

PACIFIC & ORIENT INSURANCE CO. BERHAD

Company No. 12557 W

(Incorporated in Malaysia)

Unaudited Condensed Interim Financial Statements

For The Six Months Ended 31 March 2018

Company No: 12557 W

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

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

CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

	<u>Note</u>	As at 31 March <u>2018</u> RM'000	As at 30 September <u>2017</u> RM'000
ASSETS			
Property, plant and equipment	2	21,603	22,222
Investment properties		1,220	1,220
Prepaid land lease payments		296	298
Intangible assets		1,153	1,351
Investments	3	613,341	649,507
Reinsurance assets	4	198,402	200,416
Insurance receivables	5	16,848	20,909
Other receivables		70,320	74,911
Cash and cash equivalents	6	2,461	2,586
TOTAL ASSETS		<u>925,644</u>	<u>973,420</u>
EQUITY AND LIABILITIES			
Share capital		100,000	100,000
Revaluation reserve		12,378	12,378
Available-for-sale reserve		4,262	7,385
Retained profits		116,483	143,739
TOTAL EQUITY		<u>233,123</u>	<u>263,502</u>
Insurance contract liabilities	7	586,763	611,117
Deferred tax liabilities		3,635	4,704
Insurance payables	8	21,556	10,505
Hire purchase creditors		520	653
Tax payables		2,836	2,381
Borrowings	9	69,009	68,910
Other payables		8,202	11,648
TOTAL LIABILITIES		<u>692,521</u>	<u>709,918</u>
TOTAL EQUITY AND LIABILITIES		<u>925,644</u>	<u>973,420</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 2017 and the accompanying explanatory notes on pages 6 to 28 attached to the unaudited condensed financial statements.

The financial statements were approved for issue by the Board of Directors on 24 May 2018.

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

CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 MARCH 2018

	<-----Non-Distributable----->			Distributable	<u>Total</u> RM'000
	<u>Share capital</u> RM'000	<u>Revaluation reserve</u> RM'000	<u>Available -for-sale reserve</u> RM'000	<u>Retained profits</u> RM'000	
At 1 October 2017	100,000	12,378	7,385	143,739	263,502
Net profit for the period	-	-	-	9,244	9,244
Other comprehensive loss for the period	-	-	(3,123)	-	(3,123)
Total comprehensive income for the period	-	-	(3,123)	9,244	6,121
Dividends (Note 26)	-	-	-	(36,500)	(36,500)
At 31 March 2018	<u>100,000</u>	<u>12,378</u>	<u>4,262</u>	<u>116,483</u>	<u>233,123</u>
At 1 October 2016	100,000	8,914	2,910	142,668	254,492
Net profit for the period	-	-	-	13,112	13,112
Other comprehensive income for the period	-	62	2,054	-	2,116
Total comprehensive income for the period	-	62	2,054	13,112	15,228
Dividends (Note 26)	-	-	-	(35,400)	(35,400)
At 31 March 2017	<u>100,000</u>	<u>8,976</u>	<u>4,964</u>	<u>120,380</u>	<u>234,320</u>

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

CONDENSED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 31 MARCH 2018

		6 months ended 31 March 2018 RM'000	6 months ended 31 March 2017 RM'000
	<u>Note</u>		
Operating revenue		<u>153,559</u>	<u>163,611</u>
Gross earned premiums		139,786	149,500
Premiums ceded to reinsurers		<u>(55,905)</u>	<u>(54,173)</u>
Net earned premiums	10	<u>83,881</u>	<u>95,327</u>
Investment income	11	13,773	14,111
Realised gains	12	48	8
Commission income		12,431	9,393
Fair value gains	13	60	-
Other operating revenue	14	<u>245</u>	<u>2,362</u>
Other revenue		<u>26,557</u>	<u>25,874</u>
Gross claims paid		(102,830)	(96,875)
Claims ceded to reinsurers		32,222	24,485
Gross decrease in insurance contract liabilities		35,384	38,589
Change in insurance contract liabilities ceded to reinsurers		<u>(8,303)</u>	<u>(19,754)</u>
Net claims incurred	15	<u>(43,527)</u>	<u>(53,555)</u>
Commission expense		(17,753)	(17,257)
Management expenses	16	(33,309)	(29,772)
Finance costs	18	(2,766)	(2,763)
Other operating expenses	14	<u>(122)</u>	<u>(148)</u>
Other expenses		<u>(53,950)</u>	<u>(49,940)</u>
Profit before taxation		12,961	17,706
Taxation		<u>(3,717)</u>	<u>(4,594)</u>
Net profit for the period		<u>9,244</u>	<u>13,112</u>
Basic earnings per share (sen)		<u>9.24</u>	<u>13.11</u>

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PACIFIC & ORIENT INSURANCE CO. BERHAD
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CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 MARCH 2018

	6 months ended 31 March <u>2018</u> RM'000	6 months ended 31 March <u>2017</u> RM'000
Net profit for the period	9,244	13,112
Other comprehensive income:		
<u>Items that will not be reclassified to income statement in subsequent periods:</u>		
Surplus from revaluation of buildings	-	62
Net gain	-	62
<u>Items that may be reclassified to income statement in subsequent periods:</u>		
Fair value changes on available-for-sale ("AFS") financial assets	(4,109)	2,702
Deferred tax	986	(648)
Net (loss)/gain	(3,123)	2,054
Other comprehensive (loss)/income for the period, net of tax	(3,123)	2,116
Total comprehensive income for the period	6,121	15,228

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 2017 and the accompanying explanatory notes on pages 6 to 28 attached to the unaudited condensed financial statements.

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PACIFIC & ORIENT INSURANCE CO. BERHAD
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CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 MARCH 2018

	Note	6 months ended 31 March <u>2018</u> RM'000	6 months ended 31 March <u>2017</u> RM'000
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations		26,383	25,867
Net tax paid		(3,346)	(7,106)
Dividends received		1,971	2,190
Interest received		8,615	7,258
Interest received from islamic fixed deposits		3,176	2,752
Interest paid		(14)	(18)
Net cash generated from operating activities		<u>36,785</u>	<u>30,943</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Disposal of property, plant and equipment		1	1
Purchase of property, plant and equipment		(20)	(22)
Purchase of intangible assets		(258)	(4)
Net cash used in investing activities		<u>(277)</u>	<u>(25)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid		(36,500)	(35,400)
Decrease in hire purchase creditors		(133)	(143)
Net cash used in financing activities		<u>(36,633)</u>	<u>(35,543)</u>
Net decrease in cash and cash equivalents		(125)	(4,625)
Cash and cash equivalents at beginning of period		<u>2,586</u>	<u>11,274</u>
Cash and cash equivalents at end of period	6	<u><u>2,461</u></u>	<u><u>6,649</u></u>

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PACIFIC & ORIENT INSURANCE CO. BERHAD
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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 MARCH 2018

1. BASIS OF PREPARATION

- (i) The unaudited condensed interim financial statements for the six months ended 31 March 2018 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 2017.

(ii) Significant Accounting Policies

The significant accounting policies adopted by the Company in preparing the financial statements are consistent with those adopted in the audited financial statements for the financial year ended 30 September 2017 except for the adoption of the following MFRSs and Amendments to MFRSs.

Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to MFRS 107	Disclosure Initiative
Amendments to MFRS 12	Disclosure of Interests in Other Entities (Annual Improvements to MFRSs 2014 – 2016 Cycle)

The adoption of the above MFRSs and Amendments to MFRSs did not have any significant impact on the financial statements of the Company.

MFRSs and Amendments to MFRSs yet to be effective

Effective for financial periods beginning on or after 1 January 2018

MFRS 9	Financial Instruments (International Financial Reporting Standard (“IFRS”) 9 Financial Instruments issued by IASB in July 2014)
MFRS 15	Revenue from Contracts with Customers

1. BASIS OF PREPARATION (CONT'D.)

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

MFRSs and Amendments to MFRSs yet to be effective (Cont'd.)

Effective for financial periods beginning on or after 1 January 2018 (Cont'd.)

Clarifications to MFRS 15 Revenue from Contracts with Customer

Classifications and Measurement of Shared-based Payment Transactions (Amendments to MFRS 2)

Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contract (Amendments to MFRS 4)

Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRSs 2014 – 2016 Cycle)

Amendments to MFRS 128 Investments in Associates and Joint Ventures (Annual Improvements to MFRSs 2014 – 2016 Cycle)

Transfers of Investment Property (Amendments to MFRS 140)

IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

Effective for financial periods beginning on or after 1 January 2019

MFRS 16 Leases

IC Interpretation 23 Uncertainty over Income Tax Treatments

Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)

Prepayment Features with Negative Compensation (Amendments to MFRS 9)

Amendments to MFRS 3 Business Combinations (Annual Improvements to MFRSs 2015 – 2017 Cycle)

Amendments to MFRS 11 Joint Arrangements (Annual Improvements to MFRSs 2015 – 2017 Cycle)

Amendments to MFRS 112 Income Taxes (Annual Improvements to MFRSs 2015 – 2017 Cycle)

1. BASIS OF PREPARATION (CONT'D.)

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

MFRSs and Amendments to MFRSs yet to be effective (Cont'd.)

Effective for financial periods beginning on or after 1 January 2019 (Cont'd.)

Amendments to MFRS 123 Borrowing Costs (Annual Improvements to MFRSs 2015
– 2017 Cycle)

Amendments to MFRS 119 (Plan Amendment, Curtailment or Settlement)

Effective for financial periods beginning on or after 1 January 2020

Amendments to MFRS 2 Share-Based Payment

Amendment to MFRS 3 Business Combinations

Amendments to MFRS 6 Exploration for and Evaluation of Mineral Resources

Amendment to MFRS 14 Regulatory Deferral Accounts

Amendments to MFRS 101 Presentation of Financial Statements

Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates
and Errors

Amendments to MFRS 134 Interim Financial Reporting

Amendment to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets

Amendments to MFRS 138 Intangible Assets

Amendment to IC
Interpretation 12 Service Concession Arrangements

Amendment to IC
Interpretation 19 Extinguishing Financial Liabilities with Equity
Instruments

Amendment to IC
Interpretation 20 Stripping Costs in the Production Phase of a Surface
Mine

1. BASIS OF PREPARATION (CONT'D.)

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

MFRSs and Amendments to MFRSs yet to be effective (Cont'd.)

Effective for financial periods beginning on or after 1 January 2020 (Cont'd.)

Amendment to IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
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Amendment to IC Interpretation 132	Intangible Assets—Web Site Costs
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Effective for financial periods beginning on or after 1 January 2021

MFRS 17	Insurance Contracts
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Effective date to be announced by Malaysian Accounting Standard Board

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128)

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

- MFRS 9: Financial instruments

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces earlier versions of MFRS 9 and introduces a package of improvements which includes a classification and measurement model, a single forward looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. MFRS 9 when effective will replace MFRS 139.

The initial application of MFRS 9 in the future may have an impact on the financial statements of the Company. However, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

- MFRS 15: Revenue from Contracts with Customers

Under MFRS 15, an entity recognises revenue when a performance obligation is satisfied, which is when the 'control' of the goods and services underlying the particular performance obligation is transferred to the customers.

The Company is currently assessing the financial impact of adopting MFRS 15.

1. BASIS OF PREPARATION (CONT'D.)

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

MFRSs and Amendments to MFRSs yet to be effective (Cont'd.)

Effective date to be announced by Malaysian Accounting Standard Board (Cont'd.)

- MFRS 16: Leases

MFRS 16 replaces the existing standard on leases, MFRS 117.

MFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Under MFRS 16, lessees are required to recognise all leases in their balance sheets in the form of an asset (for the right of use) and a lease liability (for the payment obligation). Exception is granted for leases which are for a term of 12 months or less or where the underlying lease assets are of low value. For such leases, lessees may elect to expense off the lease payments on a straight line basis over the lease term or using another systematic method.

MFRS 16 has substantially retained the lessor accounting model in MFRS 117. A lessor still has to classify leases as either finance or operating leases, depending on whether substantially all of the risks and rewards incidental to ownership of the underlying asset have been transferred to the lessee.

The Company is currently assessing the financial impact of adopting MFRS 16.

- MFRS 17: Insurance Contracts

MFRS 17 replaces the existing MFRS 4: Insurance Contracts and introduces a single principle-based standard for recognition, measurement, presentation and disclosure of all insurance contracts. MFRS 17 is introduced to address the inconsistency in MFRS 4 which allowed insurers to use different accounting policies to measure insurance contracts in different countries.

MFRS 17 requires entities to recognise and measure a group of insurance contracts at (i) a risk-adjusted present value of future cash flows that incorporates information that is consistent with observable market information plus (ii) an amount representing the unearned profit in the insurance contracts.

MFRS 17 also requires entities to change the financial statements presentations of insurance service results whereby the insurance revenue is presented separately from insurance finance income or expenses.

The Company is currently assessing the financial impact of adopting MFRS 17.

2. PROPERTY, PLANT AND EQUIPMENT

	←----- Valuation ----->			----- Cost ----->				
	Freehold <u>land</u>	Buildings <u>Freehold</u> <u>Leasehold</u>		Computer <u>equipment</u>	Motor <u>vehicles</u>	Office <u>equipment</u>	Furniture, fixtures and <u>fittings</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2018								
<u>Valuation/Cost:</u>								
At 1 October 2017	2,465	921	16,705	5,833	2,188	1,678	3,742	33,532
Additions	-	-	-	-	-	12	8	20
Disposals	-	-	-	-	-	(2)	-	(2)
Write-offs	-	-	-	(9)	-	(7)	(7)	(23)
At 31 March 2018	2,465	921	16,705	5,824	2,188	1,681	3,743	33,527
<u>Accumulated depreciation:</u>								
At 1 October 2017	-	-	-	5,800	754	1,472	3,284	11,310
Charge for the period	-	15	464	2	89	24	43	637
Disposals	-	-	-	-	-	-	-	-
Write-offs	-	-	-	(9)	-	(7)	(7)	(23)
At 31 March 2018	-	15	464	5,793	843	1,489	3,320	11,924
<u>Net carrying value:</u>								
At 31 March 2018	2,465	906	16,241	31	1,345	192	423	21,603

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

	←-----Valuation-----▶			←-----Cost-----▶				<u>Total</u> RM'000
	<u>Freehold land</u> RM'000	<u>Buildings</u> <u>Freehold</u> RM'000	<u>Leasehold</u> RM'000	<u>Computer equipment</u> RM'000	<u>Motor vehicles</u> RM'000	<u>Office equipment</u> RM'000	<u>Furniture, fixtures and fittings</u> RM'000	
2017								
<u>Valuation/Cost:</u>								
At 1 October 2016	1,860	681	16,781	5,833	2,188	1,691	3,735	32,769
Revaluation surplus	605	340	3,530	-	-	-	-	4,475
Reversal of revaluation deficit	-	-	118	-	-	-	-	118
Transfer*	-	(100)	(3,519)	-	-	-	-	(3,619)
Transfer to investment properties	-	-	(205)	-	-	-	-	(205)
Additions	-	-	-	-	-	27	7	34
Disposals	-	-	-	-	-	(3)	-	(3)
Write-offs	-	-	-	-	-	(37)	-	(37)
At 30 September 2017	2,465	921	16,705	5,833	2,188	1,678	3,742	33,532
<u>Accumulated depreciation:</u>								
At 1 October 2016	-	80	2,852	5,796	570	1,455	3,192	13,945
Charge for the year	-	20	705	4	184	52	92	1,057
Transfer*	-	(100)	(3,519)	-	-	-	-	(3,619)
Transfer to investment properties	-	-	(38)	-	-	-	-	(38)
Disposals	-	-	-	-	-	(1)	-	(1)
Write-offs	-	-	-	-	-	(34)	-	(34)
At 30 September 2017	-	-	-	5,800	754	1,472	3,284	11,310
<u>Net carrying value:</u>								
At 30 September 2017	2,465	921	16,705	33	1,434	206	458	22,222

* This relates to the accumulated depreciation as at the revaluation date that was eliminated against the gross carrying amount of the revalued asset.

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

- (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 2017 based on valuation carried out by independent valuers of Messrs. Rahim & Co. on an open market value basis using the comparison method. Revaluations are performed once in every five years or earlier if the carrying values of the revalued properties are materially different from their market values.

The fair value of the freehold land and buildings and leasehold buildings are categorised within level 3 of the fair value hierarchy.

- (b) The net carrying 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 2018 are as follows:

	<u>Net Carrying Value</u>		<u>Net Carrying Value</u>	
	<u>31 March 2018</u>		<u>30 September 2017</u>	
	Under	Under	Under	Under
	Revaluation	Cost	Revaluation	Cost
	Model	Model	Model	Model
	RM'000	RM'000	RM'000	RM'000
Freehold land	2,465	380	2,465	380
Freehold buildings	906	242	921	246
Leasehold buildings	16,241	6,148	16,705	6,308
	<u>19,612</u>	<u>6,770</u>	<u>20,091</u>	<u>6,934</u>

3. INVESTMENTS

	31 March <u>2018</u> RM'000	30 September <u>2017</u> RM'000		
(a) Available-for-sale ("AFS") financial assets:				
<u>At fair value:</u>				
Quoted shares	14,945	18,915		
Unit trusts	91,462	71,173		
Total available-for-sale financial assets	<u>106,407</u>	<u>90,088</u>		
(b) Fair value through profit or loss ("FVTPL") financial assets:				
<u>At fair value:</u>				
Quoted shares	2,680	2,620		
	<u>2,680</u>	<u>2,620</u>		
(c) Loan and receivables ("L&R"):				
<u>At amortised cost:</u>				
Deposits and placements with licensed financial institutions:				
Commercial banks	377,051	445,779		
Investment banks	127,203	111,020		
Total L&R	<u>504,254</u>	<u>556,799</u>		
Total investments	<u><u>613,341</u></u>	<u><u>649,507</u></u>		
(d) Carrying values of investments:				
	<u>FVTPL</u>	<u>AFS</u>	<u>L&R</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000
At 1 October 2017	2,620	90,088	556,799	649,507
Additions	-	112,604	-	112,604
Placements	-	-	108,691	108,691
Disposals	-	(92,176)	-	(92,176)
Maturities	-	-	(161,236)	(161,236)
Fair value loss recorded in other comprehensive income	-	(4,109)	-	(4,109)
Fair value gains recorded in income statement	60	-	-	60
At 31 March 2018	<u><u>2,680</u></u>	<u><u>106,407</u></u>	<u><u>504,254</u></u>	<u><u>613,341</u></u>

3. INVESTMENTS (CONT'D.)

(d) Carrying values of investments: (Cont'd.)

	<u>FVTPL</u> RM'000	<u>AFS</u> RM'000	<u>L&R</u> RM'000	<u>Total</u> RM'000
At 1 October 2016	-	117,951	577,047	694,998
Additions	1,260	126,490	-	127,750
Placements	-	-	344,868	344,868
Disposals	-	(160,180)	-	(160,180)
Maturities	-	-	(365,116)	(365,116)
Fair value gains recorded in other comprehensive income	-	5,888	-	5,888
Fair value gains recorded in income statement	1,360	-	-	1,360
Impairment loss of AFS financial assets	-	(61)	-	(61)
At 30 September 2017	<u>2,620</u>	<u>90,088</u>	<u>556,799</u>	<u>649,507</u>

Included in deposits and placements of the Company is an amount of RM100,033 (30 September 2017: RM98,512) representing placements of deposits received from insureds as collateral for bond guarantees granted to third parties.

4. REINSURANCE ASSETS

	Note	31 March <u>2018</u> RM'000	30 September <u>2017</u> RM'000
Reinsurance of insurance contracts:			
- Claims liabilities	7	154,703	163,006
- Premium liabilities	7	43,699	37,410
		<u>198,402</u>	<u>200,416</u>

5. INSURANCE RECEIVABLES

	31 March <u>2018</u> RM'000	30 September <u>2017</u> RM'000
Outstanding premiums including agents, brokers' and co-insurers' balance	6,405	4,468
Due from reinsurers and ceding companies	12,044	17,501
	<u>18,449</u>	<u>21,969</u>
Allowance for impairment	(1,601)	(1,060)
	<u>16,848</u>	<u>20,909</u>

The movement of the allowance accounts used to record the impairment of receivables at the reporting date is as follows:

	<u>Individually impaired</u> RM'000	<u>Collectively impaired</u> RM'000	<u>Total</u> RM'000
Movement in allowance accounts:			
<u>31 March 2018</u>			
At 1 October 2017	872	188	1,060
Allowance for impairment loss	532	65	597
Write back of impairment loss	(20)	(36)	(56)
At 31 March 2018	<u>1,384</u>	<u>217</u>	<u>1,601</u>
<u>30 September 2017</u>			
At 1 October 2016	1,336	112	1,448
Allowance for impairment loss	75	77	152
Write back of impairment loss	(539)	(1)	(540)
At 30 September 2017	<u>872</u>	<u>188</u>	<u>1,060</u>

6. CASH AND CASH EQUIVALENTS

	31 March <u>2018</u> RM'000	30 September <u>2017</u> RM'000
Cash and bank balances	<u>2,461</u>	<u>2,586</u>

7. INSURANCE CONTRACT LIABILITIES

	<----- 31 March 2018 ----->			<----- 30 September 2017 ----->		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
		(Note 4)			(Note 4)	
General insurance	586,763	(198,402)	388,361	611,117	(200,416)	410,701

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

	Note	<----- 31 March 2018 ----->			<----- 30 September 2017 ----->		
		Gross	Reinsurance	Net	Gross	Reinsurance	Net
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Provisions for claims reported		283,521	(96,824)	186,697	314,386	(106,135)	208,251
Provision for Incurred But Not Reported ("IBNR")		137,397	(44,474)	92,923	139,467	(42,385)	97,082
Provision of Risk Margin for Adverse Deviation ("PRAD")		33,838	(13,405)	20,433	36,287	(14,486)	21,801
Claims Liabilities	7.1	454,756	(154,703)	300,053	490,140	(163,006)	327,134
Premium Liabilities	7.2	132,007	(43,699)	88,308	120,977	(37,410)	83,567
		586,763	(198,402)	388,361	611,117	(200,416)	410,701

Company No: 12557 W

7. INSURANCE CONTRACT LIABILITIES (CONT'D.)

7.1 Claims Liabilities

	Note	<----- 31 March 2018 ----->			<----- 30 September 2017 ----->		
		Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 October 2017/2016		490,140	(163,006)	327,134	554,279	(184,253)	370,026
Claims incurred in the current accident period/year (direct and facultative)		33,403	(9,502)	23,901	85,860	(23,876)	61,984
Adjustment to claims incurred in prior accident years (direct and facultative)		36,388	(17,286)	19,102	37,698	(4,505)	33,193
Claims incurred during the period/year (treaty inwards claims)		(16)	-	(16)	206	(177)	29
Movement in Provision of Risk Margin for Adverse Deviation ("PRAD") claims liabilities at 75% confidence level		(2,449)	1,081	(1,368)	1,809	(176)	1,633
Movement in claims handling expenses		120	1,788	1,908	779	(336)	443
Claims paid during the period/year	15	(102,830)	32,222	(70,608)	(190,491)	50,317	(140,174)
At 31 March 2018/30 September 2017		<u>454,756</u>	<u>(154,703)</u>	<u>300,053</u>	<u>490,140</u>	<u>(163,006)</u>	<u>327,134</u>

Company No: 12557 W

7. INSURANCE CONTRACT LIABILITIES (CONT'D.)

7.2 Premium Liabilities

	Note	<----- 31 March 2018 ----->			<----- 30 September 2017 ----->		
		Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 October 2017/2016		120,977	(37,410)	83,567	134,811	(39,836)	94,975
Premiums written during the period/year	10	150,816	(62,194)	88,622	274,383	(100,807)	173,576
Premiums earned during the period/year	10	(139,786)	55,905	(83,881)	(288,217)	103,233	(184,984)
At 31 March 2018/30 September 2017		<u>132,007</u>	<u>(43,699)</u>	<u>88,308</u>	<u>120,977</u>	<u>(37,410)</u>	<u>83,567</u>

8. INSURANCE PAYABLES

	31 March 2018 RM'000	30 September 2017 RM'000
Due to reinsurers and ceding companies	20,100	9,433
Due to agents, brokers, co-insurers and insureds	1,456	1,072
	<u>21,556</u>	<u>10,505</u>

9. BORROWINGS

	Effective Interest Rate per annum	Maturity	31 March 2018 RM'000	30 September 2017 RM'000
<u>Unsecured</u>				
Subordinated Notes	7.74%	2022	69,009	68,910
Amount due within 2 to 5 years			<u>69,009</u>	<u>68,910</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.

10. NET EARNED PREMIUMS

	Note	6 months ended 31 March 2018 RM'000	6 months ended 31 March 2017 RM'000
(a) Gross premiums	7.2	150,816	150,195
Change in premium liabilities		(11,030)	(695)
Gross earned premiums		<u>139,786</u>	<u>149,500</u>
(b) Gross premiums ceded to reinsurers	7.2	(62,194)	(59,541)
Change in premium liabilities		6,289	5,368
Premiums ceded to reinsurers		<u>(55,905)</u>	<u>(54,173)</u>
Net earned premiums		<u>83,881</u>	<u>95,327</u>

11. INVESTMENT INCOME

	6 months ended 31 March <u>2018</u> RM'000	6 months ended 31 March <u>2017</u> RM'000
Dividend income:		
- shares quoted in Malaysia	198	178
- unit trusts	1,773	2,013
Interest income:		
- deposits and placements with financial institutions	7,323	8,623
Income from islamic fixed deposits	3,176	2,752
Rental of properties:		
- third parties	12	10
- fellow subsidiary company	14	14
- holding company	130	128
Investment income from:		
- Malaysian Motor Insurance Pool ("MMIP")	1,107	393
- Malaysian Reinsurance Berhad ("MRB")	40	-
	<u>13,773</u>	<u>14,111</u>

12. REALISED GAINS

	6 months ended 31 March <u>2018</u> RM'000	6 months ended 31 March <u>2017</u> RM'000
Realised gains/(losses):		
- AFS financial assets:		
Quoted in Malaysia	38	-
Unit trusts	15	-
- Foreign exchange	(5)	8
	<u>48</u>	<u>8</u>

13. FAIR VALUE GAINS

	6 months ended 31 March <u>2018</u> RM'000	6 months ended 31 March <u>2017</u> RM'000
Fair value gains:		
Gain on fair value of investments held as fair value through profit or loss	60	-
	<u>60</u>	<u>-</u>

14. OTHER OPERATING REVENUE/(EXPENSES)

	6 months ended 31 March <u>2018</u> RM'000	6 months ended 31 March <u>2017</u> RM'000
Other operating revenue:		
Sundry income	245	71
Recovery on investment	-	2,291
	<u>245</u>	<u>2,362</u>
Other operating expenses:		
Assets written off	-	1
Loss on disposal of property, plant & equipment	1	1
Impairment loss on AFS reserves	-	-
Other expenses	121	146
	<u>122</u>	<u>148</u>

15. NET CLAIMS INCURRED

		6 months ended 31 March <u>2018</u> RM'000	6 months ended 31 March <u>2017</u> RM'000
Gross claims paid	7.1	(102,830)	(96,875)
Claims ceded to reinsurers	7.1	32,222	24,485
Gross decrease in insurance contract liabilities		35,384	38,589
Change in insurance contract liabilities ceded to reinsurers		(8,303)	(19,754)
		<u>(43,527)</u>	<u>(53,555)</u>

16. MANAGEMENT EXPENSES

		6 months ended 31 March <u>2018</u> RM'000	6 months ended 31 March <u>2017</u> RM'000
	Note		
Chief executive officer's remuneration	17	677	612
Staff salaries and bonus		10,766	10,615
Allowance for unutilised leave		(183)	(183)
Pension costs - defined contribution plan		1,335	1,338
Other staff benefits		1,024	1,045
Depreciation of property, plant and equipment		637	529
Amortisation:			
- prepaid land lease payments		2	2
- intangible assets		456	58
Auditors' remuneration			
- Statutory audit		116	105
Non-Executive Directors' remuneration	17	205	205
Directors' training		1	-
Allowance for impairment of insurance receivables		597	31
Write back in allowance for impairment of :			
- insurance receivables		(56)	(6)
Rental of properties:			
- third parties		282	290
- fellow subsidiary company		103	100
Management fees to holding company		576	535
Call centre service charges to:			
- fellow subsidiary company		268	268
- third parties		46	-
Rental of equipment:			
- third parties		26	28
- fellow subsidiary company		2,172	1,987
Printing and information system expenses		7,170	6,913
Business development		1,874	509
Bank charges		10	11
Credit card charges		1,493	1,404
Office administration and utilities		828	815
MMIP expenses		386	383
Professional fees		919	715
Motor vehicle expenses		303	319
Travelling and transport expenses		77	94
Road Transport Department access fees		154	168
Good and services tax expenses		46	31
Other expenses		999	851
		<u>33,309</u>	<u>29,772</u>

17. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S REMUNERATION

		6 months ended 31 March <u>2018</u> RM'000	6 months ended 31 March <u>2017</u> RM'000
<u>Chief Executive Officer:</u>			
- Salary		374	355
- Bonus		212	173
- Pension costs - defined contribution plan		73	66
- Benefits-in-kind		17	18
- Allowance		18	18
		<u>694</u>	<u>630</u>
Total Chief Executive Officer's remuneration excluding benefits-in-kind	16	<u>677</u>	<u>612</u>
<u>Non-Executive Directors:</u>			
- Fees	16	205	205
- Benefits-in-kind		5	2
		<u>210</u>	<u>207</u>

The number of Executive Officer and Non-Executive Directors whose total remuneration received during the six months period falls within the following bands is:

	6 months ended 31 March <u>2018</u>	6 months ended 31 March <u>2017</u>
<u>Executive Officer:</u>		
RM400,001 - RM1,000,000	1	1
<u>Non-Executive Directors:</u>		
Below RM20,000	1	-
RM20,001 - RM25,000	-	1
RM25,001 - RM30,000	2	4
RM30,001 - RM35,000	4	2
	<u>4</u>	<u>2</u>

17. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S REMUNERATION (CONT'D.)

The total remuneration received by the Individual, Non-Executive Directors during the period was as follows:

	<u>Fees</u>	<u>Benefits-in- Kind</u>	<u>Total</u>
	RM'000	RM'000	RM'000
<u>As at 31 March 2018</u>			
En. Mohammad Nizar bin Idris	35	-	35
Mr. Chan Thye Seng	20	-	20
Mr. Prasheem Seebran	30	-	30
Dato' Dr. Zaha Rina binti Zahari	30	2	32
Pn. Norazian binti Ahmad Tajuddin	30	1	31
Madam Sum Leng Kuang	30	-	30
Mr. Michael Yee Kim Shing	30	2	32
	<u>205</u>	<u>5</u>	<u>210</u>

As at 31 March 2017

En. Mohammad Nizar bin Idris	35	-	35
Mr. Chan Thye Seng	20	-	20
Mr. Prasheem Seebran	30	-	30
Dato' Dr. Zaha Rina binti Zahari	30	2	32
Pn. Norazian binti Ahmad Tajuddin	30	-	30
Madam Sum Leng Kuang	30	-	30
Mr. Michael Yee Kim Shing	30	-	30
	<u>205</u>	<u>2</u>	<u>207</u>

18. FINANCE COSTS

	6 months ended 31 March <u>2018</u> RM'000	6 months ended 31 March <u>2017</u> RM'000
Hire-purchase interest	14	18
Interest expense on borrowings	2,751	2,744
Others	1	1
	<u>2,766</u>	<u>2,763</u>

19. TOTAL CAPITAL AVAILABLE

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

	31 March <u>2018</u> RM'000	30 September <u>2017</u> RM'000
<u>Eligible Tier 1 Capital</u>		
Share capital (paid-up)	100,000	100,000
Retained earnings	116,483	143,739
	<u>216,483</u>	<u>243,739</u>
<u>Tier 2 Capital</u>		
Capital instruments which qualify as Tier 2 Capital	55,207	55,127
Revaluation reserve	12,378	12,378
AFS reserve	4,262	7,385
	<u>71,847</u>	<u>74,890</u>
Amounts deducted from Capital	<u>(1,153)</u>	<u>(1,351)</u>
Total Capital Available	<u><u>287,177</u></u>	<u><u>317,278</u></u>

20. COMMITMENTS AND CONTINGENCIES

	31 March <u>2018</u> RM'000	30 September <u>2017</u> RM'000
(i) <u>Non-cancellable operating lease commitments</u>		
Future minimum lease payments are as follows:		
Not later than 1 year	3,662	3,422
Later than 1 year and not later than 5 years	2,327	2,338
	<u><u>5,989</u></u>	<u><u>5,760</u></u>

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

20. COMMITMENTS AND CONTINGENCIES (CONT'D.)

(ii) Contingent Liabilities

On 10 August 2016, the Malaysia Competition Commission (“MyCC”) through its powers granted under the Competition Act 2010 (“Act”) commenced investigations into an alleged infringement by the Persatuan Insurans Am Malaysia (“PIAM”) and its 22 members including the Company under the Section 4(2)(a) of the Act.

The alleged infringement is in relation to an agreement reached between PIAM and the Federation of Automobile Workshop Owners’ Association of Malaysia (“FAWOAM”) on trade discount rates for parts of certain vehicle makes and labour hour rates for workshops under the PIAM Approved Repair Scheme.

On 22 February 2017, MyCC issued its Proposed Decision on the alleged infringement which includes proposed financial penalties amounting to a total of RM213,454,814 on all the 22 members. The proposed financial penalty on the insurance subsidiary company is RM2,108,452.

The Proposed Decision is not final as at the date of this report. In the event MyCC intends to enforce the Proposed Decision, it is likely that the insurers will appeal the matter to the courts.

21. 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.

22. SEASONALITY OR CYCLICALITY OF OPERATIONS

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

23. 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 2018.

24. 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 2018.

25. 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 2018.

26. DIVIDENDS

	6 months ended 31 March 2018 RM'000	6 months ended 31 March 2017 RM'000
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In respect of the financial year ended 30 September 2017:

Final single tier dividend of 36.50 sen per share, declared on 21 February 2018 and paid on 28 February 2018	36,500	-
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In respect of the financial year ended 30 September 2016:

Final single tier dividend of 35.40 sen per share, declared on 15 February 2017 and paid on 20 February 2017	-	35,400
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<u>36,500</u>	<u>35,400</u>
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27. 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.

28. EFFECT OF CHANGES IN COMPOSITION OF THE COMPANY

There were no changes in the composition of the Company for the period ended 31 March 2018.