

PACIFIC & ORIENT INSURANCE CO. BERHAD

Company No. 12557 W

(Incorporated in Malaysia)

Unaudited Condensed Interim Financial Statements

For The Six Months Ended 31 March 2019

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 2019

	<u>Note</u>	As at 31 March <u>2019</u> RM'000	As at 30 September <u>2018</u> RM'000
ASSETS			
Property, plant and equipment	2	20,562	20,745
Investment properties		1,220	1,220
Prepaid land lease payments		291	294
Intangible assets		1,506	1,290
Investments	3	552,704	558,019
Reinsurance assets	4	192,028	171,803
Insurance receivables	5	10,213	25,180
Other receivables		73,064	69,754
Cash and cash equivalents	6	22,922	38,300
TOTAL ASSETS		<u><u>874,510</u></u>	<u><u>886,605</u></u>
EQUITY AND LIABILITIES			
Share capital		100,000	100,000
Revaluation reserve		12,378	12,378
Fair value through other comprehensive income ("FVTOCI") reserve		2,495	-
Available-for-sale reserve		-	4,046
Retained profits		96,904	134,857
TOTAL EQUITY		<u><u>211,777</u></u>	<u><u>251,281</u></u>
Insurance contract liabilities	7	552,759	534,128
Deferred tax liabilities		3,237	3,649
Insurance payables	8	24,993	14,771
Hire purchase creditors		524	271
Tax payables		3,289	3,764
Borrowings	9	69,211	69,111
Other payables		8,720	9,630
TOTAL LIABILITIES		<u><u>662,733</u></u>	<u><u>635,324</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>874,510</u></u>	<u><u>886,605</u></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 2018 and the accompanying explanatory notes on pages 7 to 34 attached to the unaudited condensed financial statements.

The unaudited financial statements were approved for issue by the Board of Directors on 21 May 2019.

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

CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 MARCH 2019

	<----- Non-Distributable ----->				Distributable	
	Share <u>capital</u>	Revaluation <u>reserve</u>	Available -for-sale <u>reserve</u>	FVTOCI <u>reserve</u>	Retained <u>profits</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 October 2018	100,000	12,378	4,046	-	134,857	251,281
<u>Effects of adopting MFRS 9</u>	-	-	(4,046)	3,602	(468)	(912)
1 October 2018 (Restated)	<u>100,000</u>	<u>12,378</u>	<u>-</u>	<u>3,602</u>	<u>134,389</u>	<u>250,369</u>
Net profit for the period	-	-	-	-	7,515	7,515
Other comprehensive loss for the period	-	-	-	(1,107)	-	(1,107)
Total comprehensive income for the period	-	-	-	(1,107)	7,515	6,408
Dividends (Note 26)	-	-	-	-	(45,000)	(45,000)
At 31 March 2019	<u>100,000</u>	<u>12,378</u>	<u>-</u>	<u>2,495</u>	<u>96,904</u>	<u>211,777</u>
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>-</u>	<u>116,483</u>	<u>233,123</u>

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

CONDENSED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 31 MARCH 2019

		6 months ended 31 March 2019 RM'000	6 months ended 31 March 2018 RM'000
	<u>Note</u>		
Operating revenue		<u>156,854</u>	<u>153,559</u>
Gross earned premiums		143,287	139,786
Premiums ceded to reinsurers		<u>(55,215)</u>	<u>(55,905)</u>
Net earned premiums	10	<u>88,072</u>	<u>83,881</u>
Investment income	11	13,567	13,773
Realised gains	12	71	48
Commission income		12,480	12,431
Fair value (losses)/gains	13	(950)	60
Other operating revenue	14	45	245
Other revenue		<u>25,213</u>	<u>26,557</u>
Gross claims paid		(75,277)	(102,830)
Claims ceded to reinsurers		21,382	32,222
Gross (increase)/decrease in insurance contract liabilities		(1,948)	35,384
Change in insurance contract liabilities ceded to reinsurers		<u>10,456</u>	<u>(8,303)</u>
Net claims incurred	15	<u>(45,387)</u>	<u>(43,527)</u>
Commission expenses		(19,431)	(17,753)
Management expenses	16	(35,309)	(33,309)
Finance costs	18	(2,762)	(2,766)
Other operating expenses	14	(132)	(122)
Other expenses		<u>(57,634)</u>	<u>(53,950)</u>
Profit before taxation		10,264	12,961
Taxation		<u>(2,749)</u>	<u>(3,717)</u>
Net profit for the period		<u>7,515</u>	<u>9,244</u>
Basic earnings per share (sen)		<u>7.52</u>	<u>9.24</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 2018 and the accompanying explanatory notes on pages 7 to 34 attached to the unaudited condensed financial statements.

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

CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 MARCH 2019

	6 months ended 31 March <u>2019</u> RM'000	6 months ended 31 March <u>2018</u> RM'000
Net profit for the period	7,515	9,244
Other comprehensive income:		
<u>Items that may be reclassified to</u> <u>income statement in subsequent periods:</u>		
Fair value changes on available-for-sale ("AFS") financial assets	-	(4,109)
Fair value changes in quoted shares through other comprehensive income ("FVTOCI")	(1,456)	-
Deferred tax	349	986
Net loss	(1,107)	(3,123)
Other comprehensive loss for the period, net of tax	(1,107)	(3,123)
Total comprehensive income for the period	6,408	6,121

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

CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 MARCH 2019

	Note	6 months ended 31 March <u>2019</u> RM'000	6 months ended 31 March <u>2018</u> RM'000
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations		26,399	26,383
Net tax paid		(3,286)	(3,346)
Dividends received		2,107	1,971
Interest received		1,619	8,615
Income received from Islamic fixed deposits		3,418	3,176
Interest paid		(7)	(14)
Net cash generated from operating activities		<u>30,250</u>	<u>36,785</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Disposal of property, plant and equipment		-	1
Purchase of property, plant and equipment		(438)	(20)
Purchase of intangible assets		(443)	(258)
Net cash used in investing activities		<u>(881)</u>	<u>(277)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid		(45,000)	(36,500)
Increase/(Decrease) in hire purchase creditors		253	(133)
Net cash used in financing activities		<u>(44,747)</u>	<u>(36,633)</u>
Net decrease in cash and cash equivalents		(15,378)	(125)
Cash and cash equivalents at beginning of period		<u>38,300</u>	<u>2,586</u>
Cash and cash equivalents at end of period	6	<u><u>22,922</u></u>	<u><u>2,461</u></u>

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CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 MARCH 2019 (CONT'D.)

Reconciliation of liabilities arising from financing activities

	Hire purchase creditors	Borrowings	Total
	RM'000	RM'000	RM'000
As at 1 October 2018	271	69,111	69,382
Changes in Financing Cash Flows			
Issuance of hire purchase	345	-	345
Repayment of hire purchase	(92)	-	(92)
	253	-	253
<u>Addition:</u>			
Transaction costs	-	100	100
As at 31 March 2019	<u>524</u>	<u>69,211</u>	<u>69,735</u>
	Hire purchase creditors	Borrowings	Total
	RM'000	RM'000	RM'000
As at 1 October 2017	653	68,910	69,563
Changes in Financing Cash Flows			
Repayment of hire purchase	(133)	-	(133)
<u>Addition:</u>			
Transaction costs	-	99	99
As at 31 March 2018	<u>520</u>	<u>69,009</u>	<u>69,529</u>

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 MARCH 2019

1. BASIS OF PREPARATION

- (i) The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards (“IFRS”) and the requirements of the Companies Act 2016 in Malaysia.

The significant accounting policies adopted by the Company in this condensed interim financial statements are consistent with those adopted in the audited financial statements for the year ended 30 September 2018 except for the adoption of the following MFRSs, Amendments to MFRSs and Issues Committee (“IC”) Interpretations.

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

Clarifications to MFRS 15 Revenue from Contracts with Customers

Classification and Measurement of Share-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)

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

Other than the implications as disclosed below, the adoption of the above MFRSs, Amendments to MFRSs and IC Interpretations do not have any material impact on the financial statements of the Company.

1. BASIS OF PREPARATION (CONT'D.)

(a) Adoption of MFRS 9 - Financial Instruments (IFRS 9 issued by IASB in July 2014)

MFRS 9 replaces the guidance in MFRS 139 – Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and on hedge accounting.

The Company adopted MFRS 9 on 1 October 2018. As allowed by the transitional provision of the MFRS 9, the Company adopted the standard retrospectively on the initial application date of 1 October 2018 and has elected not to restate the comparatives. The effects arising from the adoption of this Standard has been accounted for by adjusting the opening balance of retained profits and reserves as at 1 October 2018.

(i) Classification and measurement

MFRS 9 contains a new classification and measurement approach for financial assets that reflect the Company's business model in which assets are managed and their cash flow characteristics. The new standard contains three principal classification and measurement categories for financial assets:

- 1) Financial assets measured at fair value through other comprehensive income ("FVTOCI");
- 2) Financial assets measured at fair value through profit or loss ("FVTPL");
- 3) Financial assets measured at amortised cost ("AC");

The standard eliminates the existing MFRS 139 categories of financial assets classified under (i) held-to-maturity ("HTM"), (ii) loans and receivables ("L&R") and (iii) available-for-sales ("AFS") financial assets.

For financial assets which is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows that are solely payments of principal and interest will be classified and measured at amortised cost.

For financial assets which is held within a business model whose objective is achieved by both selling financial assets and collecting contractual cash flows that are solely principal and interest will be classified and measured at FVTOCI.

For all financial assets that are not measured at FVTOCI or AC will be classified and measured at FVTPL. Financial assets that qualify for FVTOCI or AC may irrevocably designate as FVTPL, if doing so eliminate or significantly reduces a measurement or recognition inconsistency.

1. BASIS OF PREPARATION (CONT'D.)

(a) Adoption of MFRS 9 - Financial Instruments (IFRS 9 issued by IASB in July 2014)
(Cont'd.)

(i) Classification and measurement (Cont'd.)

Equity instruments are normally measured at FVTPL, nevertheless the entities are allowed to irrevocably designate equity instruments that are not held for trading to be classified and measured at FVTOCI, with no subsequent reclassification of gains or losses to the income statement.

For quoted equity instruments which is not held for trading and was previously classified as available-for-sale is now classified and measured at FVTOCI.

Loans and receivables satisfied the conditions for classification at amortised cost and hence there is no change to the accounting of these financial assets. Similarly investment in Sukuk classified as HTM under MFRS 139 also met the conditions for classification at amortised cost under MFRS 9.

Unquoted debts investments that were classified and measured as AFS financial assets under MFRS 139 did not meet the cash flow characteristics criterion to be either at FVTOCI or at AC and have been accordingly classified at FVTPL.

Equity instruments that were held for trading under MFRS 139 continued to be classified and measured at FVTPL.

There is no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at FVTPL and the Company does not have any such liabilities at this juncture.

(ii) Impairment

MFRS 9 requires impairment assessments to be based on an expected credit loss ("ECL") model, replacing the incurred loss model under MFRS 139 on its financial assets. The ECL model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised. The ECL model is applied to financial assets measured at AC or FVTOCI, except for investment in equity instruments.

(iii) Hedge accounting

The Company does not have hedge instrument, thus the hedge accounting requirements under MFRS 9 are not relevant to the Company.

1. BASIS OF PREPARATION (CONT'D.)

(a) Adoption of MFRS 9 - Financial Instruments (IFRS 9 issued by IASB in July 2014)
(Cont'd.)

(iv) Effect of initial adoption of MFRS 9

The following are the changes in the classification of the Company's financial assets:

- **Unit trusts**

Prior to 1 October 2018, unit trusts were classified as AFS financial assets. Fair value gains or losses of these investments were recognised in AFS reserve in the statement of other comprehensive income. Upon adoption of MFRS 9, the Company has redesignated these investments that are managed on fair value basis to be classified and measured at FVTPL. Fair value gains or losses of these investments are recognised in the income statement beginning 1 October 2018.

- **Quoted shares**

Prior to 1 October 2018, quoted shares which are held for trading purposes were classified as financial assets at FVTPL, these investments will continue to be classified and measured at FVTPL under MFRS 9.

- **Long-term quoted shares**

Prior to 1 October 2018, quoted investments which are held for non-trading purposes were classified and measured as AFS financial assets under MFRS 139. Fair value gains or losses of these investments were recognised in AFS reserve in the statement of other comprehensive income, except for impairment losses which was recognised in the income statement. The cumulative gains or losses previously recognised in equity was reclassified into the income statement upon derecognition.

Upon the adoption of MFRS 9, the Company has elected to designate these investments that are not held for trading to be measured at FVTOCI. No subsequent reclassification of fair value gains and losses to income statement upon derecognition of these investments. Dividends from such investments continue to be recognised in income statement when the Company's right to receive payments is established. No impairment losses will be recognised in income statement and no gains or losses will be reclassified to income statement upon disposal of these financial assets.

The Company adopted MFRS 9 on 1 October 2018. As allowed by the transitional provision of the MFRS 9, the Company adopted the standard retrospectively on the initial application date of 1 October 2018 and has elected not to restate the comparatives. The effects arising from the adoption of this Standard has been accounted for by adjusting the opening balance of retained profits and reserves as at 1 October 2018.

1. BASIS OF PREPARATION (CONT'D.)

(a) Adoption of MFRS 9 - Financial Instruments (IFRS 9 issued by IASB in July 2014)
(Cont'd.)

(iv) Effect of initial adoption of MFRS 9 (Cont'd.)

The financial effects to the statement of financial position as at 1 October 2018 are as follows:

<u>Company</u>	<u>Previously stated</u> RM'000	<u>Effects of adopting MFRS 9</u> RM'000	<u>Restated</u> RM'000
<u>Description of change</u>			
<u>Retained profits:</u>			
Opening balance	134,857	(468)	134,389
(i) Transfer of gains on fair value of unit trusts from available-for-sale ("AFS") reserve		444	
(ii) Increase in allowance for impairment of insurance receivables		(912)	
<u>AFS reserve:</u>			
Opening balance	4,046	(4,046)	-
(i) Transfer of gains on fair value of unit trust to retained profits		(444)	
(ii) Transfer of gains on fair value of quoted shares to FVTOCI		(3,602)	
<u>FVTOCI reserve:</u>			
Opening balance	-	3,602	3,602
(i) Transfer of gains on fair value of quoted shares from AFS reserve		3,602	

1. BASIS OF PREPARATION (CONT'D.)

(a) Adoption of MFRS 9 - Financial Instruments (IFRS 9 issued by IASB in July 2014)
(Cont'd.)

(iv) Effect of initial adoption of MFRS 9 (Cont'd.)

The financial effects to the statement of financial position as at 1 October 2018 are as follows: (Cont'd.)

<u>Company</u>	<u>Previously stated</u> RM'000	<u>Effects of adopting</u> <u>MFRS 9</u> RM'000	<u>Restated</u> RM'000
<u>Description of change</u>			
<u>Insurance receivables:</u>			
Opening balance	25,180	(912)	24,268
(i) Increase in allowance for impairment of insurance receivables		(912)	
<u>AFS financial assets:</u>			
Opening balance	103,023	(103,023)	-
(i) Transfer of unit trusts to financial assets at FVTPL		(88,812)	
(ii) Transfer of quoted shares to financial assets at FVTOCI		(14,211)	
<u>Financial assets at FVTOCI:</u>			
Opening balance	-	14,211	14,211
- Transfer of quoted shares from AFS financial assets		14,211	
<u>Financial assets at FVTPL</u>			
Opening balance	2,180	88,812	90,992
- Transfer of unit trusts from AFS financial assets		88,812	

1. BASIS OF PREPARATION (CONT'D.)

(a) Adoption of MFRS 9 - Financial Instruments (IFRS 9 issued by IASB in July 2014)
(Cont'd.)

(iv) Effect of initial adoption of MFRS 9 (Cont'd.)

The effects on the income statement for the six months ended 31 March 2019:

<u>Company</u>	Increase / (Decrease) RM'000
<u>Description of change</u>	
Write back in allowance for impairment of insurance receivables	1,023
Gain in fair value of unit trusts	<u>(289)</u>
Profit before tax	734
Taxation	<u>69</u>
Profit after tax	<u>803</u>

1. BASIS OF PREPARATION (CONT'D.)

(ii) MFRSs and Amendments to MFRSs yet to be effective

The adoption of the MFRSs as disclosed below are expected to result in significant financial impact to the Company:

- MFRS 16: Leases

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

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		Computer <u>equipment</u>	Motor <u>vehicles</u>	Office <u>equipment</u>	Furniture, fixtures and <u>fittings</u>	<u>Total</u>
	RM'000	<u>Freehold</u> RM'000	<u>Leasehold</u> RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2019								
<u>Valuation/Cost:</u>								
At 1 October 2018	2,465	921	16,705	5,790	1,832	1,680	3,759	33,152
Additions	-	-	-	-	421	-	17	438
Write-offs	-	-	-	-	-	-	(40)	(40)
At 31 March 2019	<u>2,465</u>	<u>921</u>	<u>16,705</u>	<u>5,790</u>	<u>2,253</u>	<u>1,680</u>	<u>3,736</u>	<u>33,550</u>
<u>Accumulated depreciation:</u>								
At 1 October 2018	-	31	929	5,761	820	1,503	3,363	12,407
Charge for the period	-	15	464	2	76	22	41	620
Write-offs	-	-	-	-	-	-	(39)	(39)
At 31 March 2019	<u>-</u>	<u>46</u>	<u>1,393</u>	<u>5,763</u>	<u>896</u>	<u>1,525</u>	<u>3,365</u>	<u>12,988</u>
<u>Net carrying value:</u>								
At 31 March 2019	<u>2,465</u>	<u>875</u>	<u>15,312</u>	<u>27</u>	<u>1,357</u>	<u>155</u>	<u>371</u>	<u>20,562</u>

Company No: 12557 W

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

	←-----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	
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	-	-	-	1	-	27	24	52
Disposals	-	-	-	-	(356)	(2)	-	(358)
Write-offs	-	-	-	(44)	-	(23)	(7)	(74)
At 30 September 2018	2,465	921	16,705	5,790	1,832	1,680	3,759	33,152
<u>Accumulated depreciation:</u>								
At 1 October 2017	-	-	-	5,800	754	1,472	3,284	11,310
Charge for the year	-	31	929	4	172	47	86	1,269
Disposals	-	-	-	-	(106)	-	-	(106)
Write-offs	-	-	-	(43)	-	(16)	(7)	(66)
At 30 September 2018	-	31	929	5,761	820	1,503	3,363	12,407
<u>Net carrying value:</u>								
At 30 September 2018	2,465	890	15,776	29	1,012	177	396	20,745

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 2019 are as follows:

	<u>Net Carrying Value</u>		<u>Net Carrying Value</u>	
	<u>31 March 2019</u>		<u>30 September 2018</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	875	234	890	238
Leasehold buildings	15,312	5,829	15,776	5,988
	<u>18,652</u>	<u>6,443</u>	<u>19,131</u>	<u>6,606</u>

3. INVESTMENTS

	31 March <u>2019</u> RM'000	30 September <u>2018</u> RM'000
(a) Available-for-sale ("AFS") financial assets:		
<u>At fair value:</u>		
Quoted shares	-	14,211
Unit trusts	-	88,812
Total AFS financial assets	<u>-</u>	<u>103,023</u>
(b) Fair value through profit or loss ("FVTPL") financial assets:		
<u>At fair value:</u>		
Quoted shares	13,040	2,180
Unit trusts	40,313	-
Total FVTPL financial assets	<u>53,353</u>	<u>2,180</u>
(c) Fair value through other comprehensive income ("FVTOCI") financial assets:		
<u>At fair value:</u>		
Quoted shares	<u>12,755</u>	-
Total FVTOCI financial assets	<u>12,755</u>	<u>-</u>
(d) Loan and receivables ("L&R"):		
<u>At amortised cost:</u>		
Deposits and placements with licensed financial institutions:		
Commercial banks	353,594	266,463
Investment banks	133,002	186,353
Total L&R	<u>486,596</u>	<u>452,816</u>
Total investments	<u>552,704</u>	<u>558,019</u>

3. INVESTMENTS (CONT'D.)

(e) Carrying values of investments:

	<u>FVTPL</u>	<u>AFS</u>	<u>FVTOCI</u>	<u>L&R</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 October 2018	2,180	103,023	-	452,816	558,019
Effects of adopting MFRS 9	88,812	(103,023)	14,211	-	-
Additions	51,586	-	-	-	51,586
Placements	-	-	-	122,890	122,890
Disposals	(88,275)	-	-	-	(88,275)
Maturities	-	-	-	(89,110)	(89,110)
Fair value loss recorded in other comprehensive income	-	-	(1,456)	-	(1,456)
Fair value loss recorded in income statement	(950)	-	-	-	(950)
At 31 March 2019	<u>53,353</u>	<u>-</u>	<u>12,755</u>	<u>486,596</u>	<u>552,704</u>

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

	<u>FVTPL</u>	<u>AFS</u>	<u>FVTOCI</u>	<u>L&R</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 October 2017	2,620	90,088	-	556,799	649,507
Additions	-	203,014	-	-	203,014
Placements	-	-	-	151,053	151,053
Disposals	-	(185,686)	-	-	(185,686)
Maturities	-	-	-	(255,036)	(255,036)
Fair value loss recorded in other comprehensive income	-	(4,393)	-	-	(4,393)
Fair value gains recorded in profit or loss	(440)	-	-	-	(440)
At 30 September 2018	<u>2,180</u>	<u>103,023</u>	<u>-</u>	<u>452,816</u>	<u>558,019</u>

Included in deposits and placements of the Company is an amount of RM103,263 (30 September 2018: RM101,583) representing placements of deposits received from insureds as collateral for bond guarantees granted to third parties.

4. REINSURANCE ASSETS

	Note	31 March <u>2019</u> RM'000	30 September <u>2018</u> RM'000
Reinsurance of insurance contracts:			
- Claims liabilities	7.1	145,412	134,956
- Premium liabilities	7.2	46,616	36,847
		<u>192,028</u>	<u>171,803</u>

5. INSURANCE RECEIVABLES

		31 March <u>2019</u> RM'000	30 September <u>2018</u> RM'000
Outstanding premiums including agents, brokers' and co-insurers' balance		5,641	5,203
Due from reinsurers and ceding companies		6,036	21,552
		<u>11,677</u>	<u>26,755</u>
Allowance for impairment		(1,464)	(1,575)
		<u>10,213</u>	<u>25,180</u>

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

	<u>Total</u> RM'000
<u>31 March 2019</u>	
At 1 October 2018	1,575
Effects of adopting MFRS 9	912
	<u>2,487</u>
Write back of impairment loss	(1,023)
At 31 March 2019	<u>1,464</u>

5. INSURANCE RECEIVABLES (CONT'D.)

The movement of the allowance accounts used to record the impairment of receivables at the reporting date is as follows: (Cont'd.)

	<u>Individually impaired</u> RM'000	<u>Collectively impaired</u> RM'000	<u>Total</u> RM'000
Movement in allowance accounts:			
<u>30 September 2018</u>			
At 1 October 2017	872	188	1,060
Allowance for impairment losses	227	364	591
Write back of impairment losses	(76)	-	(76)
At 30 September 2018	<u>1,023</u>	<u>552</u>	<u>1,575</u>

6. CASH AND CASH EQUIVALENTS

	<u>31 March 2019</u> RM'000	<u>30 September 2018</u> RM'000
Cash and bank balances	<u>22,922</u>	<u>38,300</u>

7. INSURANCE CONTRACT LIABILITIES

	<----- 31 March 2019 ----->			<----- 30 September 2018 ----->		
	Gross RM'000	Reinsurance RM'000 (Note 4)	Net RM'000	Gross RM'000	Reinsurance RM'000 (Note 4)	Net RM'000
General insurance	<u>552,759</u>	<u>(192,028)</u>	<u>360,731</u>	<u>534,128</u>	<u>(171,803)</u>	<u>362,325</u>

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

		<----- 31 March 2019 ----->			<----- 30 September 2018 ----->		
	Note	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Provisions for claims reported		257,972	(97,378)	160,594	255,486	(85,249)	170,237
Provision for Incurred But Not Reported ("IBNR")		126,616	(36,786)	89,830	127,628	(37,978)	89,650
Provision of Risk Margin for Adverse Deviation ("PRAD")		30,818	(11,248)	19,570	30,344	(11,729)	18,615
Claims Liabilities	7.1	<u>415,406</u>	<u>(145,412)</u>	<u>269,994</u>	<u>413,458</u>	<u>(134,956)</u>	<u>278,502</u>
Premium Liabilities	7.2	<u>137,353</u>	<u>(46,616)</u>	<u>90,737</u>	<u>120,670</u>	<u>(36,847)</u>	<u>83,823</u>
		<u>552,759</u>	<u>(192,028)</u>	<u>360,731</u>	<u>534,128</u>	<u>(171,803)</u>	<u>362,325</u>

Company No: 12557 W

7. INSURANCE CONTRACT LIABILITIES (CONT'D.)

7.1 Claims Liabilities

	Note	<----- 31 March 2019 ----->			<----- 30 September 2018 ----->		
		Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 October 2018/2017		413,458	(134,956)	278,502	490,140	(163,006)	327,134
Claims incurred in the current accident period/year (direct and facultative)		73,952	(27,417)	46,535	153,689	(49,590)	104,099
Adjustment to claims incurred in prior accident years (direct and facultative)		2,796	(4,901)	(2,105)	(24,207)	3,534	(20,673)
Claims incurred during the period/year (treaty inwards claims)		(16)	-	(16)	(1,168)	987	(181)
Movement in Provision of Risk Margin for Adverse Deviation ("PRAD") claims liabilities at 75% confidence level		474	481	955	(5,943)	2,757	(3,186)
Movement in claims handling expenses		19	(1)	18	(309)	1,788	1,479
Claims paid during the period/year	15	(75,277)	21,382	(53,895)	(198,744)	68,574	(130,170)
At 31 March 2019/30 September 2018		<u>415,406</u>	<u>(145,412)</u>	<u>269,994</u>	<u>413,458</u>	<u>(134,956)</u>	<u>278,502</u>

Company No: 12557 W

7. INSURANCE CONTRACT LIABILITIES (CONT'D.)

7.2 Premium Liabilities

	Note	<----- 31 March 2019 ----->			<----- 30 September 2018 ----->		
		Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 October 2018/2017		120,670	(36,847)	83,823	120,977	(37,410)	83,567
Premiums written during the period/year	10	159,970	(64,984)	94,986	275,285	(106,285)	169,000
Premiums earned during the period/year	10	(143,287)	55,215	(88,072)	(275,592)	106,848	(168,744)
At 31 March 2019/30 September 2018		<u>137,353</u>	<u>(46,616)</u>	<u>90,737</u>	<u>120,670</u>	<u>(36,847)</u>	<u>83,823</u>

8. INSURANCE PAYABLES

	31 March 2019 RM'000	30 September 2018 RM'000
Due to reinsurers and ceding companies	22,379	11,821
Due to agents, brokers, co-insurers and insureds	2,614	2,950
	<u>24,993</u>	<u>14,771</u>

9. BORROWINGS

	Effective Interest Rate per annum	Maturity	31 March 2019 RM'000	30 September 2018 RM'000
<u>Unsecured</u>				
Subordinated Notes	7.74%	2022	<u>69,211</u>	<u>69,111</u>
Amount due within 2 to 5 years			<u>69,211</u>	<u>69,111</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 2019 RM'000	6 months ended 31 March 2018 RM'000
(a) Gross premiums	7.2	159,970	150,816
Change in premium liabilities		<u>(16,683)</u>	<u>(11,030)</u>
Gross earned premiums		<u>143,287</u>	<u>139,786</u>
(b) Gross premiums ceded to reinsurers	7.2	(64,984)	(62,194)
Change in premium liabilities		<u>9,769</u>	<u>6,289</u>
Premiums ceded to reinsurers		<u>(55,215)</u>	<u>(55,905)</u>
Net earned premiums		<u>88,072</u>	<u>83,881</u>

11. INVESTMENT INCOME

	6 months ended 31 March <u>2019</u> RM'000	6 months ended 31 March <u>2018</u> RM'000
Dividend income:		
- shares quoted in Malaysia	203	198
- unit trust	1,905	1,773
Interest income:		
- deposits and placements with financial institutions	6,596	7,323
Income from Islamic fixed deposits	3,425	3,176
Rental of properties:		
- third parties	12	12
- fellow subsidiary company	15	14
- holding company	131	130
Investment income from:		
- Malaysian Motor Insurance Pool ("MMIP")	1,280	1,107
- Malaysian Reinsurance Berhad ("MRB")	-	40
	<u>13,567</u>	<u>13,773</u>

12. REALISED GAINS/(LOSSES)

	6 months ended 31 March <u>2019</u> RM'000	6 months ended 31 March <u>2018</u> RM'000
Realised gains/(losses):		
- FVTPL:		
Quoted in Malaysia	84	-
Unit trusts	(4)	-
- AFS financial assets:		
Quoted in Malaysia	-	38
Unit trusts	-	15
- Foreign exchange	(9)	(5)
	<u>71</u>	<u>48</u>

13. FAIR VALUE (LOSSES)/GAINS

	6 months ended 31 March <u>2019</u> RM'000	6 months ended 31 March <u>2018</u> RM'000
Fair value (losses)/gains:		
(Loss)/gain on fair value of investments held as fair value through profit or loss	(950)	60
	<u>(950)</u>	<u>60</u>

14. OTHER OPERATING REVENUE/(EXPENSES)

	6 months ended 31 March <u>2019</u> RM'000	6 months ended 31 March <u>2018</u> RM'000
Other operating revenue:		
Sundry income	45	245
	<u>45</u>	<u>245</u>
Other operating expenses:		
Assets written off	1	-
Loss on disposal of property, plant & equipment	-	1
Other expenses	131	121
	<u>132</u>	<u>122</u>

15. NET CLAIMS INCURRED

		6 months ended 31 March <u>2019</u> RM'000	6 months ended 31 March <u>2018</u> RM'000
	Note		
Gross claims paid	7.1	(75,277)	(102,830)
Claims ceded to reinsurers	7.1	21,382	32,222
Gross (increase)/decrease in insurance contract liabilities		(1,948)	35,384
Change in insurance contract liabilities ceded to reinsurers		10,456	(8,303)
		<u>(45,387)</u>	<u>(43,527)</u>

16. MANAGEMENT EXPENSES

		6 months ended 31 March <u>2019</u> RM'000	6 months ended 31 March <u>2018</u> RM'000
Chief executive officer's remuneration	17	370	677
Staff salaries and bonus		10,774	10,766
Allowance for unutilised leave		(144)	(183)
Pension costs - defined contribution plan		1,314	1,335
Other staff benefits		842	1,024
Depreciation of property, plant and equipment		620	637
Amortisation:			
- prepaid land lease payments		2	2
- intangible assets		227	456
Auditors' remuneration			
- Statutory audit		105	110
- Other regulatory related services		17	6
Executive Director's remuneration	17	20	-
Non-Executive Directors' remuneration	17	145	205
Directors' training		-	1
Allowance for impairment of insurance receivables		-	597
Write back in allowance for impairment of :			
- insurance receivables		(13)	(56)
- reinsurers		(1,010)	-
Rental of properties:			
- third parties		262	282
- fellow subsidiary company		107	103
Management fees to holding company		616	576
Call centre service charges to:			
- third parties		83	46
- fellow subsidiary company		269	268
Rental of equipment:			
- third parties		26	26
- fellow subsidiary company		2,595	2,172
Printing and information system expenses		7,764	7,170
Business development		5,308	1,874
Levy		235	237
Credit card charges		1,270	1,493
Office administration and utilities		842	828
MMIP expenses		261	386
Professional fees		1,016	919
Motor vehicle expenses		304	303
Travelling and transport expenses		78	77
Road Transport Department access fees		156	154
Motor Assist & Towing Services		380	355
Other expenses		468	463
		<u>35,309</u>	<u>33,309</u>

17. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S REMUNERATION

	Note	6 months ended 31 March <u>2019</u> RM'000	6 months ended 31 March <u>2018</u> RM'000
<u>Chief Executive Officer:</u>			
- Salary		330	374
- Bonus		-	212
- Pension costs - defined contribution plan		40	73
- Benefits-in-kind		12	17
- Allowance		-	18
		<u>382</u>	<u>694</u>
Total Chief Executive Officer's remuneration excluding benefits-in-kind	16	<u>370</u>	<u>677</u>
<u>Executive Director:</u>			
- Fees	16	<u>20</u>	<u>-</u>
		<u>20</u>	<u>-</u>
<u>Non-Executive Directors:</u>			
- Fees	16	145	205
- Benefits-in-kind		7	5
		<u>152</u>	<u>210</u>
Total Executive and Non-Executive Directors' remuneration		<u>172</u>	<u>210</u>

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

	6 months ended 31 March <u>2019</u>	6 months ended 31 March <u>2018</u>
<u>Executive Officer:</u>		
RM400,001 - RM700,000	1	1
<u>Executive Director:</u>		
RM20,001 - RM25,000	1	-

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

The number of Executive Officer and Directors whose total remuneration received during the six months period falls within the following bands is: (Cont'd.)

Non-Executive Directors:

Below RM20,000	-	1
RM20,001 - RM25,000	1	-
RM25,001 - RM30,000	-	2
RM30,001 - RM35,000	4	4

The total remuneration received by the Executive and 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 2019</u>			
Pn. Norazian binti Ahmad Tajuddin	35	1	36
Mr. Chan Thye Seng	20	-	20
Mr. Prasheem Seebran	30	4	34
Dato' Dr. Zaha Rina binti Zahari	30	2	32
Madam Sum Leng Kuang	30	-	30
Mr. Michael Yee Kim Shing (Resigned on 4 February 2019)	20	-	20
	<u>165</u>	<u>7</u>	<u>172</u>

As at 31 March 2018

Pn. Norazian binti Ahmad Tajuddin	30	1	31
Mr. Chan Thye Seng	20	-	20
Mr. Prasheem Seebran	30	-	30
Dato' Dr. Zaha Rina binti Zahari	30	2	32
Madam Sum Leng Kuang	30	-	30
Mr. Michael Yee Kim Shing	30	2	32
En. Mohammad Nizar bin Idris (Resigned on 20 June 2018)	35	-	35
	<u>205</u>	<u>5</u>	<u>210</u>

18. FINANCE COSTS

	6 months ended 31 March <u>2019</u> RM'000	6 months ended 31 March <u>2018</u> RM'000
Hire-purchase interest	7	14
Interest expense on borrowings	2,753	2,751
Others	2	1
	<u>2,762</u>	<u>2,766</u>

19. TOTAL CAPITAL AVAILABLE

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

	31 March <u>2019</u> RM'000	30 September <u>2018</u> RM'000
<u>Eligible Tier 1 Capital</u>		
Share capital (paid-up)	100,000	100,000
Retained earnings	96,904	134,857
	<u>196,904</u>	<u>234,857</u>
<u>Tier 2 Capital</u>		
Capital instruments which qualify as Tier 2 Capital	41,527	41,467
Revaluation reserve	12,378	12,378
FVTOCI reserve	2,495	-
AFS reserve	-	4,046
	<u>56,400</u>	<u>57,891</u>
Amounts deducted from Capital	<u>(1,506)</u>	<u>(1,290)</u>
Total Capital Available	<u>251,798</u>	<u>291,458</u>

20. COMMITMENTS AND CONTINGENCIES

	31 March <u>2019</u> RM'000	30 September <u>2018</u> RM'000
(i) <u>Non-cancellable operating lease commitments</u>		

Future minimum lease payments are as follows:

Not later than 1 year	3,161	3,084
Later than 1 year and not later than 5 years	<u>1,779</u>	<u>1,791</u>
	<u><u>4,940</u></u>	<u><u>4,875</u></u>

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

(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, pursuant to a requirement of Bank Negara Malaysia, 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 Repairers 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 Company is RM2,108,452.

This Proposed Decision is subject to both written and oral representations from various parties including PIAM and the respective insurers. On 25 April 2017, the Company had via its legal counsel submitted its written representation to MyCC. The first session of the oral representations to MyCC took place on 16 and 17 October 2017. The subsequent sessions of the oral representations to MyCC took place on 12 and 14 December 2017 and 29 and 30 January 2018. There has been no update from MyCC in respect of the Proposed Decision since then. However, as there has been a change of head of prosecution of MyCC, the legal counsel for a number of insurance companies have requested for and had presented oral representations afresh to MyCC on 19, 20 and 21 February 2019.

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 audited 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 financial period ended 31 March 2019.

24. CHANGES IN ESTIMATES

There were no changes in estimates of amounts reported in prior periods that have a material effect for the financial period ended 31 March 2019.

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 financial period ended 31 March 2019.

26. DIVIDENDS PAID

	6 months ended 31 March <u>2019</u> RM'000	6 months ended 31 March <u>2018</u> RM'000
<u>In respect of the financial year ended 30 September 2018:</u>		
Final single tier dividend of 45.00 sen per share, declared on 19 February 2019 and paid on 21 February 2019	45,000	-
<u>In respect of the financial year ended 30 September 2017:</u>		
Final single tier dividend of 36.50 sen per share, declared on 21 February 2018 and paid on 28 February 2018	-	36,500
	<u>45,000</u>	<u>36,500</u>

27. MATERIAL EVENTS SUBSEQUENT TO END OF REPORTING PERIOD

There were no material events subsequent to the end of the financial 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 financial period ended 31 March 2019.