CONTENTS

In the event of any conflict between the english and the malay version, the english version shall prevail.

Cover photo by Adam Hanif

BACKGROUND

National Insurance Company Berhad was incorporated in 1969 and is one of the market leaders in conventional general insurance in Brunei Darussalam. The Allianz Global Corporate & Specialty SE, MSIG Holdings (Asia) Pte. Ltd, and the Baiduri Holdings Berhad acquired interests in National Insurance in January 1998. These investments were a display of confidence in National Insurance and the Brunei economy and are aimed to streangthen the comapny's competitive position in Brunei Darussalam and regionally. These strategic relationships facilitate the transfer of international insurance expertise to Brunei Darussalam and enable the company to explore new areas of opportunity in insurance. The company plays an active role in Brunei business community and is a member of the Brunei Insurance and Takaful Association, the Brunei Darussalam International Chamber of Commerce and Industry and the East Asia Insurance Congress.

MISSION AND PHILOSOPHY

Our mission is to be the preferred insurer in Brunei Darussalam. We are committed to provide a range of insurance services which continuously meets the requirements of our customers. In doing so, we seek to excel in the following key areas:

Market Leadership. We seek market leadership in our preferred niche market. We will define market leadership in terms of our market share and the quality of the services we provide in these market segments. Although we will aggressively seek market share we will not do so at the expense of quality and profitability.

Outstanding Services. We seek to provide outstanding services to our clients. We will measure service in terms of the extent to which we anticipate and meet the needs of our customers in the critical areas of security, coverage, cost and claims settlement and we will constantly compare ourselves with the best companies within the region.

Outstanding People. We seek to employ the most suitable people in the local insurance industry. We seek people who are honest, team players, willing to learn, committed to high work standards and to achieve results.

Excellent Results. We seek to produce excellent financial results for our shareholders. We will define the financial results in terms of a return on investment which is above average and which is the product of aggressive marketing, prudent underwriting and investment management.

First Class Management. We seek distinction as an insurance company with first class management not just relative to the local industry but also in regional terms. Our management will be evaluated in terms of how successful they are in directing and organising the Company towards continual improvement in the management system.

Training and Development. We believe that training and development is a key to NIC's continued success. The company's focus is on providing professional insurance training to bring the skills level of staff and agents to international standards and on continued improvement to quality service. In undertaking our mission we will adopt the following approach:

- We believe excellence comes from focusing our energies and our resources. Our business is insurance underwriting and we will seek to grow and develop as an insurance company. Our interest in other areas will only be to the extent that they directly strengthen our competitive advantage in our core business.

- We believe that without customers, we would have no business. We must therefore ensure that the customer comes first in every aspect of our work and organization.

- We believe that our people are our key resources. We must therefore seek to recruit the most suitable people available and to provide them with opportunities for development, worthwhile careers and a satisfying work environment. We want people we can be proud of and we want them to view this Company as a challenging yet an enjoyable place to work in.

- We believe that our continued growth depends on our ability to anticipate and adapt to change in a disciplined manner. We must therefore always seek to be proactive and to innovate but within the context of thorough planning.

- We believe that we have social responsibilities to the local industry and the community of which we are a part. We must therefore seek to contribute to the good standing of the local industry and to be good corporate citizens of Brunei Darussalam.

ISO 9001

National Insurance Company Berhad achieved ISO 9002 certification on 15th April 1996, and was recertified to the new PBD ISO 9001:2008 standard on 22nd April 2014. It is currently the only insurance company in Brunei Darussalam and amongst the few in the region to have achieved this prestigious certification. The Management Review Team (MRT) meets at least once a month to set specific objectives, arrange for implementation and monitor progress. Internal audits are carried out on a regular basis by members of the Audit Team, while an external audit by certified ISO external auditors is carried out once a year to determine the fitness of our quality management system.

ISO 90001 BUREAU VERITAS Certification
UKAS QUALITY MANAGEMENT 008

Certificate Number **BRN14.050**

YAM Pengiran Muda Abdul Qawi

YAM Pengiran Kerma Raja Pengiran Hj Kamarulzaman bin Pengiran Pekerma Setia DiRaja Sahibul Bandar Pengiran Hj Ali

Dato Paduka Timothy Ong Teck Mong

Hideji Inoue

Mark Barry Mitchell

Stephen Ong Teck Soon

DIRECTORS

YAM Pengiran Muda Abdul Qawi
(Chairman)

YAM Pengiran Kerma Raja Pg Hj Kamarulzaman bin Pengiran Pekerma Setia DiRaja Sahibul Bandar Pengiran Haji Ali

Dato Paduka Timothy Ong Teck Mong
(Deputy Chairman)

Hideji Inoue

Mark Barry Mitchell
(appointed on 1st October 2014)

Stephen Ong Teck Soon
(alternate director to Dato Paduka Timothy Ong Teck Mong)

Alexander Cornelius Ioannis Ankel
(resigned on 1st October 2014)

MANAGEMENT TEAM

The day to day management of the company is supervised by a management review team led by the General Manager, Mr Kolja Klawunn. The Management Review Team meets at least once a month to discuss operational and marketing issues, setting and monitoring specific objectives as well as monitoring our Quality Management System.

The Management Review Team comprise the following:

General Manager
Kolja Klawunn

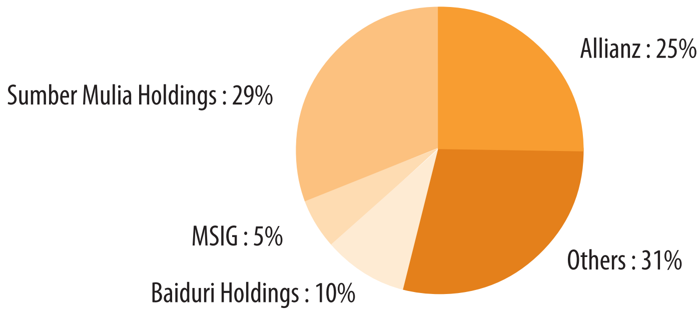
Senior Manager
Denis Buyok (Underwriting, Claims & Risk Management)

Managers
Aminuddin Nasuha (Underwriting)
Chieng Chiew Wei (Accounts & Finance - appointed on 12th August 2014)
Emily Chong (Reinsurance)
Chen Choon Foong (Business Development)
Ching Lee Ken (Human Resources & Administration)
Lee Tee Soon (Risk Management)

Assistant Managers
Alexander Akaw (Underwriting)
Katherine Teo (Underwriting)
Wilfred Lungga (Claims)

SHAREHOLDERS

Amongst Brunei Companies, National Insurance is unique in its ownership structure. It has approximately 148 shareholders of which 137 comprise of Bruneian investors. Of its B$8 million share capital, 70% is held by Brunei citiziens or companies owned by Brunei nationals. The two largest local shareholders are Sumber Mulia Holdings Sdn Bhd (29%) and Baiduri Holdings Bhd (10%). The Allianz Global Corporate & Specialty SE owns (25%) while MSIG Holdings (Asia) Pte.Ltd. owns (5%) of the company



CORPORATE INFORMATION

Name
NATIONAL INSURANCE COMPANY BERHAD

Place and Date of Incorporation
Brunei Darussalam
24th December 1969

Paid-up Capital
B$8 million

Head Office
Units 12 & 13, Block A, Regent Square,
Spg 150, Kg Kiarong, BE1318
Brunei Darussalam

Telephone
242 6888, 222 6222, 223 3999

Facsimile
242 9888 - Administration & Claims
245 4277 - Underwriting
223 8999 - Business Development
245 4303 - Accounts

Email
insurance@national.com.bn

Website
www.national.com.bn

24 - hour Hotline
1-800-0999

Tow-truck Service
223 4567, 718 0388, 871 8977

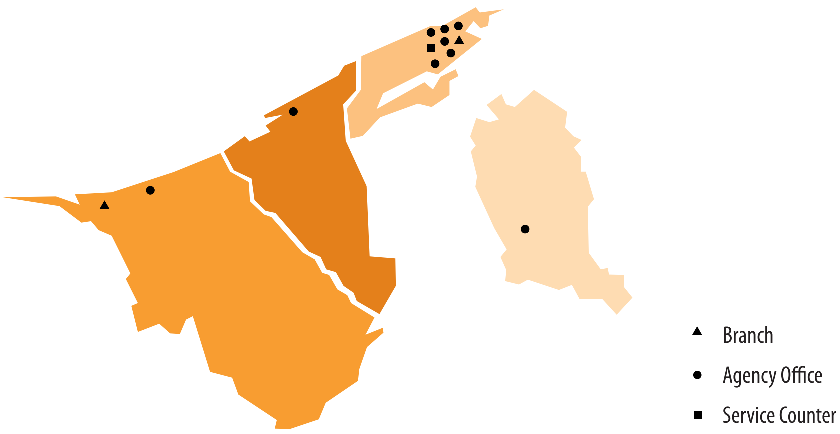
Correspondence Address
P O Box 1251, BSB BS8672, Brunei Darussalam
P O Box 1336, KB KA1189, Brunei Darussalam

Auditors
Ernst & Young
Room 309A, 3rd Floor, Wisma Jaya
Jalan Pemancha, Bandar Seri Begawan BS8811,
Brunei Darussalam
Telephone: 223 9139, 223 9140
Facsimile: 223 9142
Email: inquiries.eybrunei@bn.ey.com

Corporate Secretary
Tricor (B) Sdn Bhd
Room 308B, 3rd Floor Wisma Jaya,
Jalan Pemancha, Bandar Seri Begawan BS8811,
Brunei Darussalam
Telephone: 223 2780, 223 2781
Facsimile: 223 2783
Email: info@bn.tricorglobal.com

NATIONAL INSURANCE NETWORK

National Insurance is served throughout Brunei Darussalam by a network of branches and agency offices.



CORPORATE INFORMATION

KUALA BELAIT
Unit 20, Block C, Lot 8989
Jalan Pandan Tujuh,
Kuala Belait KA1931
Tel: 333 6468, 333 6469, 333 1222
Fax: 334 2191
Email: kb@national.com.bn

Land Transport Dept, Gadong
Tel: 245 2238
Fax: 245 2239

ON-LINE AGENCY OFFICES

ADAMAS ENTERPRISE

No. 2-D, Lot 39 & 40
Ang's Development Building
Jalan Sultan Omar Ali
Seria KB2733
Negara Brunei Darussalam
Tel: 322 4828
Fax: 322 6569

AEROJAYA SDN BHD

No.5, Ground Floor
Scout's Headquarters Building
Kg Mata-Mata, Gadong
Bandar Seri Begawan BE1118
Negara Brunei Darussalam
Tel: 245 1974
Fax: 245 2079

BRIGHT FUTURE MARKETING SERVICES

Unit B10, Mezzanine Floor,
Spg 88
Shakirin Complex, Kg Kiulap
Bandar Seri Begawan BE1518
Negara Brunei Darussalam
Tel: 223 7016, 223 7018
Fax: 223 7015

CANTUMAN BAHAGIA MARKETING COMPANY

No 6, 1st Flr, Blk A Spg 628
Bgn Dato Paduka Lim Seng Kok
Kg Medewa, Jalan Tutong
Bandar Seri Begawan BF1120
Negara Brunei Darussalam
Tel: 265 4370
Fax: 265 0628

DAVID HIEW SWEE KUAN

No. 9, 2nd Floor, Block A
Lot 53068,
Kompleks Delima Jaya
Simpang 62, Jalan Muara
Negara Brunei Darussalam
Tel: 233 5129
Fax: 233 5128

DAFOR ENTERPRISE

No. 5, 1st Floor, Block F
Pengkalan Gadong Complex
Jalan Batu Bersurat
Bandar Seri Begawan BE3519
Negara Brunei Darussalam
Tel/Fax: 245 6308

DELTRA MARKETING SERVICES

Unit 10, First Floor, Block A
Bangunan Pengkalan Gadong
Batu Bersurat
Bandar Seri Begawan BE3519
Negara Brunei Darussalam
Tel: 242 3657
Fax: 242 3658

GALORE INSURANCE SERVICES

No 5, 1st Floor, Block B
Urairah Complex, Kg Kiulap
Bandar Seri Begawan BE1518
Negara Brunei Darussalam
Tel: 222 8619, 222 8621
Fax: 222 8715

GOH HOCK HENG

X7, Lot 4235
Jln Mualana
Kuala Belait KA1931
Negara Brunei Darussalam
Tel: 322 4214
Fax: 322 4089

INSOBRU SDN BHD

Unit C4, 1st Floor, Block C
Shakirin Complex , Kg Kiulap
Bandar Seri Begawan BE1518
Negara Brunei Darussalam
Tel: 222 1423, 222 1424
Fax: 222 1419

IMG DEVELOPMENT

Unit C1, 1st Floor
Shakirin Complex , Kg Kiulap
Bandar Seri Begawan BE1518
Negara Brunei Darussalam
Tel: 222 5073
Fax: 224 1665

CORPORATE INFORMATION

JASRA HARRISONS SHIPPING & AGENCY SERVICES SDN BHD

No. 65, Jalan McKerron Kuala
Belait, KA1131
Negara Brunei Darussalam
Tel: 333 6113
Fax: 333 6103

KANG & KENT ENTERPRISE

F-105A
Kompleks Harapan
Jalan Setia Diraja
Kuala Belait KA3131
Negara Brunei Darussalam
Tel: 333 1956
Fax: 333 1958

MAX WIN ENTERPRISE

No. 538, Spg 542
Kg Sg Hanching
Jalan Muara
Bandar Seri Begawan BC2115
Negara Brunei Darussalam
Tel: 880 8238
Fax: 234 0653

MIRAGE ENTERPRISE

No 10, 2nd Floor, Block B PAP
Hjh Norain Building Km 2,
Jalan Tutong
Bandar Seri Begawan BA1712
Negara Brunei Darussalam
Tel: 222 4080, 222 4081
Fax: 222 4078

PROINSURE ENTERPRISE

No 8, Ground Floor
Sumbangsih Bahagia Kompleks
Perindustrian Beribi II, Gadong,
Bandar Seri Begawan BE1118
Negara Brunei Darussalam
Tel: 242 2211, 242 3770
Fax: 242 2209

RICHLAND INSURANCE SERVICES SDN BHD

Unit 11, 1st Floor, Block J
Abdul Razak Complex
Jalan Gadong
Bandar Seri Begawan BE4119
Negara Brunei Darussalam
Tel: 242 7112, 242 7113
Fax: 242 7114

SEJAHTERA MANAGEMENT & SERVICES

No.7, 1st Floor, Block H
Kompleks Pengkalan Gadong
Jalan Tungku Link, Batu Bersurat
Bandar Seri Begawan BE3519
Negara Brunei Darussalam
Tel: 245 3453
Fax: 242 8597

TANG ENG HONG

No.2, 1st Floor,
Bangunan Badiah
Simpang 5, Jalan Gadong
Bandar Seri Begawan BE4119
Negara Brunei Darussalam
Tel: 245 2955
Fax: 245 2953

U.M.S. ENTERPRISE

Lot 8989, No.7 Ground Floor
Jalan Pandan 7, Kg Pandan
Kuala Belait KA1189
Negara Brunei Darussalam
Tel: 334 0250
Fax: 333 5479

VINCENT & ASSOCIATES SDN BHD

Unit 10, 1st Floor, Block A
Simpang 88, Q-Lap Complex
Kampong Kiulap
Bandar Seri Begawan BE1518
Negara Brunei Darussalam
Tel: 223 6196, 223 6197
Fax: 223 6195

V-PRO SDN BHD

Unit 10-1, 1st Floor, Block A
Delima Jaya Complex, Jln Muara
Bandar Seri Begawan BE1518
Negara Brunei Darussalam
Tel: 234 0651
Fax: 234 0653

CHAIRMAN'S STATEMENT

بِسْمِ اللهِ الرَّحْمٰنِ الرَّحِيْمِ

Bismillahir Rahmanir Rahim
Assalamu Alaikum Warahmatullahi Wabarakatuh

On behalf of the Board of Directors, I am pleased to present the Annual Report and Accounts of National Insurance Company Berhad for the financial year ended 31 December 2014.

Financial Overview

Our Company continued to achieve excellent financial results in 2014.

As required by the Brunei Darussalam Accounting Standards Council, our financial statements for financial year ended 2014 including comparative figures for the previous financial year have been drawn up in accordance with the requirements of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

Our net profit before tax in 2014 was B$2.97 million compared to B$ 2.29 million the year before. Profit after tax was B$2.54 million compared to B$1.84 million in 2013.

Gross written premium in 2014 was B$25.67 million compared to B$25.45 million in 2013. Net earned premiums increased slightly from B$15.86 to B$15.95 million.

The loss ratio in 2014 of 21.13% was significantly lower than the figure of 29.95% reported in 2013. This was due to much lower loss ratios in our Fire and Motor business.

The increase in other operating expenses of B$0.67 million to B$2.12 million in year 2014 was mainly due to an increase in provisions for doubtful debts in line with IFRS requirements.

Investment income remained low at B$213,763/- compared to B$219,764/- in 2013.

Market Leader

National Insurance remains the market leader (in terms of gross written premium) within the conventional general insurance market with a market share of approximately 35% in 2014.

Dividend

The directors propose to pay a dividend of 7 cents per ordinary share for the year ended 31 December 2014. In addition, the directors propose an additional special dividend of 5 cents per ordinary share. This special dividend takes into account the company's financial results as well as its capital requirements for the present and future.

Including the special dividend, the total dividend proposed for financial year 2014 is 12 cents per ordinary share amounting to B$960,000/-.

Corporate Social Responsibility

Our CSR initiatives in 2014 included sponsoring reading materials at the library for Pusat Ehsan Al-Ameerah Al-Hajjah Maryam in Bengkurong and donating equipment to the Special Needs Centre of SMARTER Brunei.

Appreciation

On behalf of the Board of Directors, I would like to extend my thanks to the management and staff of the company for their dedication and commitment, as well as to our valued clients, agents and brokers for their continued support.

I want to specially acknowledge the good work undertaken by management and staff in ensuring the successful adoption of IFRS.

As always, I would also like to express my appreciation to the Autoriti Monetari Brunei Darussalam as well as to the Brunei Insurance and Takaful Association for their guidance and contribution to the development of the local insurance industry.

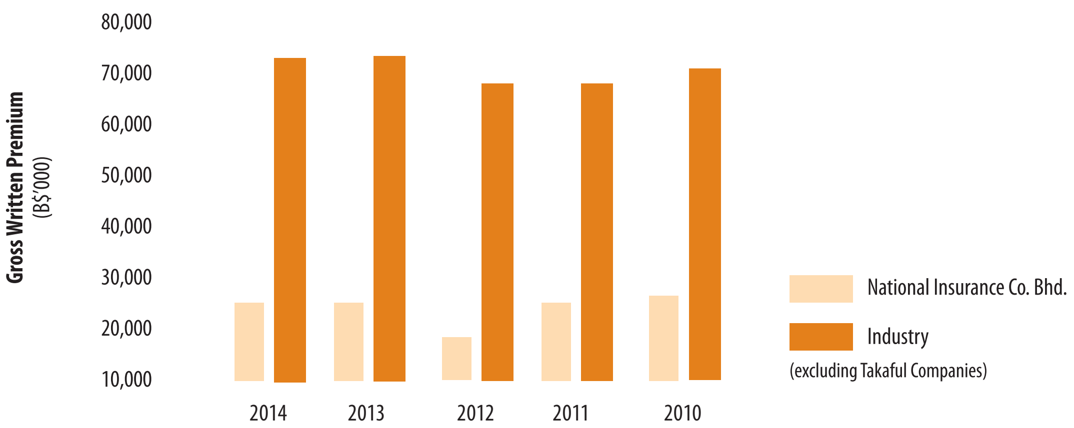
Wabillahit taufitw al-Hidayah Wassalamualaikum Warahmatullahi Wabarakatuh

YAM PENGIRAN MUDA ADBUL QAWI
Chairman

SUMMARY OF OPERATIONS FOR FIVE YEARS

	2014 IFRS	2013 IFRS	2013 GAAP	2012 GAAP	2011 GAAP	2010 GAAP
Gross written premium	25,686	25,450	25,450	18,777	25,572	27,935
Net written premium	16,401	16,403	16,403	15,139	15,299	14,181
Underwriting profit / (loss)	2,751	1,667	2,403	1,301	1,318	1,209
Investment & other income	224	622	323	251	280	270
Profit / (loss) before tax	2,975	2,289	2,727	1,552	1,598	1,479
Profit / (loss) after tax	2,543	1,845	2,269	1,374	1,291	1,124
Shareholders' funds	13,806	11,808	14,342	12,473	11,524	10,596
Net technical reserve	16,814	16,712	13,646	12,658	11,862	11,475
Total assets	42,734	42,801	33,524	29,844	28,198	30,930
Dividend per share (cents)	7	7	7	5	5	4
Special Dividend per share (cents)	5	-	-	-	-	-

INDUSTRY GROSS WRITTEN PREMIUM OVER FIVE YEARS [B$]



Source: Regulatory Department, AMBD

CORPORATE SOCIAL RESPONSIBILITY

Donation to Pusat Ehsan Al-Ameerah Al-Hajjah Maryam

In April 2014, as part of the company's corporate social responsibility, National Insurance Company Berhad (NICB) sponsored a library shelf for storing reading materials at the library for Pusat Ehsan Al-Ameerah Al-Hajjah Maryam in Bengkurong.

Donation to SMARTER

In September 2014, National Insurance Company Berhad (NICB) continued its corporate social responsibility initiatives and donated laminating machines, colour printers and sound wireless clip microphone to the special needs centre, SMARTER Brunei. The company's General Manager, Kolja Klawunn handed over the equipment, which will be used for preparation of teaching aids at the centre.

DIRECTORS' REPORT

The directors have pleasure in submitting their report together with the audited financial statements of the Company for the year ended 31st December 2014.

Principal activity

The principal activity of the Company is to underwrite fire, marine, motor and general insurances. There has been no significant change in the nature of this activity during the year.

Results

Profit for the year after taxation	B$ 2,542,583

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

Dividend

During the year ended 31st December 2014, the Company paid final dividend of B$560,000 for the year ended 31st December 2013. The directors propose a final dividend of 7 cents per share and special dividend of 5 cents per share with total amounting to B$960,000 for the year ended 31st December 2014.

Directors

The directors in office at the date of this report are:-

YAM Pengiran Muda Abdul Qawi (Chairman)

YAM Pengiran Kerma Raja Pg Hj Kamarulzaman bin Pengiran Pekerma Setia DiRaja
Sahibul Bandar Pengiran Haji Ali

Dato Paduka Timothy Ong Teck Mong (Deputy Chairman)

Hideji Inoue

Mark Barry Mitchell

Stephen Ong Teck Soon (alternate director to Dato Paduka Timothy Ong Teck Mong)

DIRECTORS' REPORT

The following directors who held office at the end of the financial year had, according to the register required to be kept under Section 95, of the Companies Act, an interest in shares of the Company, as stated below:-

Name of director	Shares of B$1 each	
	At the beginning of the year	At the end of the year
YAM Pengiran Muda Abdul Qawi	64,000	64,000
Dato Paduka Timothy Ong Teck Mong	28,000	28,000

Auditors

The auditors, Ernst & Young, have expressed their willingness to accept re-appointment.

On behalf of the Board,

YAM PENGIRAN MUDA ABDUL QAWI
Director

YAM PENGIRAN KERMA RAJA PG HJ KAMARULZAMAN BIN PENGIRAN PEKERMA SETIA DIRAJA SAHIBUL BANDAR PENGIRAN HAJI ALI
Director

20th April 2015

STATEMENT OF COMPLIANCE

In our opinion, the accompanying statement of financial position, statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows together with the notes thereto are properly drawn up in accordance with the provision of the Companies Act, Cap 39 and International Financial Reporting Standards as issued by International Accounting Standards Board so as to exhibit a true and fair view of the financial position of the Company as at 31 December 2014, and of its financial performance and its cash flows for the year then ended.

YAM PENGIRAN MUDA ABDUL QAWI
Director

YAM PENGIRAN KERMA RAJA PG HJ KAMARULZAMAN BIN PENGIRAN PEKERMA SETIA DIRAJA SAHIBUL BANDAR PENGIRAN HAJI ALI
Director

Date: 20th April 2015

INDEPENDENT AUDITOR'S REPORT

To the members of NATIONAL INSURANCE COMPAY BERHAD

We have audited the accompanying financial statements of National Insurance Company Berhad, which comprise the statement of financial position as at 31st December 2014 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Companies Act, Cap. 39 and International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 the auditors' judgement, including the assessment of risks of material misstatement of the financial statements; whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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.

Opinion

In our opinion,

a) the financial statements give a true and fair view of the financial position of National Insurance Company Berhad as of 31st December 2014, and of its financial performance and its cash flows for the year then ended in accordance with the provisions of the Companies Act, Cap. 39 and International Financial Reporting Standards, according to the best of our information and the explanations given to us and as shown by the books of the Company.

b) we have obtained all the information and explanations we required.

ERNST & YOUNG
Public Accountants

LIM TECK GUAN
Brunei Darussalam Authorised Auditor

20th April 2015

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2014

	Note	2014	2013
		B$	B$
Income			
Gross written premiums	13(a)	25,686,378	25,449,956
Movement in gross provision for unearned premium		(20,362)	(1,145,188)
Gross earned premiums	13(a)	25,666,016	24,304,768
Written premiums ceded to reinsurers	13(a)	(9,284,570)	(9,046,860)
Reinsurers' share of change in provision for unearned premium		(431,607)	601,585
Net earned Premium		15,949,839	15,859,493
Add : Other revenue			
Commission income	18	1,661,970	1,072,103
Net investment income	19	213,763	219,764
Other income	20	10,009	402,284
Total income before claims and expenses		17,835,581	17,553,644
Less : Claims and expenses			
Gross claims incurred (reversed)	13(b)	3,138,050	(3,984,539)
Reinsurer's share of claims reversed	13(b)	232,568	8,735,373
Net Claims incurred	13(b)	3,370,618	4,750,834
Commission expense		7,631,463	7,313,120
Staff costs	21	1,640,377	1,656,514
Depreciation of property and equipment	12	99,760	90,488
Other operating expenses	22	2,118,636	1,453,448
Total claims and expenses		14,860,854	15,264,404
Profit before income tax		2,974,727	2,289,240
Less: Income tax expense	23	432,144	444,620
Profit for the year		2,542,583	1,844,620
Other comprehensive Income			
Net change in fair value of available-for-sale financial assets	4.3	15,999	1,940
Total comprehensive income for the year, net of tax		2,558,582	1,846,560

See accompanying notes to financial statements.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2014

	Note	31st December 2014 B$	31st December 2013 B$	1st January 2013 B$
ASSETS				
Property and equipment	12	1,347,676	1,331,900	1,360,318
Deferred tax assets	16	734,322	617,614	604,234
Reinsurance assets	10	4,919,918	6,106,803	15,474,428
Available-for-sale financial assets	9	2,540,008	2,537,855	2,549,345
Short-term placements	8	7,560,328	4,560,328	4,500,000
Insurance receivables	7	3,065,168	4,738,981	6,987,862
Deposits, prepayments and other receivables	11	267,928	226,872	252,096
Cash and cash equivalents	6	22,298,789	21,960,883	18,344,827
Total assets		42,734,137	42,081,236	50,073,110
LIABILITIES AND EQUITY				
Insurance contract provisions	13	21,734,090	22,818,621	30,761,510
Insurance payables	14	2,300,873	2,579,245	4,363,376
Other payables and accruals	15	4,342,842	4,384,036	4,293,190
Current tax payable		550,000	491,584	293,844
Total liabilities		28,927,805	30,273,486	39,711,920
Shareholder's equity				
Share capital	17	8,000,000	8,000,000	8,000,000
Fair value reserve		6,757	(9,242)	(11,182)
Accumulated profits		5,799,575	3,816,992	2,372,372
		13,806,332	11,807,750	10,361,190
Total liabilities and equity		42,734,137	42,081,236	50,073,110

YAM PENGIRAN MUDA ABDUL QAWI
Director

YAM PENGIRAN KERMA RAJA PG HJ KAMARULZAMAN BIN PENGIRAN PEKERMA SETIA DIRAJA SAHIBUL BANDAR PENGIRAN HAJI ALI
Director

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2014

	Share Capital B$	Fair Value Reserve B$	Accumulated profit B$	Total B$
As at January 1, 2013, as previously reported	8,000,000	-	4,473,400	12,473,400
Effect of adoption of IFRS	-	(11,182)	(2,101,028)	(2,112,210)
As at January 1, 2013, as restated	8,000,000	(11,182)	2,372,372	10,361,190
Payment of dividends in respect of previous financial year	-	-	(400,000)	(400,000)
Profit for the year	-	-	1,844,620	1,844,620
Other comprehensive income for the year	-	1,940	-	1,940
As at December 31, 2013	8,000,000	(9,242)	3,816,992	11,807,750
Payment of dividends in respect of previous financial year	-	-	(560,000)	(560,000)
Profit for the year	-	-	2,542,583	2,542,583
Other comprehensive income for the year	-	15,999	-	15,999
As at December 31, 2014	8,000,000	6,757	5,799,575	13,806,332

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2014

	Note	2014 B$	2013 B$
Operating activities			
Profit before income tax		2,974,727	2,289,240
Adjustment for:			
Depreciation of property and equipment	12	99,760	90,488
Gain on disposal of property and equipment	20	(24,888)	(688)
Interest income	19	(213,763)	(219,764)
Interest expense	22	14,754	24,849
Net change in provision for insurance contracts		102,354	1,424,736
Operating cash flows before movements in working capital		2,952,944	3,608,861
Changes in working capital			
Deposits, prepayments and other receivables		(41,056)	25,224
Insurance receivables		1,673,813	2,248,881
Short-term placements		(3,000,000)	(60,328)
Insurance payables		(278,372)	(1,784,131)
Other payables and accruals		(41,194)	90,846
Cash generated from operations		1,266,135	4,129,353
Income tax paid		(490,436)	(260,260)
Net cash generated from operating activities		775,699	3,869,093
Investing activities			
Decrease in available-for-sale financial assets		13,846	13,430
Interest received		213,763	219,764
Interest paid		(14,754)	(24,849)
Purchases of property and equipment	12	(115,647)	(62,092)
Proceeds on disposal of property and equipment		24,999	710
Net cash generated from investing activities		122,207	146,963
Financing activity			
Dividends paid		(560,000)	(400,000)
Net increase in cash and cash equivalents		337,906	3,616,056
Cash and cash equivalents at the beginning of the year		21,960,883	18,344,827
Cash and cash equivalents at the end of the year		22,298,789	21,960,883

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

1 GENERAL

National Insurance Company Berhad ("NICB") is incorporated in Negara Brunei Darussalam with its principal place of business and registered office at Units 12 &13, Block A, Regent Square, Simpang 150, Kampong Kiarong, Bandar Seri Begawan BE1318, Negara Brunei Darussalam. The financial statements are expressed in Brunei Dollars.

NICB was registered as a direct general insurer in 1969 to underwrite general insurance business. The principal activity of NICB is to underwrite fire, marine, motor, workmen's compensation and other general insurances. There been no significant change in the nature of this activity during the year.

NICB operates only in Negara Brunei Darussalam and employed 41 employees as at December 31, 2014 (2013: 39 employees).

The financial statements of NICB for the year ended December 31, 2014 were authorised for issue by the Board of Directors on April 20, 2015.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

The financial statements have been prepared in accordance with the provisions of the Brunei Companies Act and International Financial Reporting Standards ("IFRS").

2.2 Basis of financial statement preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value at the end of each reporting period as explained in the accounting policies below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, NICB takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Basis of financial statement preparation (cont'd)

- Level 3 inputs are unobservable inputs for the asset or liability.

For all periods up to and including the year ended December 31, 2013, NICB prepared its financial statements in accordance with accounting principles generally accepted in Brunei. These financial statements, for the year ended December 31, 2014, are the first NICB has prepared in accordance with International Financial Reporting Standards (IFRS).

This follows a ruling under the command of His Majesty the Sultan and Yang Di–Pertuan of Brunei Darussalam, for the Brunei Darussalam Accounting Standards Council (BDASC) for the full adoption of the International Financial Reporting Standards (IFRS) by companies in Brunei Darussalam, as set out by the International Accounting Standards Board (IASB) with reporting periods beginning or commencing on January 1, 2014.

NICB applied IFRS 1, *First Time Adoption of International Financial Reporting Standards*, in preparing these financial statements, with the opening statement of financial position as at January 1, 2013 as the date of transition. Accordingly, NICB has prepared financial statements which comply with IFRS applicable for periods beginning on or after January 1, 2014 as described in the accounting policies, including the comparative period, December 31, 2013.

2.3 First-Time Adoption of IFRS

This note explains the principal adjustments made by NICB in restating its Brunei GAAP statement of financial position as at January 1, 2013.

IFRS has been applied retrospectively, except for certain optional and mandatory exemptions from full retrospective application, as provided for by IFRS 1 (Revised 2009) *First–Time Adoption of International Financial Reporting Standards*, as detailed below.

Estimates

At the date of transition, NICB has adopted an actuarially accepted method of determining their claim and policy liabilities which was not previously adopted. The methodology is determining such estimates are outlined in Note 3.

Fair value or revaluation as deemed cost

NICB has elected to use the value of owner-occupied property and other long term fixed assets under accounting principles generally accepted in Brunei at the date of transition. The depreciated cost value is deemed to approximate the fair value of these assets at transition.

Designation of financial assets and financial liabilities

At the date of transition, NICB chose to designate according to the IFRS designation criteria, its financial assets as available-for-sale financial assets and loans and receivables and its financial liabilities as at amortized cost. The designation of financial assets and financial liabilities shall be applied prospectively from the date of transition to IFRS.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 First-Time Adoption of IFRS (cont'd)

Derecognition of financial assets and financial liabilities

NICB has applied the derecognition requirements under IFRS prospectively for transactions occurring on or after transition when applicable.

Insurance contracts

NICB has elected to update its calculations used for the calculation for its unearned premiums reserves and actuarial assumptions for its outstanding claims provisions which includes, incurred but not reported and claims admitted but not paid as permitted by paragraph 22 of IFRS 4, *Insurance Contracts*. The basis of the change including detailed actuarial assumptions used are disclosed in Note 2, "Summary of significant accounting policies" and Note 3, "Critical accounting estimates and judgments used in applying accounting policies." IFRS 4 permits a first time adopter to update its accounting policies for insurance contracts if and only if the change makes the financial statements more relevant and no less reliable or more reliable and no less relevant.

NICB has elected to disclose nine years of claims experience data in its claims development tables as permitted in the first financial year in which it adopts IFRS 4, *Insurance Contracts*. These disclosures will be extended for an additional year in each succeeding year until the 10-year information requirement has been satisfied.

The following tables show the effect of adopting IFRS on the statements that have been previously reported under Brunei local GAAP for the Opening Balance Sheet ("OBS") as at January 1, 2013 and the year ending December 31, 2013.

	1 January 2013 Previous GAAP	Total IFRS Adjustment	Restated IFRS
ASSETS			
Property and equipment	1,360,318	-	1,360,318
Deferred tax assets	76,398	527,836	604,234
Reinsurance assets	-	15,474,428	15,474,428
Available-for-sale financial assets	2,560,527	(11,182)	2,549,345
Short-term placements	17,964,013	(13,464,013)	4,500,000
Insurance receivables	2,750,328	4,237,534	6,987,862
Deposit, prepayments and other receivables	252,096	-	252,096
Cash and cash equivalents	4,880,814	13,464,013	18,344,827
TOTAL ASSETS	**29,844,494**	**20,228,616**	**50,073,110**
LIABILITIES			
Insurance contract provisions	12,658,218	18,103,292	30,761,510
Insurance payables	125,842	4,237,534	4,363,376
Other payables and accruals	4,293,190	-	4,293,190
Current tax payable	293,844	-	293,844
TOTAL LIABILITIES	**17,371,094**	**22,340,826**	**39,711,920**

(cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 First-Time Adoption of IFRS (cont'd)

(cont'd)	1 January 2013 Previous GAAP	Total IFRS Adjustment	Restated IFRS
SHAREHOLDER'S EQUITY			
Share capital	8,000,000	-	8,000,000
Accumulated profits	4,473,400	(2,101,028)	2,372,372
Fair value reserves	-	(11,182)	(11,182)
TOTAL EQUITY	**12,473,400**	**(2,112,210)**	**10,361,190**
TOTAL LIABILITIES AND EQUITY	**29,844,494**	**20,228,616**	**50,073,110**

The following tables show the effect of adopting IFRS on the statement of financial position that have been previously reported under Brunei local GAAP for the year ending December 31,2013.

	31 December 2013 Previous GAAP	Total IFRS Adjustment	Restated IFRS
ASSETS			
Property and equipment	1,331,900	-	1,331,900
Deferred tax assets	76,398	541,216	617,614
Reinsurance assets	-	6,106,803	6,106,803
Available-for-sale financial assets	2,547,097	(9,242)	2,537,855
Short-term placements	18,124,152	(13,563,824)	4,560,328
Insurance receivables	2,820,499	1,918,482	4,738,981
Deposit, prepayments and other receivables	226,872	-	226,872
Cash and cash equivalents	8,397,059	13,563,824	21,960,883
TOTAL ASSETS	**33,523,977**	**8,557,259**	**42,081,236**
LIABILITIES			
Insurance contract provisions	13,645,569	9,173,052	22,818,621
Insurance payables	660,763	1,918,482	2,579,245
Other payables and accruals	4,384,036	-	4,384,036
Current tax payable	491,584	-	491,584
TOTAL LIABILITIES	**19,181,952**	**11,091,534**	**30,273,486**

(cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 First-Time Adoption of IFRS (cont'd)

(cont'd)	31 December 2013 Previous GAAP	Total IFRS Adjustment	Restated IFRS
SHAREHOLDER'S EQUITY			
Share capital	8,000,000	-	8,000,000
Accumulated profits	6,342,025	(2,525,033)	3,816,992
Fair value reserves	-	(9,242)	(9,242)
TOTAL EQUITY	**14,342,025**	**(2,534,275)**	**11,807,750**
TOTAL LIABILITIES AND EQUITY	**33,523,977**	**8,557,259**	**42,081,236**

Reconciliation of statement of profit or loss and other comprehensive income reported under Brunei GAAP to equity reported under IFRS.

	Note	Previous GAAP	Adjustment	IFRS
December 31, 2013				
		B$	**B$**	**B$**
Income				
Gross Written premiums	13(a)	25,449,956	-	25,449,956
Movement in gross provision for unearned premiums		(1,145,188)	-	(1,145,188)
Gross earned premium	13(a)	24,304,768	-	24,304,768
Written premiums ceded to reinsurers	13(a)	(9,046,860)	-	(9,046,860)
Reinsurers' share of change in provision for unearned premium		601,585	-	601,585
Net earned premium	13(a)	15,859,493	-	15,859,493
Add: Other revenue				
Commision income	18	1,072,103	-	1,072,103
Net investment income	19	219,764	-	219,764
Other income	20	402,284	-	402,284
Total income before claims and expenses		17,553,644	-	17,553,644
Less : Claims and expenses				
Gross claims incurred (reversed)	13(b)	(4,421,924)	437,385	(3,984,539)
Reinsurers' share of claims reversed (incurred)	13(b)	8,735,373	-	8,735,373
Net claims incurred	13(b)	4,313,449	437,385	4,750,834
Commission expense		7,313,120	-	7,313,120
Staff costs	21	1,656,514	-	1,656,514
Depreciation of property and equipment	12	90,488	-	90,488
Other operating expenses	22	1,453,448	-	1,453,448
Total claims and expenses		14,827,019	437,385	15,264,404

(cont'd)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 First-Time Adoption of IFRS (cont'd)

(cont'd)	Note	Previous GAAP	Adjustment	IFRS
Profit before income tax		2,726,625	(437,385)	2,289,240
Less : Income tax expense	23	(458,000)	13,380	(444,620)
Profit for the year		2,268,625	(424,005)	1,844,620
Other comprehensive income				
Net change in fair value of available-for-sale financial assets		-	1,940	1,940
Other comprehensive income for the year, net of tax		-	1,940	1,940
Total comprehensive income for the year, net of tax		2,268,625	(422,065)	1,846,560

The basis of material adjustments between accounting principles generally accepted in Brunei and IFRS are as follows:

(1) Insurance and investment contract classification

IFRS 4 applies to all insurance contracts that an entity issues and to reinsurance contracts that it holds. The more salient provisions of Phase 1 of the standard that are applicable are the following: (a) it requires companies to account for their contracts based on their proper product classification; (b) it requires an insurer to unbundle (i.e., account separately) deposit components of some insurance contracts to avoid omission of assets and liabilities from its balance sheet; (c) it eliminates catastrophe and equalisation provisions; (d) it requires a test for the adequacy of recognised insurance liabilities and an impairment test for reinsurance assets; and (e) it requires an insurer to keep insurance liabilities in its balance sheet until they are discharged or cancelled, or expire, and to present insurance liabilities without offsetting them against related reinsurance assets.

The adoption of IFRS 4 resulted to a recognition of reinsurance asset of B$15,474,428 as at January 1, 2013.

(2) Classification of investments as Available–for–sale financial assets

Under accounting principles generally accepted in Brunei, investments in debt securities were classified as held-to-maturity measured at amortised cost. Under IAS 39 *Financial Instruments: Recognition and Measurement*, investments in debt securities can be classified as either loans and receivables, held-to-maturity, available-for-sale financial assets or financial assets at fair value through profit or loss. Available-for-sale financial assets are measured at fair value at each reporting date, with changes recorded in other comprehensive income. Fair value adjustments are recorded in the statement of changes in equity.

The cumulative effect of adopting IAS 39 was credited to the January 1, 2013 'Fair value reserve' account by B$11,182.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 First-Time Adoption of IFRS (cont'd)

(3) Deferred tax

Under accounting principles generally accepted in Brunei, deferred tax assets and liabilities are recognised under the liability method at current rates on the difference between the net book value of assets eligible for capital allowance and tax written down value of those assets and on other timing differences that are expected to reverse in the foreseeable future.

Under IAS 12 *Income Taxes* full provision is made for deferred tax assets and liabilities arising from temporary differences between the recognition of gains and losses in the financial statements and their recognition in the income tax return. Deferred tax assets are recognised for unused tax losses and tax credits to the extent that it is probable that future profits will be utilised against the unused tax losses and tax credits.

2.4 Adoption of new and revised standards

On January 1, 2013, NICB adopted all the new and revised IFRSs and interpretations of IFRS that are effective from that date and are relevant to its operations. The adoption of these new/revised IFRSs and interpretations of IFRS does not result in changes to the NICB's accounting policies and has no material effect on the amounts reported for the current period or prior period.

At the date of authorisation of these financial statements, the following IFRSs, and amendments to IFRS that are relevant to NICB were issued but not effective:

<u>IFRS 9 Financial Instruments</u>

IFRS 9, issued in July 2014 and effective for annual periods beginning January 1, 2018, introduced new requirements for the classification and measurement of financial assets.

Key requirements of IFRS 9:

- all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

It is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.5 Classification of contracts

Contracts under which NICB accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary are classified as insurance contracts. Insurance risk is risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance contracts may also transfer some financial risk.

NICB underwrites reinsurance contracts for primary insurance and other reinsurance companies on a facultative, proportional treaty and non-proportional treaty basis. These contracts are regarded as insurance contracts for the purposes of IFRS and are classified as such in these financial statements.

2.6 Insurance contracts

Premiums

Premium income in respect of direct insurance business is recognised upon inception of the risk regardless of the period of the policy. Premium income in respect of reinsurance business is recognised upon receipt of returns and advices from ceding company.

Gross written premiums comprise the premiums on contract entered into during the period, irrespective of whether they are related in part to a later accounting period. Premiums are disclosed gross of commission payable to intermediaries and exclude taxes and levies based on premiums. Premium written do not include an estimate for pipeline premiums.

Commission expense

Commission expense represents those costs that vary with and are primarily related to the acquisition of new and renewal insurance contracts.

Provision for unearned premiums

The provision for unearned premiums comprises the proportion of gross premiums written which is estimated to be earned in the following or subsequent financial years. The provision for unearned premiums for all classes of business is calculated using the 1/365 method applied to the net premiums written during the year. The same methodology is applied for all classes of treaty proportional and non-proportional business as well as all classes of facultative business for reinsurance.

Liability adequacy test

The liability of NICB under insurance and reinsurance contracts is tested for adequacy by comparing the expected future contractual cash flows with the carrying amount of insurance contract provisions for unexpired risks and insurance claims. Where an expected shortfall is identified, additional provisions are made for unexpired risks or insurance claims and the deficiency is recognised in profit or loss. At each reporting date, a liability adequacy test is undertaken.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.6 Insurance contracts (cont'd)

Liability adequacy test (cont'd)

Note 3 outlines the critical accounting estimates and judgments used in the valuation of the premium liabilities.

Claims

Claims incurred consist of claims and claims handling expenses paid during the financial year together with the movement in the provision for outstanding claims.

Claims outstanding comprise provision for NICB's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not, and related internal and external claims handling expenses and an appropriate prudential margin. Claims outstanding are assessed by reviewing individual claims and making allowance for claims incurred but not yet reported. Recoveries are assessed in a manner similar to the assessment of claims outstanding. Claims provisions for claims outstanding are discounted where there is a particular long period from incident to claims settlement and where a suitable claims pattern from which to calculate the discount exists.

Whilst the management considers that the provisions for claims are fairly stated on the basis of the information currently available for them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amount of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made, and disclosed separately if material. The methods used, and the estimates made, are reviewed annually.

Note 3 outlines the critical accounting estimates and judgments used in the valuation of the claim liabilities.

Reinsurance

NICB enters and assumes into reinsurance contracts in the normal course of business for the purpose of limiting its losses. Reinsurance arrangements do not relieve NICB from its direct obligations to its policyholders.

Premiums ceded and reinsurance commission income are presented in the statement of profit or loss and other comprehensive income on a gross basis.

Gross premiums and commissions including adjustments made in the financial year, are recorded based on statements or advices received from cedants and brokers relating to contracts incepting or renewed in underwriting year 2014 and prior years.

Amounts recoverable under reinsurance contracts are assessed for impairment at each reporting date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that NICB may not recover all amounts due and that the event has a reliably measurable impact on the amounts that NICB will receive from the reinsurer.

Reinsurance assets include balances due from reinsurance companies for ceded insurance liabilities. Amounts recoverable from reinsurance are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsured policy.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.6 Insurance contracts (cont'd)

Commission income

Commission income comprises reinsurance commission received or receivable. Reinsurance commission is recognised on a basis that is consistent with the recognition of the costs on the acquisition of underlying reinsurance contracts.

2.7 Financial instruments

Financial assets and financial liabilities are recognised on NICB's statement of financial position when NICB becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expenses are recognised on an effective interest basis for debt instruments.

Financial assets

All financial assets are recognised and de-recognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following specified categories: "available-for-sale" financial assets and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

Available-for-sale financial assets

Certain debt securities held by NICB are classified as being available-for-sale and are stated at fair value. Fair value is determined in the manner described in Note 4. Gains and losses arising from changes in fair value are recognised in other comprehensive income with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed off or is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income and accumulated in revaluation reserve is reclassified to profit or loss. The fair value of available-for-sale financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.7 Financial instruments (cont'd)

Loans and receivables

Other receivables and deposits that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

The objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of insurance receivables where the carrying amount is reduced through the use of an allowance account. When an insurance receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.7 Financial instruments (cont'd)

Derecognition of financial assets

NICB derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If NICB neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, NICB recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If NICB retains substantially all the risks and rewards of ownership of a transferred financial asset, NICB continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

Classification as debt or equity

Financial liabilities issued by NICB are classified according to the substance of the contractual arrangements entered into, and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities consist of other payables. Other payables are initially measured at fair value, net of transaction cost, and are subsequently measured at amortised cost, using the effective interest rate method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

NICB derecognises financial liabilities when, and only when, NICB's obligations are discharged, cancelled or they expire.

2.8 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

<u>NICB as lessee</u>

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.9 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold improvements	-	25%
Motor vehicles	-	25%
Office equipment, furniture and fittings	-	25%
Computerisation	-	25%
Leasehold building	-	over the lease term

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

2.10 Impairment of tangible assets

At the end of each reporting period, NICB reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, NICB estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 Provisions

Provisions are recognised when NICB has a present obligation (legal or constructive) as a result of a past event, it is probable that NICB will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.12 Revenue

The accounting policy in relation to the revenue from insurance contracts is disclosed in Note 2.6.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

2.13 Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Tabung Amanah Pekerja and Supplemental Contributory Pensions Fund (TAP and SCP), are dealt with as payments to defined contribution plans where NICB's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

2.14 Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

2.15 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. NICB's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.15 Income tax (cont'd)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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 they relate to income taxes levied by the same taxation authority and NICB intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively).

2.16 Foreign currency transactions and translation

The financial statements of NICB are measured and presented in Brunei Dollars, which is the currency of the primary economic environment in which NICB operates (its functional currency) and the presentation currency for the financial statements.

In preparing the financial statements of NICB, transactions in currencies other than NICB's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on translation of monetary items are included in profit or loss for the period

2.17 Cash and cash equivalents in the statement of cash flows

Cash and cash equivalents in the statement of cash flows comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised, and in any future periods affected.

Judgements made by management in the application of IFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the following year are discussed in below.

Process involved in determining premium liabilities

The methodology for the determining of premium liabilities is as follows:

- The unearned premiums are determined as set out in Note 2.6 on provision for unearned premiums. The estimated claims that relate to this unearned premium amount, together with an allowance for future expenses including claims handling and policy maintenance expense, form the best estimate of the Unexpired Risk Reserves ("URR").

- This URR is then compared to NICB's held unearned premium reserve, and the higher of the two is the final provision for premiums liabilities.

NICB's provision for unearned premium is higher than URR and hence no premium deficiency reserve is required.

Process used to determine the assumptions for measuring claims liabilities

The assumptions used in the estimation of insurance assets and liabilities are intended to result in provisions which are sufficient to cover any liabilities arising out of insurance contracts so far as can reasonably be foreseen.

However, given the uncertainty in establishing a provision for outstanding claims, it is likely that the final outcome will prove to be different from the original liability established.

Provision is made at the end of the reporting period for the expected ultimate cost of settlement of all claims incurred in respect of events up to that date, whether reported or not, together with related claims handling expenses, less the amount already paid. An additional provision for adverse deviation is then added on top of the Company's best estimate reserve value, so that they are expected to have a 75% probability of sufficiency.

The source of data used as inputs for the assumptions are typically internal to NICB, using detailed studies that are carried out at least annually. The assumptions are checked to ensure that they are consistent with observable market information or other published information.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (cont'd)

Process used to determine the assumptions for measuring claims liabilities (cont'd)

NICB pays particular attention to current trends. In early years, where there is insufficient information to make a reliable estimate of claims development, prudent assumptions are used.

The estimation of incurred but not reported ("IBNR") claims is generally subject to a greater degree of uncertainty than the estimates of claims already notified, where more information is available. IBNR claims may often not be apparent to NICB until many years after the occurrence of the event which gave rise to the claim.

Each notified claim is assessed on a separate case-by-case basis with due regard to the claim circumstances, information available from loss adjusters and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information arises.

The provision estimation difficulties differ by class of business due to a number of reasons, including but not limited to:

- Differences in the terms and conditions of the insurance contracts;
- Differences in the complexity of claims;
- The severity of individual claims; and
- Difference in the period between the occurrence and reporting of claims.

The liability class of claims will typically display greater variation between initial estimates and the actual outcome because there is a greater degree of difficulty in estimating the IBNR provisions. For the other classes of business, claims are typically reported reasonably soon after the claim event, and hence tend to display lower levels of variability.

The cost of outstanding claims and the IBNR provisions are estimated using a range of actuarial projection methods. Such method extrapolates the development of paid and incurred claims for each accident year based upon the observed development of earlier years and expected loss ratios.

The key actuarial projection methods used, which remain unchanged from prior years, are:

- Paid Claims Development ("PCD") and Incurred Claims Development ("ICD") methods; and
- Incurred Bornheutter - Ferguson ("IBF") and Paid Bornheutter - Ferguson ("PBF") method.

The results produced by these methods were compared and the selected method is based on what NICB deemed most appropriate for a particular class of business and incident period.

The PCD and ICD methods involved the analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each accident year for which the data is not yet fully developed to produce an estimated claim cost for each accident year. This method is appropriate for mature classes of business, which have a relatively stable claim development pattern, but is less appropriate for classes of business which do not have a claims development history.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (cont'd)

Process used to determine the assumptions for measuring claims liabilities (cont'd)

The IBF method makes use of the ICD method and combines it with an assessment of the ultimate loss ratios i.e. incurred claims divided by earned premium, for each class of business. For each accident year, the IBNR is calculated by the following formula:

(1 - 1/LDF) x initial expected loss ratio x earned premium

LDF is loss development factor and is used to adjust losses for growth in claims and IBNR.

Initial expected loss ratios for a particular class of business may be based upon general industry experience or based upon a combination of NICB's own experience and general industry experience. The IBF method is more appropriate for a class of business for which there is a lack of developed claims experience.

Large claims are generally assessed separately and are measured on a case-by-case basis or projected separately in order to allow for possible distorting effects on the development and incidence of these large claims on the rest of the portfolio.

To the extent that these methods use historical claims development information, NICB assumes that the historical claims development pattern will be similar in the future. There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying the methods.

- Such reason includes:
  - Economic, legal, political and social trends (resulting, for example, in a difference in expected levels of inflation);
  - Changes in the mix of insurance contracts incepted; and
  - The impact of large losses.

The assumption that has the greatest effect on the measurement of general insurance contract provisions is generally the excepted loss ratios for the most recent accident years. The expected loss ratio is the ratio of expected claims to earned premiums.

Sensitivity analysis

The purpose of the sensitivity analysis is to assess the relative importance of key assumptions used in the actuarial valuation of claim liabilities and premium liabilities as at December 31, 2014, including the provision for adverse deviation (this is referred to as the "based scenario" in the sensitivity analysis summary).

To test the sensitivity of the claim and premium liabilities, separately for gross and net of reinsurance recoveries, to the changes in the significant assumptions, simultaneous changes in the assumptions for all durations were considered. The level of change for the assumptions ranges from 1% to 5%. The result after each change in assumption is then compared to the base scenario, separately for gross and net of reinsurance recoveries.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (cont'd)

Sensitivity analysis (cont'd)

The sensitivity values shown are independent of changes to other assumptions items. In practice, a combination of adverse and favourable changes could occur. The sensitivity results are not intended to capture all possible outcomes. Significantly more adverse or favourable results are possible.

The sensitivity analysis was performed on the premiums and claims liabilities, both gross and net of reinsurance recoveries, based on changes in assumptions that may affect the level of liabilities. One particular reliance is that the net sensitivity results assume that all reinsurance recoveries are receivable in full. The assumptions considered in the sensitivity analysis are as follows:

- Indirect Claims Handling Expenses ("ICHE");
- Maintenance Expense Rate;
- Provision for Adverse Deviation ("PAD"); and
- Ultimate Loss Ratio.

The results of the sensitivity analysis and the impact of the premium liabilities and claim liabilities are as follows:

		Net Claim Liabilities	
		2014	2013
Base Scenario		10,359,598	10,709,213
Assumption	Change in assumption	Increase (Decrease) in net claim liabilities	
		2014	2013
		(B$'000)	(B$'000)
Ultimate Loss Ratio	+5% points	10,876	11,247
Ultimate Loss Ratio	-5% points	9,883	10,066
Indirect Claims Handling Expenses	+5% points	10,380	10,672
Indirect Claims Handling Expenses	-5% points	10,346	10,637
Provision for Adverse Deviation	+5% points	10,428	10,721
Provision for Adverse Deviation	-5% points	10,298	10,588

		Net Premium Liabilities	
		2014	2013
Base Scenario		6,454,574	6,002,605
Assumption	Change in assumption	Increase (Decrease) in net premium liabilities	
		2014	2013
		(B$'000)	(B$'000)
Ultimate Loss Ratio	+5% points	6,442	6,003
Ultimate Loss Ratio	-5% points	6,442	6,003
Maintainance Expense Rate	+5% points	6,442	6,003
Maintainance Expense Rate	-5% points	6,442	6,003
Provision for Adverse Deviation	+5% points	6,442	6,003
Provision for Adverse Deviation	-5% points	6,442	6,003

4 INSURANCE AND FINANCIAL RISK MANAGEMENT

4.1 Risk management objectives and policies for mitigating insurance risk

The main risks associated with the insurance products are underwriting risk, claims experience risk and concentration risk.

Underwriting risk

Underwriting risk is the risk that NICB does not receive adequate premiums for the risk it covers.

Underwriting risk is primarily being managed through:

- A sensible pricing strategy and pricing tools to implement the strategy;
- Appropriate risk selection, adequate deductibles;
- Product design;
- Monitoring and reacting to changes in markets and the economic environment in which NICB is active; and
- An underwriting authority limit system that limits the maximum line any one under writer can write per risk.

NICB seeks to minimise underwriting risk with a balanced mix and spread of business between classes of business.

Claims experience risk

Claims experience risk includes the variable incidence of natural catastrophe losses and the possibility that total reserves (referring to all insurance claims provision) will prove insufficient.

Claims experience risk is managed primarily through:

- Diversification: NICB underwriting strategy seeks to ensure a balanced portfolio across all product lines
- The use of actuarial methods to determine the provision for outstanding claims and other policy liabilities reserves, including those not yet reported.

Concentration risk

Concentrations of risk may arise from a single risk loss or a series of losses arising from one original cause, and this could involve a single reinsurance contract or through an accumulation of reinsurance contracts. Management tries to mitigate the concentration risk by underwriting a balanced mix and spread of business between various classes of business.

4 INSURANCE AND FINANCIAL RISK MANAGEMENT (cont'd)

4.1 Risk management objectives and policies for mitigating insurance risk (cont'd)

Concentration risk (cont'd)

The following tables disclose the concentration of gross and net written premiums in relation to the type of insurance risk accepted by NICB:

	December 31,2014		December 31,2013	
	Gross written premium	Net written premium	Gross written premium	Net written premium
	B$	B$	B$	B$
Lines of business				
Marine	599,087	434,151	683,759	537,935
Fire	6,231,751	3,758,960	5,959,012	3,658,590
Motor	3,385,460	2,992,093	4,051,164	3,797,735
Liability	7,972,868	3,297,368	8,012,469	3,182,219
Workmen's compensation	5,360,430	4,826,018	5,007,598	4,643,227
Others	2,136,782	1,093,218	1,735,954	583,390
	25,686,378	16,401,808	25,449,956	16,403,096

Product features

NICB has a range of general insurance policies insuring a range of risks from the major classes of business: marine, fire, motor, liability, workmen's compensation, and others.

Reinsurance strategy

NICB reinsures a portion of the risks it underwrites in order to control its exposures to losses and protect capital resources. This is done through proportional and non-proportional reinsurance treaties. In addition, NICB also reinsures through facultative reinsurance. The reinsurers satisfy the Mandatory Security Requirements of Allianz Group.

4 INSURANCE AND FINANCIAL RISK MANAGEMENT (cont'd)

4.1 Risk management objectives and policies for mitigating insurance risk (cont'd)

Claims development

The table details the claims development for accident years 2006 to 2014.

(i) Analysis of claims development - gross of reinsurance

	Accident Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total
	B$ '000	B$ '000	B$ '000	B$ '000	B$ '000	B$ '000	B$ '000	B$ '000	B$ '000	B$ '000
Estimate of cumulative claims :										
- At end of accident year	-	-	-	-	-	-	7,442	6,927	5,182	
- One year later	-	-	-	-	-	6,903	5,895	5,304	-	
- Two years later	-	-	-	-	5,911	6,815	6,259	-	-	
- Three years later	-	-	-	9,471	5,807	6,722	-	-	-	
- Four years later	-	-	15,606	9,495	5,850	-	-	-	-	
- Five years later	-	5,677	7,062	9,466	-	-	-	-	-	
- Six years later	4,206	5,659	6,959	-	-	-	-	-	-	
- Seven years later	4,379	5,659	-	-	-	-	-	-	-	
- Eight years later	4,341	-	-	-	-	-	-	-	-	
Current cumulative ultimate claims payment	4,341	5,659	6,959	9,466	5,850	6,722	6,259	5,304	5,182	55,742
Cumulative payments	4,184	5,341	6,560	9,278	5,100	5,572	4,740	3,355	1,204	45,334
Gross unpaid claims	157	318	399	188	750	1,150	1,519	1,949	3,978	10,408

Claims handling expenses	295
Discounting effect	(102)
Best estimates of outstanding claims	10,601
Best estimates of outstanding claims for prior years	528
Provision for adverse deviation	1,586
Total	12,715

4 INSURANCE AND FINANCIAL RISK MANAGEMENT (cont'd)

4.1 Risk management objectives and policies for mitigating insurance risk (cont'd)

(ii) Analysis of claims development - net of reinsurance

	Accident Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total
	B$ '000	B$ '000	B$ '000	B$ '000	B$ '000	B$ '000	B$ '000	B$ '000	B$ '000	B$ '000
Estimate of cumulative claims :										
- At end of accident year	-	-	-	-	-	-	5,372	5,034	4,432	
- One year later	-	-	-	-	-	5,743	4,863	4,248	-	
- Two years later	-	-	-	-	5,318	5,652	5,298	-	-	
- Three years later	-	-	-	5,829	5,226	5,618	-	-	-	
- Four years later	-	-	4,711	5,856	5,272	-	-	-	-	
- Five years later	-	4,040	4,705	5,824	-	-	-	-	-	
- Six years later	2,197	4,022	4,685	-	-	-	-	-	-	
- Seven years later	2,349	3,829	-	-	-	-	-	-	-	
- Eight years later	2,232	-	-	-	-	-	-	-	-	
Current cumulative ultimate claims payment	2,232	3,829	4,685	5,824	5,272	5,618	5,298	4,248	4,432	41,438
Cumulative payments	2,136	3,564	4,305	5,654	4,525	4,779	3,806	2,922	1,137	32,828
Gross unpaid claims	96	265	380	170	747	839	1,492	1,326	3,295	8,610

Claims handling expenses	295
Discounting effect	(91)
Best estimates of outstanding claims	8,814
Best estimates of outstanding claims for prior years	255
Provision for adverse deviation	1,291
Total	10,360

4 INSURANCE AND FINANCIAL RISK MANAGEMENT (cont'd)

4.2 Financial instruments, financial risk and capital risk management

(a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	2014 B$	2013 B$
Financial assets		
Loans and receivables (including cash and cash equivalents)	30,040,799	26,688,745
Available-for-sale financial assets	2,540,008	2,537,855
	32,580,807	29,226,600
Financial liability		
Amortised cost	4,199,031	4,227,679

(b) Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements

NICB enters into offsetting, enforceable master netting arrangements with its reinsurers. However as at the year end and in the prior year end, there were no financial instruments being offset on the statement of financial position.

(c) Financial risk management policies and objectives

NICB is exposed to financial risk through its financial assets and financial liabilities. In particular, the financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from insurance contracts. The most important components of this financial risk are credit risk, liquidity risk and market risk – which consist of interest rate risk and foreign currency risk.

(i) *Credit risk management*

Credit risk represents the exposure to the risk that any of NICB's business partners should fail to meet their contractual obligations (mainly relating to insurance and investment transactions). NICB views the management of credit risk as a fundamental and critical part of the operations and therefore adopts a very selective policy as regards to the choice of its business partners, in particular its reinsurers. Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a loss to NICB. Allowances are set aside in the financial accounts for non-recoverability due to the default by the business partners, in line with the established company policy.

The maximum exposure to credit risk is normally represented by the carrying amount of each financial asset in the statement of financial position, although in the case of reinsurance asset, it is fairly common practice for accounts to be settled on a net basis. In such cases, the maximum exposure to credit risk is expected to be limited to the extent of the amount of financial assets that has not been fully offset by other financial liabilities with the same counterparty.

4 INSURANCE AND FINANCIAL RISK MANAGEMENT (cont'd)

4.2 Financial instruments, financial risk and capital risk management (cont'd)

(i) Credit risk management (cont'd)

In respect of investment securities, NICB limits its credit risk exposure by investing in liquid securities with counterparties that have sound credit ratings. Cash and fixed deposits are placed with banks and financial institutions which are regulated.

At the end of the reporting period, there is no significant concentration of credit risk and exposures are well spread. NICB's exposure to credit risk relating to its financial assets is summarised below:

	Grade * (BBB- to AAA)	Not rated	Past due but not impaired	Total
	B$	B$	B$	B$
2014				
Cash and cash equivalents	17,528,606	4,770,183	-	22,298,789
Other receivables	-	181,682	-	181,682
Available-for-sale securities	2,540,008	-	-	2,540,008
Short term placements	7,560,328	-	-	7,560,328
Insurance receivables	110,996	2,954,172	-	3,065,168
	27,739,938	7,906,037	-	35,645,975
2013				
Cash and cash equivalents	17,200,222	4,760,661	-	21,960,883
Other receivables	-	167,534	-	167,534
Available-for-sale securities	2,537,855	-	-	2,537,855
Short term placements	4,560,328	-	-	4,560,328
Insurance receivables	336,615	2,838,105	1,564,261	4,738,981
	24,635,020	7,766,300	1,564,261	33,965,581

** Based on public ratings assigned by external rating agencies i.e.: Standard & Poor and Moody's*

Age analysis of financial assets past-due but not impaired:

	6 - 12 months	> 12 months	Total
	B$	B$	B$
2014			
Receivables arising from insurance contracts	-	-	-
Receivables arising from reinsurance contracts	-	-	-
	-	-	-
2013			
Receivables arising from insurance contracts	139,445	-	139,445
Receivables arising from reinsurance contracts	150,993	1,273,823	1,424,816
	290,438	1,273,823	1,564,261

4 INSURANCE AND FINANCIAL RISK MANAGEMENT (cont'd)

4.2 Financial instruments, financial risk and capital risk management (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(i) *Credit risk management* (cont'd)

Receivables from insurance and reinsurance contracts amounting to B$261,682 and B$1,342,661 (2013: B$296,617 and B$301,943), respectively have been impaired and an allowance has been to made to recognize this impairment.

NICB has not recognised an allowance for doubtful receivables for the remaining financial assets as there has not been a significant change in credit quality and the amounts are still considered recoverable.

NICB's overall strategy remains unchanged from 2013.

(ii) *Liquidity risk management*

An important aspect of NICB's management of assets and liabilities is to ensure that cash is available to settle liabilities as they fall due. NICB maintains cash and liquid deposits to meet these demands on a daily basis. In normal circumstances, the majority of claims are settled with the bank balances and cash deposits available.

Non-derivative financial liabilities and insurance liabilities

The following tables detail the remaining contractual maturity for financial liabilities and insurance liabilities that have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which NICB can be required to pay. The table includes both interest and principal cash flow.

	On demand or within 1 year	Within 2 to 5 years	Total
	B$	B$	B$
2014			
Insurance contract provision net of reinsurers' shares	16,814,172	-	16,814,172
Insurance payables	2,300,873	-	2,300,873
Financial liabilities :			
- non-interest bearing	929,590	3,269,441	4,199,031
2013			
Insurance contract provision net of reinsurers' shares	16,711,818	-	16,711,818
Insurance payables	2,579,245	-	2,579,245
Financial liabilities :			
- non-interest bearing	936,083	3,291,596	4,227,679

4 INSURANCE AND FINANCIAL RISK MANAGEMENT (cont'd)

4.2 Financial instruments, financial risk and capital risk management

(c) Financial risk management policies and objectives (cont'd)

(ii) *Liquidity risk management* (cont'd)

Non-derivative financial assets

In respect of interest-earning financial assets, the following table indicates their weighted average effective interest rates per annum at the end of the reporting period drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where NICB anticipates that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset on the statement of financial positions.

	Average effective interest rate	Within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	B$	B$	B$	B$	B$
2014						
Available-for-sale financial assets						
- Listed corporate bonds	3.05 %	82,875	414,829	2,642,733	(600,429)	2,540,008
Loans and receivables						
- Cash and cash equivalents	0.45 %	22,298,789	-	-	-	22,298,789
- Short-term placements	1.28%	4,560,328	3,000,000	-	-	7,560,328
- Other receivables		159,259	22,423	-	-	181,682
Insurance receivables		3,065,168	-	-	-	3,065,168
		30,166,419	3,437,252	2,642,733	(600,429)	35,645,975
2013						
Available-for-sale financial assets						
- Listed corporate bonds	3.05%	82,875	414,602	2,725,835	(685,457)	2,537,855
Loans and receivables						
- Cash and cash equivalents	0.60%	21,960,883	-	-	-	21,960,883
- Short-term placements	1.25%	-	4,560,328	-	-	4,560,328
- Other receivables		120,555	46,979	-	-	167,534
Insurance receivables		3,174,720	1,564,261	-	-	4,738,981
		25,339,033	6,586,170	2,725,835	(685,457)	33,965,581

4 INSURANCE AND FINANCIAL RISK MANAGEMENT (cont'd)

4.2 Financial instruments, financial risk and capital risk management (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(iii) Interest rate risk management

NICB's exposure to interest rate risk relates primarily to the investment portfolio, which includes debt securities with active markets and deposit with banks. NICB has cash balances placed with reputable banks and financial institutions or invested in funds which generate interest income for NICB. NICB manages its interest rate risks by placing such balances on varying maturities and interest rate terms.

NICB does not use derivative financial instruments to hedge its interest rate risks. The summary quantitative data of NICB's interest-bearing financial instruments can be found in Note 4.2.

(iv) *Foreign currency risk management*

NICB undertakes transactions denominated in foreign currencies, consequently, exposures to exchange rate fluctuations arise.

The carrying amounts of NICB's foreign currency denominated monetary assets and monetary liabilities as at the end of the reporting period are as follows:

	Assets		Liabilities	
	2014	2013	2014	2013
	$	$	$	$
USD	840,484	969,624	126,228	341,068
MYR	24,876	69,731	6,508	37,460

Foreign currency sensitivity analysis
NICB is mainly exposed to the United States Dollar and Malaysian Ringgit.

The following table details NICB's sensitivity to a 5% increase and decrease in the Brunei Dollar against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. A positive number below indicates an increase in profit or equity where the Brunei Dollar strengthens 5% against the relevant currency. For a 5% weakening of the Brunei Dollar against the relevant currency, there would be a comparable impact on the profit or equity, and the balances below would be negative.

	USD Impact		MYR Impact	
	2014	2013	2014	2013
Profit or loss	35,713	31,428	918	1,614
Equity	0.26%	0.27%	0.01%	0.01%

4 INSURANCE AND FINANCIAL RISK MANAGEMENT (cont'd)

4.3 Fair value of financial assets and financial liabilities

NICB considers the carrying amounts of cash and cash equivalents, insurance and other receivables, and other liabilities to approximate their respective fair values due to the relatively short-term maturity of these financial instruments and due to the fact that effect of discounting would be insignificant. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

The fair values of financial assets are determined by standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices. The fair values of quoted debt securities are based on quoted bid prices obtained from the banks:

Financial instruments measured at fair value on a recurring basis:

	Fair value as at December 31				Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2014		2013					
Financial assets/ liabilities	Assets	Liabilities	Assets	Liabilities				
Available for sale investments (see note 9)								
Listed corporate bonds	2,540,008	-	2,537,855	-	Level 1	quoted prices (unadjusted) in active markets	N/A	N/A

There are no financial liabilities that are measured at fair value. There were no significant transfers between Level 1 and Level 2 of the fair value hierarchy in 2014 and 2013.

4.4 Capital risk management policies and objectives

NICB reviews its capital structure to ensure that it will be able to continue as a going concern and comply with the regulators' *Margin of Solvency*. The capital structure of NICB comprises of share capital, investment revaluation reserves and retained earnings. NICB's overall strategy remains unchanged from 2013.

5 RELATED PARTY TRANSACTIONS

NICB enters into transaction with related companies in the normal course of business.

During the year, apart from the balances and transactions disclosed elsewhere in these financial statements, NICB had the following significant transactions with its related companies:

	2014	2013
	B$	B$
Interest income from bank and fixed deposit	74,069	58,901

5 RELATED PARTY TRANSACTIONS

Key management personnel

Key management personnel of NICB are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. The directors and general manager are considered as key management personnel of NICB.

Short-term employee benefits paid/payable to key management personnel (included in staff costs and other operating expenses) was B$350,051 (2013: B$189,884).

Other related party transactions

Allianz Global Corporate & Specialty SE (an entity which owns 25% of NICB and which has significant influence over) offers management services to NICB. During the year, NICB paid a total of $259,551 (2013: $99,384) as management fees to this entity (Note 22). Other than this there were no material transactions with the entity.

Other than the amounts paid to Brucapital Holdings Sdn Bhd as consultancy fees (Note 22), there were no other related party transactions during the year.

6 CASH AND CASH EQUIVALENTS

	2014	2013
	B$	B$
Cash in banks and on hand	8,661,364	8,397,059
Short-term fixed deposits	13,637,425	13,563,824
	22,298,789	21,960,883

Short-term fixed deposits include B$1,610,016 (2013 : B$1,597,943) held by NICB as security deposit for credit terms granted to policyholders in respect of labour guarantees and performance bonds (Note 26).

NICB's cash and cash equivalents which are not denominated in its functional currency are as follows:

	2014	2013
	B$	B$
Denominated in :		
United States Dollars	842,048	694,898
Malaysian Ringgit	11,848	15,687

7 INSURANCE RECEIVABLES

	2014	2013
	B$	B$
Receivables arising from insurance contracts	3,215,854	3,274,168
Receivables arising from reinsurance contracts	1,453,657	2,063,373
	4,669,511	5,337,541
Allowance for doubtful insurance receivables:		
- Insurance contracts	(261,682)	(296,617)
- reinsurance contracts	(1,342,661)	(301,943)
	(1,604,343)	(598,560)
	3,065,168	4,738,981

The average credit period is 30 days to 90 days (2013: 30 days to 90 days). No interest is charged on the overdue outstanding insurance receivables.

NICB has provided fully for all receivables over 6 months based on estimated irrecoverable amounts determined by reference to past default experience.

Movement in the allowance for doubtful debts:

	2014	2013
	B$	B$
Balance at beginning of the year	598,560	514,191
Increase in allowance recognised in profit or loss (note 22)	1,005,783	84,369
Balance at the end of the year	1,604,343	598,560

8 SHORT-TERM PLACEMENTS

	2014	2013
	B$	B$
Short-term placements	7,560,328	4,560,328

NICB places the above amounts with locally incorporated banks in Brunei. The short-term placements have tenures ranging from more than 12 to 36 months.

9 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2014	2013
	B$	B$
Corporate debt securities:		
- Listed	2,540,008	2,537,855

The weighted average effective interest rate of the corporate bonds at the end of the reporting period and the periods in which they mature are disclosed in Note 4.2.

10 REINSURANCE ASSETS

	2014	2013
	B$	B$
Reinsurer's share of unearned premiums (Note 13)	2,564,721	2,996,328
Reinsurer's share of insurance claims (Note 13)	2,355,197	3,110,475
	4,919,918	6,106,803

The carrying amount disclosed above is a reasonable approximation of fair value.

11 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2014	2013
	B$	B$
Accrued interest receivable:		
- Debt securities	30,105	30,105
- Fixed deposits and interest on bank balances	122,860	83,117
Deposits	22,423	46,979
Prepayments	86,246	59,338
Sundry receivables	6,294	7,333
	267,928	226,872

12 PROPERTY AND EQUIPMENT

	Leasehold improvements	Motor vehicles	Office equipment, furniture and fittings	Computerisation	Leasehold Building	Total
	B$	B$	B$	B$	B$	B$
Cost:						
At January 1, 2013	384,315	225,649	1,294,233	774,594	1,350,000	4,028,791
Additions	11,936	-	16,422	33,734	-	62,092
Disposal	(280)	-	(61,270)	(6,584)	-	(68,134)
At December 31, 2013	395,971	225,649	1,249,385	801,744	1,350,000	4,022,749
Additions	-	94,793	12,541	8,313	-	115,647
Disposal	-	(78,000)	(5,228)	-	-	(83,228)
At December 31, 2014	395,971	242,442	1,256,698	810,057	1,350,000	4,055,168
Accumulated depreciation :						
At January 1, 2013	381,933	155,619	1,273,387	741,627	115,907	2,668,473
Depreciation	2,254	24,879	15,348	25,813	22,194	90,488
Disposal	(290)	-	(61,248)	(6,574)	-	(68,112)
At December 31, 2013	383,897	180,498	1,227,487	760,866	138,101	2,690,849
Depreciation	3,697	44,348	10,951	17,962	22,802	99,760
Disposal	-	(78,000)	(5,117)	-	-	(83,117)
At December 31, 2014	387,594	146,846	1,233,321	778,828	160,903	2,707,492
Carrying amount:						
At December 31, 2014	8,377	95,596	23,377	31,229	1,189,097	1,347,676
At December 31, 2013	12,074	45,151	21,898	40,878	1,211,899	1,331,900

13 INSURANCE CONTRACTS PROVISIONS

	2014	2013
	B$	B$
Provision for unearned premiums		
Gross	9,019,295	8,998,933
Reinsurance (Note 10)	(2,564,721)	(2,996,328)
Net	6,454,574	6,002,605
Provision for insurance claims		
Gross	12,714,795	13,819,688
Reinsurance (Note 10)	(2,355,197)	(3,110,475)
Net	10,359,598	10,709,213
Current liabilities		
Provision for unearned premiums	9,019,295	8,998,933
Provision for insurance claims:		
Claims incurred but not reported	5,009,984	4,881,408
Claims admitted or intimated but not paid	7,704,811	8,938,280
	12,714,795	13,819,688
	21,734,090	22,818,621

(a) Analysis of movements in provision for unearned premiums

	2014			2013		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	B$	B$	B$	B$	B$	B$
At 1 January	8,998,933	(2,996,328)	6,002,605	7,853,745	(2,394,743)	5,459,002
Premiums written	25,686,378	(9,284,570)	16,401,808	25,449,956	(9,046,860)	16,403,096
Premiums earned	(25,666,016)	9,716,177	(15,949,839)	(24,304,768)	8,445,275	(15,859,493)
At 31 December	9,019,295	(2,564,721)	6,454,574	8,998,933	(2,996,328)	6,002,605

(b) Analysis of movements in provision for insurance claims

	2014			2013		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	B$	B$	B$	B$	B$	B$
At 1 January	13,819,688	(3,110,475)	10,709,213	22,907,765	(13,079,685)	9,828,080
Claims paid	(4,242,943)	522,710	(3,720,233)	(5,103,538)	1,233,837	(3,869,701)
Claims (reversed) incurred	3,138,050	232,568	3,370,618	(3,984,539)	8,735,373	4,750,834
At 31 December	12,714,795	(2,355,197)	10,359,598	13,819,688	(3,110,475)	10,709,213

14 INSURANCE PAYABLES

	2014	2013
	B$	B$
Payables arising from insurance contracts	330,293	466,246
Payables arising from reinsurance contracts	1,970,580	2,112,999
	2,300,873	2,579,245

Insurance payables principally comprise amounts outstanding from insurance and reinsurance contracts. NICB has financial risk management policies in place to ensure that all payables are within the credit time frame.

15 OTHER PAYABLES AND ACCRUALS

	2014	2013
	B$	B$
Accrued expenses	761,704	801,006
Dividend payable	20,589	7,497
Collateral deposits held	3,269,441	3,291,596
Sundry payables	261,108	283,937
Deposits received	30,000	-
	4,342,842	4,384,036

Accrued expenses principally comprise of accruals for operating expenses. Collateral deposits are held in respect of insurance bonds issued on behalf of customers and for credit terms granted to customers.

16 DEFERRED TAX

The following are the major deferred tax assets and liabilities recognised by NICB and the movements thereon, during the current and prior reporting periods:

	Accelerated tax depreciation	Available for sale investments	Incurred but not reported	Total
	B$	B$	B$	B$
At January 1, 2013	76,398	2,236	525,600	604,234
Charged to profit or loss for the year	-	(526)	13,906	13,380
At December 31, 2013	76,398	1,710	539,506	617,614
Charged to profit or loss for the year	-	(460)	117,168	116,708
At December 31, 2014	76,398	1,250	656,674	734,322

16 DEFERRED TAX (cont'd)

Certain deferred tax assets and liabilities have been offset in accordance with NICB's accounting policy. The following is the analysis of the deferred tax balances (after offset) for balance sheet purposes:

	2014	2013
	B$	B$
Deferred tax assets	734,322	617,614

17 SHARE CAPITAL

The following are the major deferred tax assets and liabilities recognised by NICB and the movements thereon, during the current and prior reporting periods:

	2014	2013
	B$	B$
Authorised:		
100,000,000 ordinary shares of B$1.00 each	100,000,000	100,000,000
Issued and fully paid:		
At the beginning and at the end of the year	8,000,000	8,000,000

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by NICB.

18 COMMISSION INCOME

	2014	2013
	B$	B$
Reinsurance commission income	1,661,970	1,072,103

19 NET INVESTMENT INCOME

	2014	2013
	B$	B$
Interest income from:		
- bank deposits	144,734	150,563
- debt securities	69,029	69,201
	213,763	219,764

20 OTHER INCOME

	2014	2013
	B$	B$
Miscellaneous income	135,440	191,796
Gain on disposal of property and equipment	24,888	688
Foreign exchange (loss) / gain	(150,319)	209,800
	10,009	402,284

21 STAFF COSTS

Included in staff costs are contributions to a statutory defined contribution schemes of B$68,163 (2013: B$65,814)

22 OTHER OPERATING EXPENSES

	2014	2013
	B$	B$
Administrative expenses	639,912	488,803
Management fee expense to immediate holding company (Note 5)	259,551	99,384
Professional fees	103,486	366,338
Consultancy fee to immediate holding company (Note 5)	78,000	78,000
Marketing expenses	50,761	126,355
Interest expense	14,754	24,849
Unrealised foreign exchange (gain) / loss	(33,611)	106,076
Bad debts written off	-	79,274
Allowance for doubtful accounts, net of recoveries	1,005,783	84,369
	2,118,636	1,453,448

23 INCOME TAX

	2014	2013
	B$	B$
Taxation in respect of current year's profit	550,000	491,584
Overprovision of income tax in previous year	(1,148)	(33,584)
Deferred tax benefits recognized (note 16)	(116,708)	(13,380)
	432,144	444,620

23 INCOME TAX (cont'd)

Relationship between tax expense and accounting profit:-

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate is as follows:-

	2014	2013
	B$	B$
Profit before taxation	2,974,727	2,289,240
Tax calculated at the rate of 18.5% (2013: 20%) on the first B$100,000 at one-quarter of the full rate, the next B$150,000 at one-half of the full rate and the remaining profit at the full rate	522,575	427,848
Adjustments:		
- Non-deductible expenses	80,010	18,281
- Further deduction	(14,967)	(13,163)
- Capital allowances	(19,273)	(25,224)
- Others	(18,345)	83,842
Overprovision of income tax in previous year	(1,148)	(33,584)
Provision for taxation in respect of current year's profit	548,852	458,000
Deferred tax benefits recognized	(116,708)	(13,380)
Tax expense charged to profit and loss account	432,144	444,620

	2014	2013
	B$	B$
Provision for taxation:		
Balance brought forward	491,584	293,844
Tax paid	(490,436)	(260,260)
Provision for taxation in respect of current year's profit	548,852	458,000
Balance carried forward	550,000	491,584
Deferred tax assets:		
Balance brought forward	617,614	604,234
Deferred tax benefits recognized	116,708	13,380
Balance carried forward	734,322	617,614

24 DIVIDENDS

The directors have proposed a final dividend of 7 cents per share and special dividend of 5 cents per share amounting to B$960,000 which will be submitted for formal approval at the forthcoming Annual General Meeting. As such, the proposed dividend has not been recognised as a liability as at December 31, 2014.

25 OPERATING LEASE COMMITMENTS

NICB as lessee

	2014	2013
	B$	B$
Minimum lease payment recognised as an expense during the year	51,545	32,584

Future minimum lease payments under operating leases are as follows:

	2014	2013
	B$	B$
Within one year	25,921	46,921
Beyond one year	1,000	26,921
	26,921	73,842

Operating lease payments represent rental payable by NICB for its certain office equipment and accommodation rental for the General Manager. Leases are negotiated for an average of 36 months and rentals are fixed for an average of 2 years.

26 CONTINGENT LIABILITIES

Gross contingent liabilities not provided for in the financial statements are gross of facultative and treaty reinsurance underlining protection:

	2014	2013
	B$	B$
Performance bonds and banker's guarantees provided on behalf of third parties	9,323,785	9,480,982
Other contingent liabilities:		
Banker's guarantee in respect of statutory deposit require by Section 5(1) of the Motor Vehicles Insurance (Third Party Risks) Act, Cap. 90	1,000,000	1,000,000
Banker's guarantee in respect of statutory deposit under Section 16, Insurance Order 2006	1,000,000	-
Banker's guarantee to Commissioner of Labour provided in respect of NICB's employees' repatriation expenses	9,500	9,500
	11,333,285	10,490,482

The performance bonds and banker's guarantees are secured by NICB's short-term deposits placed with various financial institutions amounting to B$1,610,016 (2013: B$1,597,943)

27 SEGMENT REVENUE AND RESULTS

The following is an analysis of NICB's revenue and results from continuing operations by class of business.

	Marine	Fire	Motor	Liability	Workmen's compensation	Others	Total
	B$	B$	B$	B$	B$	B$	B$
2014							
Income							
Gross written premiums	599,087	6,231,751	3,385,460	7,972,868	5,360,430	2,136,782	25,686,378
Movement in gross provision for unearned premium	(28,995)	(124,822)	213,684	(237,055)	(91,660)	248,486	(20,362)
Gross earned premiums	570,092	6,106,929	3,599,144	7,735,813	5,268,770	2,385,268	25,666,016
Written premium ceded to reinsurers	(164,936)	(2,472,791)	(393,367)	(4,675,500)	(534,412)	(1,043,564)	(9,284,570)
Reinsurers' share of change in provision for unearned premium	25,264	(41,142)	(3,923)	131,127	(13,586)	(529,347)	(431,607)
Net earned premium	430,420	3,592,996	3,201,854	3,191,440	4,720,772	812,357	15,949,839
Other revenue							
Commission income	29,027	887,511	6	441,316	569	303,541	1,661,970
Net investment income	7,118	48,353	46,151	42,368	60,496	9,277	213,763
Other income	332	2,263	2,161	1,984	2,834	435	10,009
Total income before claims and expenses	466,897	4,531,123	3,250,172	3,677,108	4,784,671	1,125,610	17,835,581
Claims and expenses							
Gross claims incurred (reversed)	(3,781)	718,001	(62,795)	(246,682)	2,129,902	603,405	3,138,050
Reinsurer's share of claims incurred	106,833	72,671	(26,756)	369,259	39,428	(328,867)	232,568
Net claims incurred	103,052	790,672	(89,551)	122,577	2,169,330	274,538	3,370,618
Commission expense	124,848	2,711,046	605,079	1,429,903	2,405,141	355,446	7,631,463
Staff costs	62,284	381,127	299,444	389,963	399,187	108,372	1,640,377
Depreciation of property and equipment	3,322	22,566	21,538	19,772	28,232	4,330	99,760
Other operating expenses	70,344	479,087	455,717	424,008	597,719	91,761	2,118,636
Total claims and expenses	363,850	4,384,498	1,292,227	2,386,223	5,599,609	834,447	14,860,854
Profit / (loss) before income tax	103,047	146,625	1,957,945	1,290,885	(814,938)	291,163	2,974,727

27 SEGMENT REVENUE AND RESULTS (cont'd)

	Marine	Fire	Motor	Liability	Workmen's compensation	Others	Total
	B$	B$	B$	B$	B$	B$	B$
2013							
Income							
Gross written premiums	683,759	5,959,012	4,051,164	8,012,469	5,007,598	1,735,954	25,449,956
Movement in gross provision for unearned premium	7,778	(36,688)	(371,076)	(841,497)	(149,836)	246,131	(1,145,188)
Gross earned premiums	691,537	5,922,324	3,680,088	7,170,972	4,857,762	1,982,085	24,304,768
Written premium ceded to reinsurers	(145,824)	(2,300,422)	(253,429)	(4,830,250)	(364,371)	(1,152,564)	(9,046,860)
Reinsurers' share of change in provision for unearned premium	(16,296)	(34,898)	(2,519)	806,334	(5,787)	(145,249)	601,585
Net earned premium	529,417	3,587,004	3,424,140	3,147,056	4,487,604	684,272	15,859,493
Other revenue							
Commission income	20,612	581,334	3,750	228,189	10,493	227,725	1,072,103
Net investment income	10,340	49,304	41,052	45,953	63,270	9,845	219,764
Other income	18,927	90,252	75,147	84,118	115,818	18,022	402,284
Total income before claims and expenses	579,296	4,307,894	3,544,089	3,505,316	4,677,185	939,864	17,553,644
Claims and expenses							
Gross claims incurred (reversed)	11,165	1,660,658	1,290,209	605,480	2,348,641	(9,900,692)	(3,984,539)
Reinsurer's share of claims incurred	20,561	(549,666)	(336,452)	(352,739)	(66,439)	10,020,108	8,735,373
Net claims incurred	31,726	1,110,992	953,757	252,741	2,282,202	119,416	4,750,834
Commission expense	159,948	2,702,477	746,839	1,182,641	2,176,655	344,560	7,313,120
Staff costs	76,012	383,702	279,593	399,091	410,963	107,153	1,656,514
Depreciation of property and equipment	4,257	20,301	16,903	18,921	26,052	4,054	90,488
Other operating expenses	69,498	324,694	269,151	308,532	414,925	66,648	1,453,448
Total claims and expenses	341,441	4,542,166	2,266,243	2,161,926	5,310,797	641,831	15,264,404
Profit / (loss) before income tax	237,855	(234,272)	1,277,846	1,343,390	(633,612)	298,033	2,289,240