129,608
Change in contract liabilities to	-									
reinsurers	-	-	322	(2,850)	-	-	-	-	322	(2,850)
Net insurance benefits and claims	-	-	(149,336)	(215,328)	(14,345)	(51,175)	95	120	(163,586)	(266,383)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 9 MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2014 (CONTINUED)

33 INSURANCE FUNDS (CONTINUED)

Statement of Income by Funds
For the financial period/year ended (continued)

	Shareholders' Fund		Life Fund		Investment-Linked Fund		Elimination		Total	
	Financial period from 01.04.2014 to 31.12.2014	Financial year ended 31.03.2014	Financial period from 01.04.2014 to 31.12.2014	Financial year ended 31.03.2014	Financial period from 01.04.2014 to 31.12.2014	Financial year ended 31.03.2014	Financial period from 01.04.2014 to 31.12.2014	Financial year ended 31.03.2014	Financial period from 01.04.2014 to 31.12.2014	Financial year ended 31.03.2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Fee and commission expenses	10	(1,812)	(20,105)	(28,150)	-	-	-	-	(20,095)	(29,962)
Management expenses	(1,251)	(1,546)	(57,349)	(53,926)	(2,653)	(2,803)	-	-	(61,253)	(58,275)
Other expenses	(1,241)	(3,358)	(77,454)	(82,076)	(2,653)	(2,803)	-	-	(81,348)	(88,237)
Profit from operations	4,341	6,516	(2,153)	67,958	(8)	1,936	-	-	2,180	76,410
Finance costs	-	(2,140)	-	-	-	-	-	-	-	(2,140)
Profit/surplus before taxation	4,341	4,376	(2,153)	67,958	(8)	1,936	-	-	2,180	74,270
Income tax expense attributable to policyholders and unit holders	-	-	(1,583)	(5,216)	8	(1,936)	-	-	(1,575)	(7,152)
Profit before tax attributable to shareholders	4,341	4,376	(3,736)	62,742	-	-	-	-	605	67,118
Transfer from revenue accounts	(5,408)	59,791	5,408	(59,791)	-	-	-	-	-	-
Profit before taxation	(1,067)	64,167	1,672	2,951	-	-	-	-	605	67,118
Tax expense	(106)	(14,411)	(3,255)	(8,167)	8	(1,936)	-	-	(3,353)	(24,514)
Income tax expense attributable to policyholders and unit holders	-	-	1,583	5,216	(8)	1,936	-	-	1,575	7,152
Tax expense attributable to shareholders	(106)	(14,411)	(1,672)	(2,951)	-	-	-	-	(1,778)	(17,362)
Profit for the financial period	(1,173)	49,756	-	-	-	-	-	-	(1,173)	49,756