3. CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM ADOPTION OF NEW AND REVISED FRSs AND ISSUE COMMITTEE INTERPRETATIONS ("IC INTERPRETATIONS") (CONT'D)

(b) The Company has not adopted the following FRSs, Amendments to FRS and IC interpretations which have been issued by the MASB but are not yet effective:

Effective for financial periods beginning on or after 1 January 2011

Amendments to FRS 1	Limited Exemption from Comparative FRS 7 Disclosure for First-time Adopters
Amendments to FRS 1	Additional Exemptions for First-time Adopters
Amendments to FRS 2	Group Cash-settled Share-based Payment Transactions
Amendments to FRS 7	Improving Disclosures about Financial Instruments

Amendments to FRSs contained in the document entitled "Improvements to FRSs (2010)"

IC Interpretation 4	Determining whether an Arrangement contains a Lease
IC Interpretation 18	Transfers of Assets from Customers

Effective for financial periods beginning on or after 1 July 2011

IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments

Prepayments of a Minimum Funding Requirement (Amendments to IC Interpretation 14)

FRSs 128, 131 and IC Interpretation 13 contained in the document entitled "Improvements to FRSs (2010)" (effective for financial periods on or after 1 January 2011), Amendments to IC Interpretation 14 (effective for financial periods on or after 1 July 2011) are not applicable to the Company.

The adoption of the other new/revised FRSs, Amendments to FRSs and IC Interpretations will not have any significant impact on the financial statements of the Company.

3. CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM ADOPTION OF NEW AND REVISED FRSs AND ISSUE COMMITTEE INTERPRETATIONS ("IC INTERPRETATIONS") (CONT'D)

(c) On 19 November 2011, MASB had issued new MASB approved accounting standards, Malaysian Financial Reporting Standards (hereinafter known as MFRSs or the MFRS framework).

The MFRS Framework comprises Standards as issued by the International Accounting Standards Board (IASB) that are effective on 1 January 2012. It also comprises new/revised Standards recently issued by the IASB that will be effective after 1 January 2012. The MFRS Framework will replace the existing Financial Reporting Standards (FRS Framework).

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer (herein called 'Transitioning Entities').

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework for an additional one year. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2013.

The adoption of the MFRSs is not expected to have any significant impact on the financial statements of the Company.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Critical Judgement Made in Applying Accounting Policies

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

(i) Classification between Investment Properties and Property, Plant and Equipment

The Company has developed certain criteria based on FRS 140 in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rental or for capital appreciation or both.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Company would account for the portions separately.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Critical Judgement Made in Applying Accounting Policies (Cont'd.)

(i) Classification between Investment Properties and Property, Plant and Equipment (Cont'd.)

If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

(b) Key Sources of Estimation Uncertainty

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

(i) Depreciation and amortisation

Depreciation and amortisation is based on management's estimates of the future estimated average useful lives and residual values of property, plant and equipment and intangible assets. Estimates may change due to technological developments, expected level of usage, competition, market conditions and other factors, and could impact the estimated average useful lives and the residual values of these assets. This may result in future changes in the estimated useful lives and in the depreciation or amortisation expenses.

(ii) Impairment of AFS Financial Assets

The Company reviews its financial assets classified as AFS financial assets at each reporting date to assess whether they are impaired. The Company also records impairment charges on AFS financial assets when there has been a significant or prolonged decline in the fair value below their cost.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Company evaluates, among other factors, historical share price movements and the duration and extent to which fair value of the financial assets is less than its carrying amount. During the year, the Company impaired quoted and unquoted financial assets with significant decline in fair value greater than 30%, based on the historical or expected volatility of market values of its respective investments or prolonged period of decline in fair value greater than 12 months.

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

(b) Key Sources of Estimation Uncertainty (Cont'd.)

(iii) Impairment of Loan and Receivables

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Company considers among other factors, the probability of insolvency and significant financial difficulties of the debtors.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

(iv) Impairment of non-financial assets

Non-financial assets are tested for impairment when indications of potential impairment exist. Indicators of impairment which could trigger an impairment review include evidence of obsolescence or physical damage, significant fall in market values, significant underperformance relative to historical or projected future operating results, significant changes in the use of assets or the strategy of the business, significant adverse industry or economic changes.

Recoverable amounts of assets are based on management's estimates and assumptions of the net realisable value, cash flows arising from the future operating performance and revenue generating capacity of the assets and CGUs and future market conditions. Changes in circumstances may lead to revision in estimates and assumptions. This may result in changes to the recoverable amounts of assets and impairment losses.

(v) Uncertainty in accounting estimates in the general insurance business

The principal uncertainty in the general insurance business arises from technical provisions for premium and claims liabilities.

Premium liabilities comprise the higher of UPR or URR while claims liabilities comprise outstanding claims case estimates and Incurred But Not Reported ("IBNR") claims.

UPR is determined based on estimates of the portion of premium income not yet earned at each reporting date whilst URR is determined based on estimates of expected future payments arising from future events insured under policies in force at each reporting date, including expected future premium refunds.

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

(b) Key Sources of Estimation Uncertainty (Cont'd.)

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

Generally, claims liabilities are determined based upon previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Particularly relevant is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions and economic conditions.

There may be significant reporting lags between the occurrence of an insured event and the time it is actually reported. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude of the claim. There are many factors that will determine the level of uncertainty such as inflation, inconsistent judicial interpretation, legislative changes, and claims handling procedures.

The establishment of technical provisions is an inherently uncertain process and, as a consequence of this uncertainty, the eventual settlement of premium and claims liabilities may vary from the initial estimates.

The estimates of premium and claims liabilities are therefore sensitive to various factors and uncertainties.

(vi) Deferred tax assets

Deferred tax assets are recognized for all provisions for diminution in value of investment and unearned premium reserves to the extent that it is probable that taxable profit will be available against which the benefits can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Details of deferred tax assets are disclosed in Note 9.

5. PROPERTY, PLANT AND EQUIPMENT

	<---Valuation		--->	<---Cost			--->	
	Freehold land RM'000	Freehold RM'000	Buildings Leasehold RM'000	Computer equipment RM'000	Motor vehicles RM'000	Office equipment RM'000	Furniture, fixtures and fittings RM'000	Total RM'000
2011								
Valuation/Cost:								
At beginning of year	520	541	15,380	7,614	2,188	1,602	3,199	31,044
Additions	-	-	-	-	169	91	156	416
Disposals	-	-	-	-	(156)	(24)	-	(180)
Write-offs	-	-	-	(1,467)	-	(23)	-	(1,490)
At end of year	520	541	15,380	6,147	2,201	1,646	3,355	29,790
Accumulated Depreciation:								
At beginning of year	-	26	1,037	7,543	419	1,292	2,914	13,231
Charge for the year	-	14	566	38	203	53	69	943
Disposals	-	-	-	-	(71)	(20)	-	(91)
Write-offs	-	-	-	(1,466)	-	(21)	-	(1,487)
At end of year	-	40	1,603	6,115	551	1,304	2,983	12,596
Net carrying value:								
At end of year	520	501	13,777	32	1,650	342	372	17,194

5. PROPERTY, PLANT AND EQUIPMENT

	<----Valuation	---->		<----Cost	----	----	---->	
	Freehold land RM'000	Freehold RM'000	Buildings Leasehold RM'000	Computer equipment RM'000	Motor vehicles RM'000	Office equipment RM'000	Furniture, fixtures and fittings RM'000	Total RM'000
2010								
Valuation/Cost:								
At beginning of year	520	541	15,380	7,962	1,903	1,476	3,154	30,936
Additions	-	-	-	2	1,039	149	48	1,238
Disposals	-	-	-	-	(754)	(8)	-	(762)
Write-offs	-	-	-	(350)	-	(15)	(3)	(368)
At end of year	520	541	15,380	7,614	2,188	1,602	3,199	31,044
Accumulated Depreciation:								
At beginning of year	-	12	471	7,834	628	1,271	2,850	13,066
Charge for the year	-	14	566	57	131	39	67	874
Disposals	-	-	-	-	(340)	(6)	-	(346)
Write-offs	-	-	-	(348)	-	(12)	(3)	(363)
At end of year	-	26	1,037	7,543	419	1,292	2,914	13,231
Net carrying value:								
At end of year	520	515	14,343	71	1,769	310	285	17,813

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

(a) Freehold land and buildings and leasehold buildings were revalued on 3 November 2008 by Messrs. Rahim & Co., an independent professional valuer. Fair value is determined by reference to open market values using the comparison method.

The net book values of the freehold land and buildings and leasehold buildings of the Company had the cost model been applied, compared to the revaluation model as at 30 September 2011 are as follows:

	Net Carrying Value		Net Carrying Value	
	2011 Under Revaluation Model RM'000	2011 Under Cost Model RM'000	2010 Under Revaluation Model RM'000	2010 Under Cost Model RM'000
Freehold land	520	380	520	380
Freehold buildings	501	297	515	306
Leasehold buildings	13,777	8,225	14,343	8,544
	14,798	8,902	15,378	9,230

(b) The net book value of motor vehicles held under hire purchase arrangements is RM1,384,000 (2010: RM1,385,000).

(c) During the year, the Company acquired property, plant and equipment by:

	2011 RM'000	2010 RM'000
Cash	281	408
Hire purchase	135	830
	416	1,238

6. INVESTMENT PROPERTIES

	2011 RM'000	2010 RM'000
At beginning of year/end of year	645	645
Analysed as:		
Freehold buildings	415	415
Leasehold buildings	230	230
	645	645

7. PREPAID LAND LEASE PAYMENTS

	2011 RM'000	2010 RM'000
Long term leasehold land:		
At beginning of year	326	330
Amortisation (Note 29)	(4)	(4)
At end of year	322	326

8. INTANGIBLE ASSETS

	2011 RM'000	2010 RM'000
Computer software and licences:		
Cost		
At beginning of year/end of year	1,102	1,102
Accumulated amortisation:		
At beginning of year	969	924
Amortisation (Note 29)	36	45
At end of year	1,005	969
Net Book Value	97	133

9. DEFERRED TAX

	2011 RM'000	2010 RM'000
At beginning of year as previously stated	3,580	2,813
Effect of adopting RBC Framework	-	6,121
At beginning of year as restated	3,580	8,934
Transfer from income statement (Note 31)	915	(6,051)
Transfer to AFS reserve	(45)	697
At end of year	4,450	3,580

Presented after appropriate offsetting as follows:

	2011 RM'000	2010 RM'000
Deferred tax assets	6,419	5,508
Deferred tax liabilities	(1,969)	(1,928)
At end of year	4,450	3,580

9. DEFERRED TAX (CONT'D.)

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

Deferred Tax Assets

2011	Revaluation Deficit RM'000	Premium Liabilities RM'000	Changes in Fair Value of AFS Financial assets RM'000	Accumulated Impairment Loss RM'000	Total RM'000
At beginning of year	88	11	582	4,827	5,508
Recognised in the income statement	-	(5)	-	961	956
Recognised in the AFS reserve	-	-	(45)	-	(45)
At end of year	88	6	537	5,788	6,419

9. DEFERRED TAX (CONT'D.)

The components and movements of deferred tax assets in previous year prior to offsetting are as follows:

Deferred Tax Assets

2010	Revaluation Deficit RM'000	Premium Liabilities RM'000	Changes in Fair Value of AFS Financial assets RM'000	Claims Liabilities RM'000	Accumulated Impairment Loss RM'000	Total RM'000
At beginning of year	88	11	(115)	6,121	4,778	10,883
Recognised in the income statement	-	-	-	(6,121)	49	(6,072)
Recognised in the AFS reserve	-	-	697	-	-	697
At end of year	88	11	582	-	4,827	5,508

9. DEFERRED TAX (CONT'D.)

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

Deferred Tax Liabilities

	Revaluation Surplus RM'000	Accelerated Capital Allowances RM'000	Total RM'000
2011			
At beginning of year	(1,740)	(188)	(1,928)
Recognised in the income statement	-	(41)	(41)
At end of year	(1,740)	(229)	(1,969)
2010			
At beginning of year	(1,740)	(209)	(1,949)
Recognised in the income statement	-	21	21
At end of year	(1,740)	(188)	(1,928)

10. INVESTMENTS

	2011 RM'000	2010 RM'000
(a) Available-for-sale ("AFS") financial assets:		
At fair value:		
Quoted shares	12,187	17,378
Unquoted shares	816	-
Unit trusts	13,403	12,969
Total available-for-sale financial assets	26,406	30,347
(b) Held-to-maturity ("HTM") investments:		
At amortised cost:		
Malaysian Government Securities*	40,364	70,341
Net amortisation of premiums and accretion of discount	(151)	35
Total held-to-maturity investments	40,213	70,376

10. INVESTMENTS (CONT'D.)

	2011 RM'000	2010 RM'000
(c) Loan and receivables ("L&R"):		
At amortised cost:		
Deposits and placements with licensed financial institutions:		
Commercial banks	465,451	351,908
Investment banks	83,300	134,832
Bankers acceptances	1,564	-
	550,315	486,740
Total investments	616,934	587,463
At fair value:		
* Malaysian Government Securities	40,423	70,826

(d) Carrying values of investments

2011	AFS RM'000	HTM RM'000	L&R RM'000	Total RM'000
At beginning of year	30,347	70,376	486,740	587,463
Additions	308	-	-	308
Placements	-	-	63,575	63,575
Disposals	(533)	-	-	(533)
Redemption	-	(5,025)	-	(5,025)
Maturities	-	(25,000)	-	(25,000)
Fair value gains recorded in other comprehensive income	181	-	-	181
Movement in impairment loss	(3,897)	-	-	(3,897)
Amortisation of premiums	-	(263)	-	(263)
Accretion of discount	-	125	-	125
At end of year	26,406	40,213	550,315	616,934

10. INVESTMENTS (CONT'D.)

(d) Carrying values of investments

	AFS RM'000	HTM RM'000	L&R RM'000	Total RM'000
2010				
At beginning of year	47,053	70,954	475,684	593,691
Additions	683	9,962	-	10,645
Placements	-	-	11,056	11,056
Disposals	(2,420)	(10,374)	-	(12,794)
Redemption	(6,434)	-	-	(6,434)
Maturities	(5,000)	-	-	(5,000)
Fair value gains recorded in other comprehensive income	(2,638)	-	-	(2,638)
Movement in impairment loss	(866)	-	-	(866)
Amortisation of premiums	(31)	(294)	-	(325)
Accretion of discount	-	128	-	128
At end of year	30,347	70,376	486,740	587,463

Deposits and placements amounting to RM250,210 (2010: RM243,000) represent deposits given by the insureds as collateral for bond guarantees granted to third parties.

11. REINSURANCE ASSETS

	Note	2011 RM'000	2010 RM'000	1 October 2009 RM'000
Reinsurance of insurance contracts				
Claims liabilities	17	108,182	63,251	39,044
Premium liabilities	17	75,290	58,387	21,926
		183,472	121,638	60,970
Allowance for impairment		(1,068)	(2,123)	(2,624)
		182,404	119,515	58,346

12. INSURANCE RECEIVABLES

	2011 RM'000	2010 RM'000	1 October 2009 RM'000
Outstanding premiums including agents, brokers' and co-insurers' balance	10,779	11,213	11,014
Due from reinsurers and ceding companies	108,084	56,869	6,171
	118,863	68,082	17,185
Allowance for impairment	(9,478)	(8,323)	(3,735)
	109,385	59,759	13,450

13. OTHER RECEIVABLES

	2011 RM'000	2010 RM'000
Due from fellow subsidiary company*	352	187
Accrued income	3,166	5,037
Share of assets held by Malaysian Motor Insurance Pool (MMIP)	12,057	8,633
Deposits and prepayments	1,885	743
Tax recoverable	368	368
Others	856	511
	18,684	15,479

* The amount due from fellow subsidiary company is unsecured, interest free and repayable on demand.

The Company's normal trade credit term is up to 60 days. Other credit terms are assessed and approved on a case by case basis.

14. CASH AND CASH EQUIVALENTS

	2011 RM'000	2010 RM'000
Deposits and placements with licensed commercial banks (with maturity of less than three months)	50,894	55,349
Cash and bank balances	4,799	4,815
	55,693	60,164

15. SHARE CAPITAL

	Number of shares		Amount	
	2011	2010	2011	2010
	'000	'000	RM'000	RM'000
Authorised shares of RM1.00 each	100,000	100,000	100,000	100,000
Issued and fully paid ordinary shares of RM1.00 each	100,000	100,000	100,000	100,000

16. RETAINED PROFITS

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act, 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividends paid, credited or distributed to their shareholders, and such dividends are not taxable in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances.

Companies also have an irrevocable option to disregard their accumulated tax credit under Section 108 of the Income Tax Act, 1967 ("Section 108 balance") and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act, 2007.

The Company did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Company may utilise the credits in the Section 108 balance as at 31 December 2007 to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act, 2007. As at 30 September 2011, the Company has sufficient tax credits in the Section 108 balance to pay franked dividends out of its entire retained earnings.

Pursuant to the RBC Framework for Insurers, the Company shall not pay dividends if its Capital Adequacy Ratio position is less than its internal target capital level or if the payment of dividend would impair its Capital Adequacy Ratio position below its internal target.

As at 30 September 2011, the Company has met the internal target capital level as stipulated in the RBC Framework.

17. Insurance Contract Liabilities

	30 September 2011			30 September 2010			1 October 2009		
	Gross RM'000	Reinsurance RM'000 (Note 11)	Net RM'000	Gross RM'000	Reinsurance RM'000 (Note 11)	Net RM'000	Gross RM'000	Reinsurance RM'000 (Note 11)	Net RM'000
General insurance	674,485	(183,472)	491,013	622,610	(121,638)	500,972	642,785	(60,970)	581,815

The general insurance contract liabilities and its movements are further analysed as follows:

	Note	30 September 2011			30 September 2010			1 October 2009		
		Gross RM'000	Reinsurance RM'000 (Note 11)	Net RM'000	Gross RM'000	Reinsurance RM'000 (Note 11)	Net RM'000	Gross RM'000	Reinsurance RM'000 (Note 11)	Net RM'000
Provisions for claims reported		309,698	(74,913)	234,785	258,454	(43,771)	214,683	279,990	(30,825)	249,165
Provision for Incurred But Not Reported ("IBNR")		69,817	(20,208)	49,609	93,158	(14,773)	78,385	116,772	(5,946)	110,826
Provision of Risk Margin for Adverse Deviation ("PRAD")		36,971	(13,061)	23,910	28,406	(4,707)	23,699	24,524	(2,273)	22,251
Claims Liabilities	17.1	416,486	(108,182)	308,304	380,018	(63,251)	316,767	421,286	(39,044)	382,242
Premium Liabilities	17.2	257,999	(75,290)	182,709	242,592	(58,387)	184,205	221,499	(21,926)	199,573
		674,485	(183,472)	491,013	622,610	(121,638)	500,972	642,785	(60,970)	581,815

17. Insurance Contract Liabilities (Cont'd)

17.1 Claims Liabilities

	30 September 2011			30 September 2010		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At beginning of year	380,018	(63,251)	316,767	421,286	(39,044)	382,242
Claims incurred in the current accident year (direct and facultative)	174,314	(56,197)	118,117	163,819	(24,940)	138,879
Adjustment to claims incurred in prior accident years (direct and facultative)	106,311	(31,981)	74,330	101,985	(22,293)	79,692
Claims incurred during the year (treaty inwards claims)	4,386	(160)	4,226	4,210	(293)	3,917
Movement in Provision of Risk Margin for Adverse Deviation ("PRAD") claims liabilities at 75% confidential level	8,566	(8,355)	211	3,882	(2,434)	1,448
Movement in claims handling expenses	809	(757)	52	(500)	1,200	700
Claims paid during the year	(257,918)	52,519	(205,399)	(314,664)	24,553	(290,111)
At end of year	416,486	(108,182)	308,304	380,018	(63,251)	316,767

17. Insurance Contract Liabilities (Cont'd)

17.2 Premium Liabilities

	<---------- 30 September 2011 ------------>			<------------30 September 2010-------------->		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At beginning of year	242,592	(58,387)	184,205	221,499	(21,926)	199,573
Premiums written during the year	501,690	(170,964)	330,726	453,089	(126,643)	326,446
Premiums earned during the year	(486,283)	154,061	(332,222)	(431,996)	90,182	(341,814)
At end of year	257,999	(75,290)	182,709	242,592	(58,387)	184,205

18. INSURANCE PAYABLES

	2011 RM'000	2010 RM'000
Due to reinsurers and ceding companies	21,363	38,591
Due to agents, brokers, co-insurers and insureds	2,069	1,447
	23,432	40,038

19. HIRE PURCHASE CREDITORS

	2011 RM'000	2010 RM'000
Future minimum payments:		
Not later than 1 year	303	272
Later than 1 year and not later than 2 years	486	504
Later than 2 years and not later than 5 years	199	359
Total future minimum payments	988	1,135
Less: Future finance charges	(95)	(132)
Present value of hire purchase liabilities	893	1,003
Analysis of present value of hire purchase liabilities:		
Not later than 1 year	260	221
Later than 1 year and not later than 2 years	439	441
Later than 2 years and not later than 5 years	194	341
	893	1,003

The hire purchase arrangements at the reporting date bore interest between 3.40% and 5.80% (2010: 2.63% and 6.09%) per annum.

20. BORROWINGS

	Effective Interest rate per annum	Maturity	2011 RM'000	2010 RM'000
Term loan	8.09 %	2020	69,606	-

During the current year ended 30 September 2011, the Company obtained a 10-year unsecured term loan of RM70,000,000 less transaction costs from its holding company at an interest rate of 8.00 % per annum. The term loan is repayable on 27 December 2020.

21. OTHER PAYABLES

	2011 RM'000	2010 RM'000
Due to holding company*:	105	41
Accruals	776	689
Collateral deposits	246	239
Insurance Guarantee Scheme Fund (IGSF) levy	-	903
Refund premiums	192	185
Service tax payable	323	157
Short term accumulating compensated absences	455	447
Stamp duty payable	1,843	1,831
Unclaimed monies	224	195
Accrual of directors' fees	263	235
Sundry creditors	738	741
Others	308	472
	5,473	6,135

* The amounts due to holding company is unsecured, interest free and repayable on demand.

Carrying value of amount due from holding company approximate their fair values as amounts are recoverable on demand.

The normal trade credit terms granted to the Company is up to 90 days.

22. OPERATING REVENUE

	2011 RM'000	2010 RM'000
Insurance fund		
Gross premium (Note 23 (a))	501,690	453,089
Investment income (Note 24)	23,197	19,309
	524,887	472,398

23. NET EARNED PREMIUMS

		Note	2011 RM'000	2010 RM'000
(a)	Gross premiums	17.2	501,690	453,089
	Change in premium liabilities		(15,407)	(21,093)
	Gross earned premiums		486,283	431,996
(b)	Gross premiums ceded to reinsurers	17.2	(170,964)	(126,643)
	Change in premium liabilities		16,903	36,461
	Premiums ceded to reinsurers		(154,061)	(90,182)
	Net Earned Premiums		332,222	341,814

24. INVESTMENT INCOME

	2011 RM'000	2010 RM'000
Dividend income:		
- shares quoted in Malaysia	420	369
- unit trusts	300	193
- Islamic corporate bonds	-	541
Interest income:		
- Malaysian Government securities	2,382	2,729
- bankers acceptances	891	629
- deposits and placements with financial institutions	18,680	14,507
Amortisation of premiums, net of accretion of discounts	(137)	(197)
Rental of properties:		
- third parties	148	48
- holding company	128	256
Investment income:		
- Malaysian Motor Insurance Pool ("MMIP")	353	168
- Malaysian Reinsurance Berhad ("MRB")	32	66
	23,197	19,309

25. REALISED GAINS

	2011 RM'000	2010 RM'000
Realised gains/(losses):		
- Property, plant and equipment	(20)	(140)
- AFS financial assets:		
Quoted in Malaysia	575	1,199
Islamic corporate bonds	-	(413)
- HTM investments:		
Malaysian Government securities	(25)	(4)
- Foreign exchange	1	(1)
	531	641

26. FAIR VALUE LOSSES

	2011 RM'000	2010 RM'000
Impairment loss of AFS financial assets	(3,897)	(1,019)

27. OTHER OPERATING REVENUE

	2011 RM'000	2010 RM'000
Sundry income	680	745
Assets written off	(2)	(5)
Other expenses	(1)	(2)
	677	738

28. NET CLAIMS INCURRED

	Note	2011 RM'000	2010 RM'000
(a) Gross claims paid	17.1	(257,918)	(314,664)
(b) Claims ceded to reinsurers	17.1	52,519	24,553
(c) Gross change to contract liabilities		(36,468)	41,267
(d) Change in contract liabilities ceded to reinsurers		44,931	24,208
		(196,936)	(224,636)

29. MANAGEMENT EXPENSES

	2011 RM'000	2010 RM'000
Executive Directors' remuneration (Note 30)	553	512
Staff salaries and bonus	15,250	13,342
Staff short term accumulating compensated absences	13	27
Pension costs - defined contribution plan	1,826	1,596
Other staff benefits	1,374	1,243
Depreciation of property, plant and equipment	943	874
Amortisation:		
- prepaid land lease payments (Note 7)	4	4
- intangible assets (Note 8)	36	45
Auditors' remuneration	144	132
Non-Executive Directors' remuneration (Note 30)	263	235
Directors' training	50	100
Allowance for impairment of insurance receivables (Note 39)	1,310	4,979
Write back in allowance for impairment of insurance receivables (Note 39)	(97)	(344)
Write back in allowance for impairment of reinsurance assets	(1,055)	(501)
Bad debts recovered	(48)	(14)
Rental of properties:		
- third parties	466	415
- fellow subsidiary company	135	135
Perbadanan Insurans Deposit Malaysia levy	553	903
Management fees to holding company	866	866
Call centre service charges to fellow subsidiary company	612	612
Rental of equipment:		
- third party	130	135
- fellow subsidiary company	1,906	1,770
Printing and EDP expenses	8,267	9,316
Business development	1,128	1,438
Bank charges	57	63
Credit card charges	4,994	4,532
Office administration and utilities	1,910	1,858
Other expenses	3,723	3,807
	45,313	48,080

30. DIRECTORS' REMUNERATION

	2011 RM'000	2010 RM'000
Executive Director:		
- Salary	398	381
- Bonus	64	31
- Pension costs - defined contribution plan	60	54
- Benefits-in-kind	32	20
- Short term accumulating compensated absences	(5)	10
- Allowance	36	36
	585	532
Non-Executive Directors:		
- Fees	263	235
- Benefits-in-kind	5	-
Total Directors' remuneration	853	767
Total Executive Directors' remuneration excluding benefits-in-kind	553	512

The number of executive and non-executive directors whose total remuneration received during the year falls within the following bands is:

	2011	2010
Executive director:		
RM300,001 - RM600,000	1	1
Non-executive directors:		
Below RM40,000	2	4
RM40,001 - RM50,000	3	2
RM50,001 - RM60,000	1	-

31. INCOME TAX EXPENSE

	2011 RM'000	2010 RM'000
Current income tax:		
Malaysian		
- Current	21,802	8,326
- Under provision in prior years	-	(464)
	21,802	7,862
Deferred tax:		
Relating to timing differences		
- Current	(937)	6,048
- Under provision in prior years	22	3
Transfer to deferred taxation (Note 9)	(915)	6,051
	20,887	13,913

Malaysian current income tax is calculated at the statutory tax rate of 25% of the estimated assessable profit for the financial year.

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

	2011 RM'000	2010 RM'000
Profit before taxation	77,982	54,985
Taxation at Malaysian statutory tax rate of 25%	19,496	13,746
Group tax relief *	-	(663)
Over provision of income tax in prior years	-	(464)
Under provision of deferred tax in prior years	22	3
Income not subject to tax	(142)	(102)
Expenses not deductible for tax purposes	1,511	1,393
Tax expense for the year	20,887	13,913

* This is in respect of Group tax relief pursuant to Section 44A of the Income Tax Act, 1967.

31. INCOME TAX EXPENSE (CONT'D.)

As at 30 September 2011, the Company has:

- a tax exempt account balance of approximately RM60,009,000 (2010: RM59,939,000), subject to agreement with the Inland Revenue Board, which is available for distribution.

- sufficient tax credit under Section 108 of the Income Tax Act, 1967 and tax exempt account balance to frank the payment of net dividends out of its entire retained profits.

32. EARNINGS PER ORDINARY SHARE (SEN)

Basic earnings per ordinary share of the Company is calculated by dividing the net profit of RM57,095,000 (2010: net profit of RM41,072,000) for the financial year by 100,000,000 ordinary shares.

33. DIVIDENDS

	2011 RM'000	2010 RM'000
1st interim dividend of 0.8 sen per share less tax at 25% in respect of current financial year, declared and paid on 28 January 2011	6,000,000	-
2nd interim dividend of 26.6 sen per share less tax at 25% in respect of current financial year, declared and paid on 26 August 2011	19,950,000	-
	25,950,000	-

All dividends of the Company are paid on the issued ordinary shares.

34. FINANCE COSTS

	2011 RM'000	2010 RM'000
Hire-purchase interest	59	18
Interest expense on borrowings	4,286	-
Others	7	6
	4,352	24

35. COMMITMENTS AND CONTINGENCIES

	2011 RM'000	2010 RM'000
(a) Non-cancellable operating lease commitments		
Future minimum lease payments are as follows:		
Not later than 1 year	1,623	1,204
Later than 1 year and not later than 5 years	1,409	1,337
	3,032	2,541

These represent rental commitments of computer and office equipment.

36. SIGNIFICANT RELATED PARTY DISCLOSURES

(a) The significant transactions of the Company with its related parties are as follows:

	2011 RM'000	2010 RM'000
(Income)/ expense:		
Holding company:		
Rental income	(256)	(256)
Management fees	866	866
Interest expenses on borrowings	4,265	-
Fellow subsidiaries of Pacific & Orient Berhad Group:		
Office rental	135	135
Information technology services fee	2,336	2,283
Call centre service charge	612	612
Leasing of office equipment	1,519	1,386
Repair and maintenance	97	68
Purchase of property, plant and equipment	79	89
Rental of equipment	2,735	3,141
Staff training	14	-
Related company in which a director has deemed interest:		
Insurance premiums	(21)	(109)

36. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D.)

Information regarding outstanding balances arising from related party transactions as at 30 September 2011 are disclosed in Notes 13 and 21.

The Directors are of the opinion that the related party transactions above have been entered into in the normal course of business on terms and conditions which are not materially different from that obtainable in transactions with unrelated parties.

(b) Key Management Personnel Compensation:

The key management personnel are defined as Executive Directors.

The remuneration of key management personnel during the year are as follows:

	2011 RM'000	2010 RM'000
Short-term employee benefits		
Salary and other remuneration	398	381
Bonus	64	31
Allowances	36	36
Short term accumulating compensated absences	(5)	10
Benefits-in-kind	32	20
Post-employment benefits:		
Pension cost-defined contribution plan	60	54
	585	532

37. RISK MANAGEMENT FRAMEWORK

(a) Risk Management Framework

The Board of Directors, with the assistance of the Management, had implemented a risk management framework within the Company in June 2004, which primary goals is to provide a consistent approach to risks and to support the overall business objectives of the Company. The framework was last updated in August 2010 to be in line with the Joint Australian/New Zealand Standard AS/NZS ISO 31000:2009 Risk Management – Principles and Guidelines.

The Board has established a Risk Management Committee ("RMC") with clear terms of reference from the Board, which is assisted by a Risk Review Working Committee ("RRWC") and a Risk Management Department ("RMD"). This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the Board of Directors to the RMC, RRWC, RMD, management, and all the way down to the staff and internal audit:

Processes	Parties responsible
Board of Directors	Approving the risk management framework and risk philosophy/policy. Concurring with risk appetite. Ensuring adequate resources and knowledge of management and staff involved in the risk management process. Review risk portfolio and being apprised of most significant risks.
Risk Management Committee ("RMC")	Overseeing risk management activities. Approving risk management procedures and measurement methodologies. Ensuring effective implementation of objectives outlined in risk management framework. Reporting higher risk exposures to the Board.

37. RISK MANAGEMENT FRAMEWORK (CONT'D.)

(a) Risk Management Framework (Cont'd.)

Processes	Parties responsible
Risk Review Working Committee ("RRWC")	Ensuring effective implementation and maintenance of risk management framework. Implementing risk management philosophy/policy. Monitoring progress of risk mitigation plans. Preparing quarterly reports to RMC. Creating risk awareness within the Company.
Risk Management Department ("RMD")	Acting as central contact and guide to enterprise risk management ("ERM") issues. Coordinating ERM among the various business units. Supervising ERM policy implementation. Assisting RRWC to prepare quarterly reports to RMC. Maintaining documentation of ERM process. Communicating ERM information to create risk awareness amongst staff.
Management	Directly responsible for all ERM activities of the Company. Ensuring presence of positive internal environment.
Business Units / Risk Owners	Performing operational risk management, monitoring and reporting risk exposures in areas/activities within their control.
Staff	Taking cognisance of operational risks. Reporting any new or escalating risks identified to the Risk Owners.
Internal Audit Department	Providing independent assurance on adequacy and effectiveness of risk management process established by the Company and recommending improvements thereto.

37. RISK MANAGEMENT FRAMEWORK (CONT'D.)

(a) Risk Management Framework (Cont'd.)

The Company's Risk Management Framework requires that all of its businesses and functions establish processes for identifying, evaluating and managing the key risks faced by the Company. The Framework is based on the concept of 'three lines of defence' i.e. day-to-day risk management by the risk owners, risk oversight by the RRWC and RMC and independent assurance by the Audit Committee, supported by the Internal Audit function.

Regular reports on key risks identified and the management of such risks are presented regularly to the RMC for its review and endorsement. Periodically, the RMC also reviews the adequacy and continued relevance of the Risk Management Framework, particularly in relation to mechanisms for principal risks identification, assessment, treatment, monitoring and review and communication.

(b) Capital Management

The Company is subject to the capital adequacy requirements of the Risk Based Capital ("RBC") Framework as implemented by Bank Negara Malaysia to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise. The RBC capital adequacy requirements involves the Company maintaining an adequate level of capital based on the risk exposures of the Company. This externally imposed capital requirement has been complied with by the Company to-date for the financial year ended 30 September 2011.

The Company has established the following capital management objectives, policies and approach to manage the risks that affect its capital position:

- To maintain the required level of stability of the Company thereby providing a degree of security to policyholders.

- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders.

- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets.

- To align the profile of assets and liabilities taking account of risks inherent in the business.

- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders.

- To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximise shareholders value.

37. RISK MANAGEMENT FRAMEWORK (CONT'D.)

(b) Capital Management (Cont'd)

The Company's capital management policy for its insurance business is to hold sufficient capital to cover the statutory requirements based on the RBC Framework, including any additional amounts required by the regulator.

The Company seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and policyholders.

The Company's approach to manage capital involves managing assets, liabilities and risks in a co-ordinated way, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Company in the light of changes in economic conditions and risk characteristics.

The primary source of capital used by the Company is equity shareholders' funds and borrowings. The Company also utilises, where efficient to do so, sources of capital such as reinsurance and securitisation in addition to more traditional sources of funding.

The capital requirements are routinely forecast on a periodic basis, and assessed against both the forecast available capital and the expected internal rate of return including risk and sensitivity analyses. The process is ultimately subject to approval by the Board.

The Board is provided with regular updates on the Company's capital adequacy position.

(c) Governance and Regulatory Framework

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or national disasters.

The operations of the Company are subject to regulatory requirements within the jurisdictions in which it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of insurance companies to meet unforeseen liabilities as these arise.

37. RISK MANAGEMENT FRAMEWORK (CONT'D.)

(d) Asset Liability Management ("ALM") Framework

Financial risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The main risk that the Company faces, due to the nature of its investments and liabilities, is interest rate risk. The Company manages these positions within an ALM Framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance and investment contracts. The principle technique of the Company's ALM is to match assets to the liabilities arising from insurance and investment contracts by reference to the type of benefits payable to contract holders. For each distinct category of liabilities, a separate portfolio of assets is maintained.

The Company's ALM is:

- Integrated with the management of the financial risks associated with the Company's other financial assets and liabilities not directly associated with insurance and investment liabilities; and

- Forms an integral part of the insurance risk management policy, to ensure in each period sufficient cash flow is available to meet liabilities arising from insurance and investment contracts.

38. INSURANCE RISK

Insurance risk is the inherent uncertainty regarding the occurrence, amount or timing of insurance liabilities.

Insurance contracts transfer risk to the Company by indemnifying the policyholders against adverse effects arising from the occurrence of specified uncertain future events.

The Company underwrites various general insurance contracts which are mostly on an annual coverage and annual premium basis with the exception of short term policies such as Marine Cargo which covers the duration in which the cargo is being transported.

The Company also underwrites some non-annual policies with coverage period more than one year such as Extended Warranty Programme (EWP), Contractor's All Risks and Engneering, Bonds and Workmen Compensation.

38. INSURANCE RISK(CONT'D.)

The majority of the insurance business written by the Company is Motor and Personal Accident insurance. Other insurance business includes Fire, EWP, Contractor's All Risks and Engineering, Workmen Compensation, Professional Indemnity and other miscellaneous classes of insurance.

The principal insurance risks faced by the Company include risks of actual claims and benefit payments differing from expectation, risks arising from natural disasters, risks arising from the fluctuations in timing, frequency and severity of claims, as well as the adequacy of premiums and reserves. For longer tail claims that take some years to settle, there is also inflation risk.

The Company's objectives of managing insurance risks are to enhance the long-term financial performance of the business to achieve sustainable growth in profitability, strong asset quality and to continually optimise shareholders' value. The Company seeks to write those risks that it understands and that provide a reasonable opportunity to earn an acceptable profit.

The Company has the following policies and processes to manage its insurance risks:

- An underwriting policy that aims to take advantage of its competitive strengths while avoiding risks with disruptive volatility to ensure underwriting profitability. Acceptance of risk is guided by a set of underwriting guidelines with set limits on underwriting capacity, and authority to individuals based on their specific expertise.

- a claim management and control system to pay claims and control waste or fraud.

- Claim review policies to assess all new and ongoing claims and possible fraudulent claims are investigated to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

- The Company purchases reinsurance as part of its risks mitigation programme. The objectives for purchasing reinsurance are to control exposure to insurance losses, reduce volatility and optimise the Company's capital efficiency. Reinsurance is ceded on quota share, proportional and non-proportional basis. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract.

38. INSURANCE RISK(CONT'D.)

The table below sets out the concentration of the Company's insurance contract liabilities by type of insurance product.

	2011			2010		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Premium liabilities	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Motor	211,686	(67,129)	144,557	179,668	(46,528)	133,140
Personal Accident	10,217	(292)	9,925	8,540	(1,285)	7,255
Fire	868	(307)	561	1,213	(579)	634
Miscellaneous	35,228	(7,562)	27,666	53,171	(9,995)	43,176
	257,999	(75,290)	182,709	242,592	(58,387)	184,205

	2011			2010		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Claims Liabilities	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Motor	378,876	(84,055)	294,821	356,062	(48,452)	307,610
Personal Accident	3,057	(384)	2,673	2,332	(324)	2,008
Fire	954	(133)	821	518	(79)	439
Miscellaneous	33,599	(23,610)	9,989	21,106	(14,396)	6,710
	416,486	(108,182)	308,304	380,018	(63,251)	316,767

Key Assumptions

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

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

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

38. INSURANCE RISK(CONT'D.)

Sensitivities

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

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

	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
30 September 2011					
Average claim cost	+1%	4,165	3,083	3,083	2,312
Average number of claims	+1%	4,165	3,083	3,083	2,312
Average claim settlement period	decreased by 6 months	7,078	5,604	5,604	4,203
30 September 2010					
Average claim cost	+1%	3,800	3,168	3,168	2,376
Average number of claims	+1%	3,800	3,168	3,168	2,376
Average claim settlement period	decreased by 6 months	5,332	4,598	4,598	3,449

* Impact on equity reflects adjustments for tax, where applicable.

Claims development table

The following tables show the Company's businesses estimated cumulative incurred claims, including both claims notified and IBNR for each successive accident year at the end of each reporting period, together with cumulative payments to date.

38. INSURANCE RISK(CONT'D.)

Claims development table

While the information in the tables provides a historical perspective on the adequacy of the unpaid claims estimate established in previous years, users of these financial statements are cautioned against extrapolating redundancies or deficiencies of the past on current unpaid loss balances.

The management of the Company believes that the estimate of total claims outstanding as of 30 September 2011 are adequate. However, due to the inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate.

Gross general insurance contract liabilities for 2011:

Accident year	Before 2005 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	Total
At end of accident year		146,428	148,941	151,087	162,214	196,979	244,459	248,638	
One year later		134,687	154,577	147,069	167,906	219,140	224,613	-	
Two years later		135,812	152,267	150,671	175,999	229,690	-	-	
Three years later		135,019	156,386	155,691	184,415	-	-	-	
Four years later		139,167	161,649	156,174	-	-	-	-	
Five years later		145,353	168,863	-	-	-	-	-	
Six years later		153,139	-	-	-	-	-	-	
Current estimate of cumulative claims incurred		153,139	168,863	156,174	184,415	229,690	224,613	248,638	
At end of accident year		(42,917)	(41,663)	(44,902)	(49,370)	(50,154)	(53,559)	(56,892)	
One year later		(83,533)	(91,570)	(88,759)	(97,337)	(115,161)	(128,273)	-	
Two years later		(94,470)	(102,259)	(99,359)	(131,466)	(167,843)	-	-	
Three years later		(104,235)	(117,503)	(141,543)	(161,286)	-	-	-	
Four years later		(116,522)	(151,465)	(150,637)	-	-	-	-	
Five years later		(140,875)	(161,885)	-	-	-	-	-	
Six years later		(150,700)	-	-	-	-	-	-	
Cumulative payments to date		(150,700)	(161,885)	(150,637)	(161,286)	(167,843)	(128,273)	(56,892)	
Gross general insurance outstanding liability (direct and facultative)	13,793	2,439	6,978	5,537	23,129	61,847	96,340	191,746	401,809
Gross general insurance outstanding liability (treaty inward)									11,009
Best estimate of claims liabilities									412,818
Claims handling expenses									8,523
PRAD at 75% confidence level									36,971
Effects of discount									(41,826)
Gross general insurance contract liabilities per statement of financial position									416,486

Company No: 12557 W

38. INSURANCE RISK(CONT'D.)

Net general insurance contract liabilities for 2011:

Accident year	Before 2005 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	Total RM'000
At end of accident year		129,951	135,820	136,809	149,493	181,995	200,596	173,248	
One year later		125,883	146,840	138,655	154,419	191,742	191,470		
Two years later		127,566	144,957	138,977	159,251	206,975			
Three years later		127,511	148,670	143,414	167,316				
Four years later		131,064	150,836	143,648					
Five years later		136,168	153,671						
Six years later		138,520							
Current estimate of cumulative claims incurred		138,520	153,671	143,648	167,316	206,975	191,470	173,248	
At end of accident year		(40,394)	(39,761)	(42,701)	(45,880)	(47,147)	(47,979)	(41,748)	
One year later		(79,033)	(87,471)	(84,274)	(90,963)	(107,204)	(111,233)		
Two years later		(8,930)	(97,702)	(93,739)	(122,373)	(155,194)			
Three years later		(98,633)	(112,157)	(132,197)	(150,088)				
Four years later		(110,174)	(144,465)	(139,280)					
Five years later		(132,741)	(150,819)						
Six years later		(136,808)							
Cumulative payments to date		(136,808)	(150,819)	(139,280)	(150,088)	(155,194)	(111,233)	(41,748)	
Net general insurance outstanding liability (direct and facultative)	8,521	1,712	2,852	4,368	17,228	51,781	80,237	131,500	298,199
Net general insurance outstanding liability (treaty inward)									11,009
Best estimate of claims liabilities									309,208
Claims handling expenses									8,304
PRAD at 75% confidence level									23,910
Effects of discount									(33,118)
Net general insurance contract liabilities per statement of financial position									308,304

39. FINANCIAL RISKS

The Company is exposed to a variety of financial risks arising from their operations. The key financial risks are credit risk, liquidity risk, and market risk.

The Company's overall financial risk management objective is to ensure that the Company creates value for its shareholders whilst minimising potential exposure to adverse effects on its financial performance and positions.

39. FINANCIAL RISKS (CONT'D.)

The policies and processes taken by the Company to manage these risks are set out below:

(a) Credit Risk

Credit risk is the risk of financial loss that may arise from the failure of counterparties in meeting their contractual obligations.

The Company's primary exposure to credit risk arises through its investments in debt instruments, receivables arising from sales of insurance policies and obligations of reinsurers through reinsurance contracts.

The Company has the following policies and processes to manage and mitigate its credit risks:

- Financial loss from an investment in debt instrument may arise from a change in the value of the investment due to a rating downgrade or default. Before acquiring a debt instrument from an issuer, an evaluation of the issuer's credit risk is undertaken by the Company. Ratings assigned by external rating agencies are also used in the evaluation to ensure optimal credit quality of the individual debt instrument concerned. The Company also has an Investment Policy which sets out the limits on which the Company may invest in each counterparty so as to ensure that there is no concentration of credit risk.

- Insurance receivables which arise mainly from premiums collected on behalf of the Company by appointed agents, brokers and other intermediaries are monitored on a basis day-to-day to ensure adherence to the Company's Credit Policy. Internal guidelines are also established to evaluate the Company's intermediaries before their appointment as well as setting credit terms/limits to the appointees concerned.

- Receivables from reinsurance contracts are monitored on a monthly basis to ensure compliance with payment terms. The Company also monitors the credit quality and financial conditions of its reinsurers on an ongoing basis to reduce the risk exposure. When selecting its reinsurers, the Company considers their relative financial security which is assessed based on public rating information, annual reports and other financial data.

39. FINANCIAL RISKS (CONT'D.)

Credit exposure

The table below shows the maximum exposure to credit risk for the financial assets components on the statement of financial position.

	2011 RM'000	2010 RM'000
Held-to-maturity investments	40,213	70,376
Reinsurance assets	182,404	119,515
Insurance receivables	109,385	59,759
Deposits and placements with financial institutions	550,315	486,740
Other receivables	18,684	15,479
Cash and cash equivalents	55,693	60,164
	956,694	812,033

The above financial assets are not secured by any collaterals or credit enhancements.

39. FINANCIAL RISKS (CONT'D.)

Credit exposure by credit quality (Cont'd)

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. AAA is the highest possible rating.

2011	AAA RM '000	AA RM '000	A RM '000	BBB RM '000	Not Rated RM '000	Total RM '000
Held-to-maturity investments	-	-	-	-	40,213	40,213
Reinsurance assets	-	-	-	-	182,404	182,404
Insurance receivables	92,613	2,034	2,913	3	11,822	109,385
Other receivables	-	-	-	-	18,684	18,684
Deposits and placements with financial institutions	178,060	183,590	103,801	-	84,864	550,315
Cash and cash equivalents	48,447	723	6,518	-	5	55,693
	319,120	186,347	113,232	3	337,992	956,694

2010	AAA RM '000	AA RM '000	A RM '000	BBB RM '000	Not Rated RM '000	Total RM '000
Held-to-maturity investments	-	-	-	-	70,376	70,376
Reinsurance assets	-	-	-	-	119,515	119,515
Insurance receivables	45,968	218	8,722	4	4,847	59,759
Other receivables	-	-	-	-	15,479	15,479
Deposits and placements with financial institutions	159,705	60,010	132,194	-	134,831	486,740
Cash and cash equivalents	56,452	3,502	-	-	210	60,164
	262,125	63,730	140,916	4	345,258	812,033

39. FINANCIAL RISKS (CONT'D.)

Age analysis of financial assets that are past due but not impaired

	Note	< 30 days RM'000	31-60 days RM'000	61-90 days RM'000	91-180 days RM'000	> 180 days RM'000	Total RM'000
2011							
Insurance receivables	12	9,296	34	358	27,040	30,298	67,026

	Note	< 30 days RM'000	31-60 days RM'000	61-90 days RM'000	91-180 days RM'000	> 180 days RM'000	Total RM'000
2010							
Insurance receivables	12	9,653	120	527	1,188	579	12,067

Financial assets that are neither past due nor impaired

	2011 RM'000	2010 RM'000
Insurance receivables	42,359	47,692

Insurance receivables that are past due but not impaired are creditworthy debtors.

Insurance receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Company.

None of the Company's insurance receivables that are neither past due nor impaired have been renegotiated during the financial year.

The insurance receivables are not secured by any collaterals or credit enhancements.

39. FINANCIAL RISKS (CONT'D.)

Impaired

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

2011	Note	Individually impaired RM'000	Collectively impaired RM'000	Total RM'000
Movement in allowance accounts:-				
At beginning of year		8,323	-	8,323
Allowance for impairment loss	29	1,310	-	1,310
Write back of impairment loss	29	(97)	-	(97)
Write off		(58)	-	(58)
At end of year		9,478	-	9,478

2010	Note	Individually impaired RM'000	Collectively impaired RM'000	Total RM'000
Movement in allowance accounts:-				
At beginning of year		3,736	-	3,736
Allowance for impairment loss	29	4,979	-	4,979
Write back of impairment loss	29	(344)	-	(344)
Write off		(48)	-	(48)
At end of year		8,323	-	8,323

Insurance receivables that are individually impaired at the reporting date relate to debtors that are in significant financial difficulties or have defaulted on payments. These insurance receivables are not secured by any collaterals or credit enhancements.

39. FINANCIAL RISKS (CONT'D.)

Liquidity risk

Liquidity risk is the risk that the Company may not have sufficient liquid financial resources to meet its obligations when they fall due, or would have to incur excessive costs to do so. In respect of catastrophic events, there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries. The Company's policy is to maintain adequate liquidity to meet its liquidity needs under normal and stressed conditions.

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

- A Company-wide liquidity risk management policy setting out the assessment and determination of what constitutes liquidity risk for the Company is established. Compliance with the policy is monitored and exposures and breaches are reported to the Company's Risk Management Committee.

- Guidelines on asset allocations, portfolio limit structures and maturity profiles of assets are implemented in order to ensure sufficient funding is available to meet insurance, investment contract and other payment obligations. As part of its liquidity management, the Company maintains sufficient level of cash and cash equivalents to meet expected and to a lesser extent unexpected outflows.

- Contingency funding plans were established to mitigate funding requirements arising from emergency and other unforeseen cash calls. Such funding plans include the arrangement of credit line with banks and funding from the holding company.

- The Company has entered into treaty reinsurance contracts that contain a "cash call" clause which permits the Company to make cash call on claims and receive immediate payments for large losses without waiting for usual periodic payment procedures to occur.

39. FINANCIAL RISKS (CONT'D.)

Maturity Analysis

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

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

	Carrying Value RM '000	up to a year* RM '000	1 - 2 years RM '000	2 - 5 years RM '000	5 - 15 years RM '000	Over 15 years RM '000	No maturity dates RM '000	Total RM '000
2011								
Insurance contract liabilities	416,486	139,151	63,189	142,697	71,233	216	-	416,486
Insurance payables	23,432	23,432	-	-	-	-	-	23,432
Hire Purchase Creditors	893	260	439	194	-	-	-	893
Other payables	5,473	5,473	-	-	-	-	-	5,473
Total liabilities	446,284	168,316	63,628	142,891	71,233	216	-	446,284
2010								
Insurance contract liabilities	380,018	141,852	56,634	116,244	64,944	344	-	380,018
Insurance payables	40,038	40,038	-	-	-	-	-	40,038
Hire Purchase	1,003	221	441	341	-	-	-	1,003
Other payables	6,134	6,134	-	-	-	-	-	6,134
Total liabilities	427,193	188,245	57,075	116,585	64,944	344	-	427,193

* Expected settlement is within 12 months from the reporting date.

39. FINANCIAL RISKS (CONT'D.)

Market risk

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

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

- A Company wide market-risk policy setting out the evaluation and determination of what constitutes market risk for the Company is established.

- Policies and limits have been established to manage market risk. Market risk is managed through portfolio diversification and changes in asset allocation. The Company's policies on asset allocation, portfolio limit structure and diversification benchmark have been set in line with the Company's risk management policy after taking cognisance of the regulatory requirements in respect of maintenance of assets and solvency.

(i) Currency risk

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

As the Company's business is conducted primarily in Malaysia, the Company's functional and presentation currency is Malaysian Ringgit. The Company's main foreign exchange risk arises from its reinsurance activities and overseas claims settlements which are normally settled and realised within 12 months and accordingly the impact arising from sensitivity in changes in foreign exchange rates is deemed to be minimal.

(ii) Interest rate/profit yield risk

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

The Company is exposed to interest rate risk primarily through its investments in fixed income securities and deposits placements. Interest rate risk is managed by the Company on an ongoing basis.

The Company has no significant concentration of interest rate/profit yield risk.

The impact on profit before tax at +/- 25 basis points change in the interest rate, with all other variables held consistent, is insignificant to the Company given that it has minimal floating rate financial instruments.

39. FINANCIAL RISKS (CONT'D.)

Market risk (Cont'd.)

(iii) Price risk

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

The Company's exposure to price risk arises mainly from its investments in quoted shares and unit trusts whose values will fluctuate as a result of changes in market prices.

The Company manages its price risk by ensuring that its investments in quoted shares and unit trusts are within the limits set out in the Company's Investment Policy. The Company does not have any major concentration of price risk related to such investments.

The analysis below is performed for reasonably possible movements in equity price with all other variables held constant, showing the impact on statement of comprehensive income and equity (due to changes in fair value of available-for-sale financial assets).

		2011 Impact on		2010 Impact on	
	Changes in variables	Profit before tax RM'000	Equity* RM'000	Profit before tax RM'000	Equity* RM'000
Market price	+10%	-	1,980	-	2,276
Market price	-10%	-	(1,980)	-	(2,276)

* Impact on equity reflects adjustments for tax, when applicable.

39. FINANCIAL RISKS (CONT'D.)

Operational risk

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

The Company cannot expect to eliminate all operational risks but mitigates them by establishing a control framework and by monitoring and responding to potential risks. Controls include segregation of duties, access controls, authorisation, reconciliation procedures, staff training and evaluation procedures, including the use of Internal Audit. Business risk, such as changes in environment, technology and the industry are monitored through the Company's strategic planning and budgeting process.

40. REGULATORY CAPITAL REQUIREMENTS

The Company's capital management policy is to optimise the efficient and effective use of resources to maximise the return on equity and provide an appropriate level of capital to protect policyholders and meet regulatory requirements.

The Company is required to comply with the regulatory capital requirement prescribed in the RBC Framework which is imposed by the Ministry of Finance pursuant to Section 23 of the Insurance Act, 1996, as a licensing condition for insurers. Under the RBC Framework guidelines issued by BNM, insurance companies are required to satisfy a minimum capital adequacy ratio of 130%. The Company has a capital adequacy ratio in excess of the minimum requirement.

The capital structure of the Company as at 30 September 2011, as prescribed under the RBC Framework is provided below:

	2011 RM'000	2010 RM'000 (Restated)
Eligible Tier 1 Capital		
Share capital (paid-up)	100,000	100,000
Retained earnings	117,660	86,515
	217,660	186,515
Tier 2 Capital		
Capital instruments which qualify as Tier 2 Capital	69,606	-
Revaluation reserve	5,222	5,222
AFS reserve	(1,611)	(1,746)
	73,217	3,476
Amounts deducted from Capital	(4,450)	(3,580)
Total Capital Available	286,427	186,411

41. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) The carrying amounts of financial assets and financial liabilities of the general business and shareholder's fund at the reporting date approximated their fair values except as set out below:

	2011 Carrying amount RM'000	2010 Carrying amount RM'000	2011 Fair value RM'000	2010 Fair value RM'000
Financial Assets				
HTM investments	40,213	70,376	40,423	70,826
Financial Liabilities				
Hire purchase creditors	893	1,003	906	1,011

(b) Determination of fair value

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(i) Cash and bank balances, deposits and placements with financial institutions, bankers acceptances, insurance receivables/payables, and other receivables/payables:

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

The carrying value of amount due from/to holding and fellow subsidiary companies approximate their fair values as the amounts are recoverable/repayable on demand.

41. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D.)

Fair Values (Cont'd.)

(ii) HTM investments

- Malaysian Government Securities

The fair values of Malaysian Government Securities are indicative values obtained from the secondary market.

(iii) AFS financial assets

- Quoted shares

The fair values of quoted shares are determined by reference to the stock exchange quoted market closing prices at the close of the business at the reporting date.

- Unit trusts

The fair value of quoted units in the unit trust funds are determined by reference to market quotations by the manager of the unit trust funds.

- Islamic corporate bonds

The fair values of Islamic corporate bonds are indicative values obtained from the secondary market.

(iv) Hire purchase creditors

The fair value of hire purchase creditors is estimated by discounting the expected future cash flows using the current interest rates for liabilities with similar risk profiles.

42. COMPARATIVE FIGURES

The following comparative figures as at 30 September 2010 have been reclassified to conform with current year's presentation pursuant to the adoption of the FRS 4 - Insurance Contracts and FRS 7- Financial Instruments: Disclosure.

	As previously stated RM'000	Reclassification RM'000	As reclassified RM'000
Statement of financial position			
Investments	-	587,463	587,463
Investment securities	100,723	(100,723)	-
Reinsurance assets	-	119,515	119,515
Insurance receivables	-	59,759	59,759
Receivables	60,556	(60,556)	-
Other receivables	-	15,479	15,479
Deposits and placements with licensed financial institutions	542,089	(542,089)	-
Cash and cash equivalents	4,815	55,349	60,164
Insurance contract liabilities	-	(622,610)	(622,610)
Claims liabilities	316,767	(316,767)	-
Premium liabilities	184,205	(184,205)	-
Insurance payables	-	(40,038)	(40,038)
Payables	(29,287)	29,287	-
Other payables	-	(6,135)	(6,135)