

PACIFIC & ORIENT INSURANCE CO. BERHAD

Company No. 12557 W

(Incorporated in Malaysia)

**Unaudited Condensed Interim Financial Statements
For The Six Months Ended 31 March 2014**

Company No: 12557 W

PACIFIC & ORIENT INSURANCE CO. BERHAD
(Incorporated in Malaysia)

CONTENTS

	<u>PAGE</u>
Condensed Statement of Financial Position	1
Condensed Statement of Changes in Equity	2
Condensed Income Statement	3
Condensed Statement of Comprehensive Income	4
Condensed Statement of Cash Flows	5
Notes to the Unaudited Condensed Interim Financial Statements	6 - 21

PACIFIC & ORIENT INSURANCE CO. BERHAD
(Incorporated in Malaysia)

CONDENSED STATEMENT OF FINANCIAL POSITION

		As at 31 March <u>2014</u> RM'000	As at 30 September <u>2013</u> RM'000
ASSETS	<u>Note</u>		
Property, plant and equipment	2	20,288	20,450
Investment properties		695	695
Prepaid land lease payments		312	314
Intangible assets		206	221
Deferred tax assets		-	1,875
Investments	3	811,649	790,273
Reinsurance assets	4	232,449	229,483
Insurance receivables	5	15,053	23,679
Other receivables		65,064	53,176
Cash and cash equivalents	6	4,849	4,482
TOTAL ASSETS		<u>1,150,565</u>	<u>1,124,648</u>
EQUITY AND LIABILITIES			
Share capital		100,000	100,000
Revaluation reserve		8,799	8,799
Available-for-sale reserve		2,025	(1,345)
Retained profits		137,356	146,347
TOTAL EQUITY		<u>248,180</u>	<u>253,801</u>
Insurance contract liabilities	7	808,489	786,537
Insurance payables	8	13,833	8,744
Hire purchase creditors		644	657
Tax payables		2,955	-
Deferred tax liabilities		1,525	-
Borrowings	9	68,336	68,263
Other payables		6,603	6,646
TOTAL LIABILITIES		<u>902,385</u>	<u>870,847</u>
TOTAL EQUITY AND LIABILITIES		<u>1,150,565</u>	<u>1,124,648</u>

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Company for the financial year ended 30 September 2013 and the accompanying explanatory notes on pages 6 to 21 attached to the unaudited condensed financial statements.

PACIFIC & ORIENT INSURANCE CO. BERHAD
(Incorporated in Malaysia)

CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 MARCH 2014

	<-----Non-Distributable----->			Distributable	
	<u>Share capital</u>	<u>Revaluation reserve</u>	<u>Available -for-sale reserve</u>	<u>Retained profits</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 October 2013	100,000	8,799	(1,345)	146,347	253,801
Net profit for the period	-	-	-	20,997	20,997
Other comprehensive income for the period	-	-	3,370	-	3,370
Total comprehensive income for the period	-	-	3,370	20,997	24,367
Dividends (Note 17)	-	-	-	(29,988)	(29,988)
At 31 March 2014	<u>100,000</u>	<u>8,799</u>	<u>2,025</u>	<u>137,356</u>	<u>248,180</u>
At 1 October 2012	100,000	8,799	687	134,805	244,291
Net profit for the period	-	-	-	25,904	25,904
Other comprehensive loss for the period	-	-	(2,614)	-	(2,614)
Total comprehensive (loss)/ income for the period	-	-	(2,614)	25,904	23,290
Dividends (Note 17)	-	-	-	(19,987)	(19,987)
At 31 March 2013	<u>100,000</u>	<u>8,799</u>	<u>(1,927)</u>	<u>140,722</u>	<u>247,594</u>

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Company for the financial year ended 30 September 2013 and the accompanying explanatory notes on pages 6 to 21 attached to the unaudited condensed financial statements.

PACIFIC & ORIENT INSURANCE CO. BERHAD
(Incorporated in Malaysia)

CONDENSED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 31 MARCH 2014

	6 months ended 31 March <u>2014</u> RM'000	6 months ended 31 March <u>2013</u> RM'000
Operating revenue	<u>270,726</u>	<u>279,080</u>
Gross earned premiums	256,281	265,235
Premiums ceded to reinsurers	<u>(74,710)</u>	<u>(89,314)</u>
Net earned premiums	<u>181,571</u>	<u>175,921</u>
Investment income	14,445	13,845
Realised gains	420	2,940
Commission income	9,116	14,126
Fair values losses	-	(467)
Other operating revenue	<u>268</u>	<u>411</u>
Other revenue	<u>24,249</u>	<u>30,855</u>
Gross claims paid	(136,879)	(135,972)
Claims ceded to reinsurers	39,350	37,647
Gross change to insurance contract liabilities	(21,925)	(10,671)
Change in insurance contract liabilities ceded to reinsurers	<u>5,066</u>	<u>(1,615)</u>
Net claims	<u>(114,388)</u>	<u>(110,611)</u>
Commission expense	(28,230)	(29,478)
Management expenses	(28,733)	(28,146)
Finance costs	<u>(2,743)</u>	<u>(2,742)</u>
Other expenses	<u>(59,706)</u>	<u>(60,366)</u>
Profit before taxation	31,726	35,799
Taxation	<u>(10,729)</u>	<u>(9,895)</u>
Net profit for the period	<u>20,997</u>	<u>25,904</u>
Basic and diluted earnings per share (sen)	<u>21.00</u>	<u>25.90</u>

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Company for the financial year ended 30 September 2013 and the accompanying explanatory notes on pages 6 to 21 attached to the unaudited condensed financial statements.

PACIFIC & ORIENT INSURANCE CO. BERHAD
(Incorporated in Malaysia)

CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 MARCH 2014

	6 months ended 31 March 2014	6 months ended 31 March 2013
	<-----Unaudited----->	
	RM'000	RM'000
Net profit for the period	20,997	25,904
Other comprehensive income/(loss):		
<u>Items that may be reclassified to income statement in subsequent periods:</u>		
Fair value changes on available-for-sale ("AFS") financial assets	4,494	(3,486)
Deferred tax	(1,124)	872
Net gain/(loss)	3,370	(2,614)
Other comprehensive income/(loss) for the period, net of tax	3,370	(2,614)
Total comprehensive income for the period	24,367	23,290

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Company for the financial year ended 30 September 2013 and the accompanying explanatory notes on pages 6 to 21 attached to the unaudited condensed financial statements.

PACIFIC & ORIENT INSURANCE CO. BERHAD
(Incorporated in Malaysia)

CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 MARCH 2014

	6 months ended 31 March <u>2014</u> RM'000	6 months ended 31 March <u>2013</u> RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Cash generated from operations	23,580	30,044
Net tax paid	(5,449)	(11,277)
Dividends received	177	-
Interest received	12,470	12,795
Interest paid	(17)	(24)
Net cash generated from operating activities	30,761	31,538
CASH FLOW FROM INVESTING ACTIVITIES		
Disposal of property, plant and equipment	52	-
Purchase of property, plant and equipment	(444)	(231)
Purchase of intangible assets	(2)	-
Net cash used in investing activities	(394)	(231)
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid	(29,988)	(19,987)
Decrease in hire purchase creditors	(12)	(167)
Net cash used in financing activities	(30,000)	(20,154)
Net increase in cash and cash equivalents	367	11,153
Cash and cash equivalents at beginning of period	4,482	17,166
Cash and cash equivalents at end of period	4,849	28,319
Cash and cash equivalents comprise the following:		
Cash and bank balances	4,849	28,319

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Company for the financial year ended 30 September 2013 and the accompanying explanatory notes on pages 6 to 21 attached to the unaudited condensed financial statements.

PACIFIC & ORIENT INSURANCE CO. BERHAD
(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 MARCH 2014

1. BASIS OF PREPARATION

- (i) The unaudited condensed interim financial statements for the six months ended 31 March 2014 have been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 134: Interim Financial Reporting. The unaudited condensed interim financial statements also comply with the International Accounting Standard 34: Interim Financial Reporting issued by the International Accounting Standards Board (“IASB”).

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Company for the financial year ended 30 September 2013.

(ii) Significant Accounting Policies

The significant accounting policies adopted in this set of interim financial statements are consistent with those adopted in the audited financial statements for the year ended 30 September 2013 except for the adoption of the following MFRSs, Amendments to MFRSs and Issues Committee (“IC”) Interpretations:

Effective for financial periods beginning on or after 1 January 2013

MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
MFRS 101	Presentation of Financial Statements (Annual Improvements 2009 - 2011 Cycle)
MFRS 116	Property, Plant and Equipment (Annual Improvements 2009 - 2011 Cycle)
MFRS 119	Employee Benefits (revised)
MFRS 127	Consolidated and Separate Financial Statements (revised)
MFRS 128	Investments in Associates and Joint Ventures (revised)

1. BASIS OF PREPARATION (CONT'D.)

(ii) Significant Accounting Policies (Cont'd.)

Effective for financial periods beginning on or after 1 January 2013 (Cont'd.)

MFRS 132	Financial Instruments: Presentation (Annual Improvements 2009 - 2011 Cycle)
MFRS 134	Interim Financial Reporting (Annual Improvements 2009 - 2011 Cycle)
Amendments to MFRS 1	First- time Adoption to MFRS - Government Loans
Amendments to MFRS 1	First-time Adoption to MFRS 1 (Annual Improvements 2009 - 2011 Cycle)
Amendments to MFRS 7	Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 10	Consolidated Financial Statements: Transition Guidance
Amendments to MFRS 11	Joints Arrangements: Transition Guidance
Amendments to MFRS 12	Disclosure of Interest in Other Entities: Transition Guide
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments (Annual Improvements 2009 - 2011 Cycle)
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine

The adoption of the above MFRSs, Amendments to MFRSs and IC Interpretations do not have any significant impact on the unaudited condensed financial statements of the Company.

1. BASIS OF PREPARATION (CONT'D.)

(ii) Significant Accounting Policies (Cont'd.)

MFRS, Amendments to MFRS and IC Interpretations yet to be effective

The Company has not adopted the following MFRSs, Amendments to MFRSs and IC Interpretations which have been issued but are not yet effective:

Effective for financial periods beginning on or after 1 January 2014

Amendments to MFRS 10	Consolidated Financial Statements: Investment Entities
Amendments to MFRS 12	Disclosure of Interest in Other Entities: Investment Entities
Amendments to MFRS 127	Consolidated and Separate Financial Statements: Investment Entities
Amendments to MFRS 132	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 136	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21	Levies

Effective for financial periods beginning on or after 1 July 2014

Amendments to MFRS 119	Defined Benefit Plans: Employee Contributions
MFRS 2	Share-Based Payment (Annual Improvements to MFRSs 2010 – 2012 Cycle)
MFRS 3	Business Combinations (Annual Improvements to MFRSs 2010 – 2012 Cycle)
MFRS 8	Operating Segments (Annual Improvements to MFRSs 2010 – 2012 Cycle)
MFRS 13	Fair Value Measurement (Annual Improvements to MFRSs 2010 – 2012 Cycle)

1. BASIS OF PREPARATION (CONT'D.)

(ii) Significant Accounting Policies (Cont'd.)

MFRS, Amendments to MFRS and IC Interpretations yet to be effective (Cont'd.)

Effective for financial periods beginning on or after 1 July 2014 (Cont'd)

MFRS 116	Property, Plant and Equipment (Annual Improvements to MFRSs 2010 – 2012 Cycle)
MFRS 138	Intangible Assets (Annual Improvements to MFRSs 2010 – 2012 Cycle)
MFRS 124	Related Party Disclosures (Annual Improvements to MFRSs 2010 – 2012 Cycle)
MFRS 1	First-time Adoption of MFRS (Annual Improvements to MFRSs 2011 – 2013 Cycle)
MFRS 3	Business Combinations (Annual Improvements to MFRSs 2011 – 2013 Cycle)
MFRS 13	Fair Value Measurement (Annual Improvements to MFRSs 2011 – 2013 Cycle)
MFRS 140	Investment Property (Annual Improvements to MFRSs 2011 – 2013 Cycle)

Effective date to be announced by Malaysian Accounting Standards Board

MFRS 9	Financial Instruments (International Financial Reporting Standard ("IFRS") 9 issued by IASB in November 2009)
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)
Amendments to MFRS 7	Mandatory Effective Date of MFRS 9 and Transition Disclosures (Amendments to MFRS 9 (IFRS 9 issued by IASB in November 2009), MFRS 9 (IFRS 9 issued by IASB in October 2010) and MFRS 7)
MFRS 9	Financial Instruments (Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139)

1. BASIS OF PREPARATION (CONT'D.)

(ii) Significant Accounting Policies (Cont'd.)

MFRS, Amendments to MFRS and IC Interpretations yet to be effective (Cont'd.)

The adoption of the above MFRSs and Amendments to MFRSs and IC Interpretations stated above are not expected to result in significant financial impact to the Company, except as disclosed below:

MFRS 9: Financial instruments (IFRS 9 issued by IASB in November 2009).

MFRS 9 reflects the first phase of work on the replacement of MFRS 139 and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to MFRS 9: Mandatory Effective Date of MFRS 9 and Transition Disclosures, issued in March 2012, had moved the mandatory effective date to 1 January 2015. Subsequently, on 14 February 2014, it was announced by the Malaysian Accounting Standard Board (MASB) that the new effective date of the standard will be decided when the project is closer to completion.

The Company is currently assessing the financial impact of adopting MFRS 9.

2. PROPERTY, PLANT AND EQUIPMENT

- (a) The property, plant and equipment consist of freehold land and buildings, leasehold buildings, computer equipment, motor vehicles, office equipment, and furniture, fixtures and fittings. All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment except for freehold land and buildings and leasehold buildings are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land and buildings and leasehold buildings were stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and accumulated impairment loss.

The freehold land and buildings and leasehold buildings were revalued as at 30 September 2012 based on valuation carried out by independent valuers of Messrs. Rahim & Co. on an open market value basis using the comparison method.

The fair value of the freehold land and buildings and leasehold buildings are categorised within level 2 of the fair value hierarchy of MFRS 13.

There is no change to the valuation technique and fair value hierarchy level during the period.

- (b) The net book values of the freehold land and buildings and leasehold buildings of the Company had the cost model been applied, compared to the revaluation model as at 31 March 2014 are as follows:

	<u>Net Carrying Value</u>		<u>Net Carrying Value</u>	
	<u>31 March 2014</u>		<u>30 September 2013</u>	
	Under	Under	Under	Under
	Revaluation	Cost	Revaluation	Cost
	Model	Model	Model	Model
	RM'000	RM'000	RM'000	RM'000
Freehold land	1,860	380	1,860	380
Freehold buildings	650	276	661	280
Leasehold buildings	15,490	7,426	15,846	7,586
	<u>18,000</u>	<u>8,082</u>	<u>18,367</u>	<u>8,246</u>

3. INVESTMENTS

	31 March <u>2014</u> RM'000	30 September <u>2013</u> RM'000
(a) Available-for-sale ("AFS") financial assets:		
<u>At fair value:</u>		
Quoted shares	20,376	16,599
Quoted warrant	-	4
Unit trusts	12,063	11,887
Total available-for-sale financial assets	<u>32,439</u>	<u>28,490</u>
(b) Held-to-maturity ("HTM") investments:		
<u>At amortised cost:</u>		
Malaysian Government Securities*	5,378	5,378
Amortisation of premiums	(372)	(335)
Total held-to-maturity investments	<u>5,006</u>	<u>5,043</u>
(c) Loan and receivables ("L&R"):		
<u>At amortised cost:</u>		
Deposits and placements with licensed financial institutions:		
Commercial banks	532,828	573,988
Investment banks	241,376	182,752
	<u>774,204</u>	<u>756,740</u>
Total investments	<u>811,649</u>	<u>790,273</u>
<u>At fair value:</u>		
* Malaysian Government Securities	<u>5,009</u>	<u>5,060</u>

3. INVESTMENTS (CONT'D.)

(d) Carrying values of investments:

	<u>AFS</u> RM'000	<u>HTM</u> RM'000	<u>L&R</u> RM'000	<u>Total</u> RM'000
At 1 October 2013	28,490	5,043	756,740	790,273
Additions	154	-	-	154
Placements	-	-	173,867	173,867
Disposal	(699)	-	-	(699)
Maturity	-	-	(156,403)	(156,403)
Fair value gains recorded in other comprehensive income	4,494	-	-	4,494
Amortisation of premiums	-	(37)	-	(37)
At 31 March 2014	<u>32,439</u>	<u>5,006</u>	<u>774,204</u>	<u>811,649</u>
At 1 October 2012	38,727	15,137	718,471	772,335
Additions	505	-	-	505
Placements	-	-	682,649	682,649
Disposal	(7,103)	-	-	(7,103)
Maturity	-	(10,000)	(644,380)	(654,380)
Fair value losses recorded in other comprehensive income	(2,710)	-	-	(2,710)
Movement in impairment loss	(929)	-	-	(929)
Amortisation of premiums	-	(94)	-	(94)
At 30 September 2013	<u>28,490</u>	<u>5,043</u>	<u>756,740</u>	<u>790,273</u>

Included in deposits and placements of the Company is an amount of RM91,809 (30 September 2013: RM90,397) representing placements of deposits received from insureds as collateral for bond guarantees granted to third parties.

4. REINSURANCE ASSETS

	31 March <u>2014</u> RM'000	30 September <u>2013</u> RM'000
Reinsurance of insurance contracts:		
- Claims liabilities	170,485	165,419
- Premium liabilities	61,964	64,064
	<u>232,449</u>	<u>229,483</u>

5. INSURANCE RECEIVABLES

	31 March <u>2014</u> RM'000	30 September <u>2013</u> RM'000
Outstanding premiums including agents, brokers' and co-insurers' balance	8,312	9,663
Due from reinsurers and ceding companies	9,153	15,647
	<u>17,465</u>	<u>25,310</u>
Allowance for impairment	(2,412)	(1,631)
	<u>15,053</u>	<u>23,679</u>

6. CASH AND CASH EQUIVALENTS

	31 March <u>2014</u> RM'000	30 September <u>2013</u> RM'000
Deposits and placements with licensed commercial banks (with maturity of less than three months)	-	680
Cash and bank balances	4,849	3,802
	<u>4,849</u>	<u>4,482</u>

7. INSURANCE CONTRACT LIABILITIES

	<----- 31 March 2014 ----->			<----- 30 September 2013 ----->		
	Gross RM'000	Reinsurance RM'000 (Note 3)	Net RM'000	Gross RM'000	Reinsurance RM'000 (Note 3)	Net RM'000
General insurance	808,489	(232,449)	576,040	786,537	(229,483)	557,054

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

	Note	<----- 31 March 2014 ----->			<----- 30 September 2013 ----->		
		Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Provisions for claims reported by policyholders		425,956	(128,560)	297,396	411,759	(124,400)	287,359
Provision for Incurred But Not Reported ("IBNR") claims		98,966	(25,426)	73,540	93,386	(25,097)	68,289
Provision of Risk Margin for Adverse Deviation ("PRAD")		48,125	(16,499)	31,626	45,977	(15,922)	30,055
Claims Liabilities	7.1	573,047	(170,485)	402,562	551,122	(165,419)	385,703
Premium Liabilities	7.2	235,442	(61,964)	173,478	235,415	(64,064)	171,351
		808,489	(232,449)	576,040	786,537	(229,483)	557,054

Company No: 12557 W

7. INSURANCE CONTRACT LIABILITIES (CONT'D.)

7.1 Claims Liabilities

	<----- 31 March 2014 ----->			<----- 30 September 2013 ----->		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 October 2013/2012	551,122	(165,419)	385,703	516,480	(154,778)	361,702
Claims incurred in the current accident year (direct and facultative)	106,847	(31,496)	75,351	181,542	(60,995)	120,547
Adjustment to claims incurred in prior accident years (direct and facultative)	43,278	(12,231)	31,047	121,540	(30,104)	91,436
Claims incurred during the period/year (treaty inwards claims)	6,143	-	6,143	17,825	-	17,825
Movement in Provision of Risk Margin for Adverse Deviation ("PRAD") claims liabilities at 75% confidence level	2,148	(576)	1,572	(1,763)	1,883	120
Movement in claims handling expenses	388	(113)	275	714	79	793
Claims paid during the period/year	(136,879)	39,350	(97,529)	(285,216)	78,496	(206,720)
At 31 March 2014/30 September 2013	<u>573,047</u>	<u>(170,485)</u>	<u>402,562</u>	<u>551,122</u>	<u>(165,419)</u>	<u>385,703</u>

Company No: 12557 W

7. INSURANCE CONTRACT LIABILITIES (CONT'D.)

7.2 Premium Liabilities

	<----- 31 March 2014 ----->			<----- 30 September 2013 ----->		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 October 2013/2012	235,415	(64,064)	171,351	244,972	(76,200)	168,772
Premiums written during the period/year	256,308	(72,610)	183,698	515,878	(160,593)	355,285
Premiums earned during the period/year	(256,281)	74,710	(181,571)	(525,435)	172,729	(352,706)
At 31 March 2014/30 September 2013	<u>235,442</u>	<u>(61,964)</u>	<u>173,478</u>	<u>235,415</u>	<u>(64,064)</u>	<u>171,351</u>

8. INSURANCE PAYABLES

	31 March <u>2014</u> RM'000	30 September <u>2013</u> RM'000
Due to reinsurers and ceding companies	10,814	6,092
Due to agents, brokers, co-insurers and insureds	<u>3,019</u>	<u>2,652</u>
	<u><u>13,833</u></u>	<u><u>8,744</u></u>

9. BORROWINGS

	Effective Interest Rate per annum	Maturity	31 March <u>2014</u> RM'000	30 September <u>2013</u> RM'000
<u>Unsecured</u> Subordinated Notes	8.01%	2022	<u>68,336</u>	<u>68,263</u>
Amount due more than 5 years			<u><u>68,336</u></u>	<u><u>68,263</u></u>

During the financial year ended 30 September 2012, the Company had established a Subordinated Notes (“Sub Notes”) Programme with an aggregate nominal value of RM150,000,000 issuable in tranches.

The first tranche of Sub Notes was issued on 27 June 2012 with a nominal value of RM70,000,000 at a discounted subscription price of RM99.05. The Sub Notes were issued for a tenure of 10 years on a 10 non-callable 5 basis, with a coupon rate of 7.60% per annum.

Of the RM70,000,000 Sub Notes, RM35,000,000 were subscribed by its holding company whilst the remaining RM35,000,000 were subscribed by a third party.

The proceeds from the issuance of the Sub Notes were used to repay its unsecured term loan of RM70,000,000 previously granted by its holding company.

10. TOTAL CAPITAL AVAILABLE

The capital structure of the Company, as prescribed under the Risk-Based Capital Framework is provided below:

	31 March <u>2014</u> RM'000	30 September <u>2013</u> RM'000
<u>Eligible Tier 1 Capital</u>		
Share capital (paid-up)	100,000	100,000
Retained earnings	<u>137,356</u>	<u>146,347</u>
	<u>237,356</u>	<u>246,347</u>
<u>Tier 2 Capital</u>		
Capital instruments which qualify as Tier 2 Capital	68,336	68,263
Revaluation reserve	8,799	8,799
AFS reserve	<u>2,025</u>	<u>(1,345)</u>
	<u>79,160</u>	<u>75,717</u>
Amounts deducted from Capital	<u>-</u>	<u>(1,875)</u>
Total Capital Available	<u><u>316,516</u></u>	<u><u>320,189</u></u>

11. COMMITMENTS

	31 March <u>2014</u> RM'000	30 September <u>2013</u> RM'000
Non-cancellable operating lease commitments		
Future minimum lease payments are as follows:		
Not later than 1 year	2,780	2,782
Later than 1 year and not later than 5 years	<u>2,535</u>	<u>2,832</u>
	<u><u>5,315</u></u>	<u><u>5,614</u></u>

These represent operating lease commitments for computer and office equipment of the Company.

12. AUDIT QUALIFICATION OF THE PRECEDING ANNUAL FINANCIAL STATEMENTS

There was no qualification in the audit report of the preceding annual financial statements of the Company.

13. SEASONALITY OR CYCLICALITY OF OPERATIONS

The business of the Company is not subject to any significant seasonal or cyclical fluctuations.

14. UNUSUAL ITEMS AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASHFLOWS

There were no unusual items that affect the assets, liabilities, equity, net income or cash flows of the Company for the period ended 31 March 2014.

15. CHANGES IN ESTIMATES

There were no changes in estimates of amounts reported in prior periods that have a material effect for the period ended 31 March 2014.

16. ISSUANCES, CANCELLATIONS, REPURCHASES, RESALE AND REPAYMENTS OF DEBT AND EQUITY SECURITIES

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the period ended 31 March 2014.

17. DIVIDENDS PAID

	6 months ended 31 March <u>2014</u> RM'000	6 months ended 31 March <u>2013</u> RM'000
<u>In respect of the financial year ending 30 September 2014:</u>		
1st interim single tier dividend of 2.99 sen per share, declared on 16 January 2014 and paid on 21 January 2014	2,988	-
2nd interim single tier dividend of 27 sen per share, declared on 16 January 2014 and paid on 21 January 2014	27,000	-
<u>In respect of the financial year ended 30 September 2013:</u>		
1st interim dividend of 10.65 sen per share less tax at 25%, declared on 5 February 2013 and paid on 8 February 2013	-	7,987
<u>In respect of the financial year ended 30 September 2012:</u>		
4th interim dividend of 16 sen per share less tax at 25%, declared on 12 November 2012 and paid on 16 November 2012	-	12,000
	<u>29,988</u>	<u>19,987</u>

18. MATERIAL EVENTS SUBSEQUENT TO END OF REPORTING PERIOD

There were no material events subsequent to the end of the period reported that require disclosure or adjustments to the unaudited condensed interim financial statements.

19. EFFECT OF CHANGES IN COMPOSITION OF THE COMPANY

There were no changes in the composition of the Company for the period ended 31 March 2014.