

MCIS ZURICH INSURANCE BERHAD

(435318-U)

(Incorporated in Malaysia)

Unaudited Interim Financial Statements

For the six months ended 31 December 2013

MCIS ZURICH INSURANCE BERHAD
(Incorporated in Malaysia)

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(Incorporated in Malaysia)

Interim financial statements for the six months ended 31 December 2013

Unaudited statements of financial position

	Note	Group		Company	
		As at 31.12.2013 RM'000	As at 30.06.2013 RM'000	As at 31.12.2013 RM'000	As at 30.06.2013 RM'000
Assets					
Property and equipment		104,478	106,550	104,478	106,550
Investment properties		1,770	1,770	1,770	1,770
Intangible assets		14,214	15,873	14,214	15,873
Prepaid land lease payments		248	255	248	255
Investments	11	4,226,138	4,301,104	4,226,138	4,301,104
Reinsurance assets	13	149,209	139,961	149,209	139,961
Insurance receivables		55,737	73,462	55,737	73,462
Other receivables		103,161	100,474	103,161	100,474
Cash and bank balances		38,541	91,507	38,541	91,507
Total assets		4,693,496	4,830,956	4,693,496	4,830,956
Equity					
Share capital		100,284	100,284	100,284	100,284
Share premiums		24,740	24,740	24,740	24,740
Retained profits		279,613	261,044	279,633	261,064
Merger reserves		40,672	40,672	40,672	40,672
Available-for-sale reserves		(3,442)	15,302	(3,442)	15,302
Revaluation reserves		4,572	4,572	4,572	4,572
Total equity		446,439	446,614	446,459	446,634
Liabilities					
Insurance contract liabilities	17	4,055,633	4,132,585	4,055,633	4,132,585
Deferred tax liabilities		28,995	37,816	28,995	37,816
Insurance payables		96,947	128,836	96,947	128,836
Provision for taxation		629	397	629	397
Other payables		64,853	84,708	64,833	84,688
Total liabilities		4,247,057	4,384,342	4,247,037	4,384,322
Total equity and liabilities		4,693,496	4,830,956	4,693,496	4,830,956

The accompanying notes form an integral part of the unaudited interim financial statements

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Unaudited income statements

	Note	Group		Company	
		6 months ended 31.12.2013 RM'000	6 months ended 31.12.2012 RM'000	6 months ended 31.12.2013 RM'000	6 months ended 31.12.2012 RM'000
Gross earned premiums		355,453	399,291	355,453	399,291
Premiums ceded to reinsurers		(41,760)	(58,454)	(41,760)	(58,454)
Net earned premiums		<u>313,693</u>	<u>340,837</u>	<u>313,693</u>	<u>340,837</u>
Investment income		99,350	97,282	99,350	97,282
Realised gains and losses		21,436	34,968	21,436	34,968
Fair value gains and losses		1,462	1,022	1,462	1,022
Fee and commission income		6,158	8,097	6,158	8,097
Other operating income		4,112	6,298	4,112	6,298
Other revenue		<u>132,518</u>	<u>147,667</u>	<u>132,518</u>	<u>147,667</u>
Gross benefits and claims paid		(298,248)	(247,930)	(298,248)	(247,930)
Claims ceded to reinsurers		19,946	12,266	19,946	12,266
Gross change in insurance contract liabilities		(47,384)	(130,563)	(47,384)	(130,563)
Change in insurance contract liabilities ceded to reinsurers		17,206	7,147	17,206	7,147
Net benefits and claims		<u>(308,480)</u>	<u>(359,080)</u>	<u>(308,480)</u>	<u>(359,080)</u>
Fee and commission expense		(48,606)	(54,996)	(48,606)	(54,996)
Other operating expenses		(309)	-	(309)	-
Management expenses		(46,156)	(41,094)	(46,156)	(41,094)
Other expenses		<u>(95,071)</u>	<u>(96,090)</u>	<u>(95,071)</u>	<u>(96,090)</u>
Profit before taxation		42,660	33,334	42,660	33,334
Taxation	10	(16,570)	(15,822)	(16,570)	(15,822)
Net profit for the period		<u>26,090</u>	<u>17,512</u>	<u>26,090</u>	<u>17,512</u>
Earnings per share (sen)					
Basic and diluted	12	<u>26.02</u>	<u>17.46</u>	<u>26.02</u>	<u>17.46</u>

The accompanying notes form an integral part of the unaudited interim financial statements

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Interim financial statements for the six months ended 31 December 2013

Unaudited statements of comprehensive income

	Group		Company	
	6 months ended 31.12.2013 RM'000	6 months ended 31.12.2012 RM'000	6 months ended 31.12.2013 RM'000	6 months ended 31.12.2012 RM'000
Net profit for the period	26,090	17,512	26,090	17,512
Other comprehensive (loss) / income:				
Fair value change of available-for-sale financial assets	(21,663)	6,644	(21,663)	6,644
Realised gain transferred to income statement	(3,321)	(5,501)	(3,321)	(5,501)
Deferred tax relating to components of other comprehensive (loss) / income	6,240	(287)	6,240	(287)
Other comprehensive (loss) / income for the year, net of taxation	<u>(18,744)</u>	<u>856</u>	<u>(18,744)</u>	<u>856</u>
Total comprehensive income for the period	<u><u>7,346</u></u>	<u><u>18,368</u></u>	<u><u>7,346</u></u>	<u><u>18,368</u></u>

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Unaudited statements of changes in equity

	Non-distributable				Available-for-sale reserves			Retained profits			Total equity RM'000
	Share capital RM'000	Share premiums RM'000	Merger reserve RM'000	Revaluation reserves of non-participating funds RM'000	Available-for-sale reserves of non-participating funds RM'000	Available-for-sale reserves of shareholders fund RM'000	Sub-total RM'000	Unallocated surplus of non-participating funds* RM'000	Retained profits of shareholders fund RM'000	Sub-total RM'000	
Group											
At 1 July 2012	100,284	24,740	40,672	4,572	7,531	8,758	16,289	53,737	175,389	229,126	415,683
Total comprehensive income for the period	-	-	-	-	(109)	965	856	1,852	15,660	17,512	18,368
Dividends paid during the period	-	-	-	-	-	-	-	-	(7,521)	(7,521)	(7,521)
At 31 December 2012	<u>100,284</u>	<u>24,740</u>	<u>40,672</u>	<u>4,572</u>	<u>7,422</u>	<u>9,723</u>	<u>17,145</u>	<u>55,589</u>	<u>183,528</u>	<u>239,117</u>	<u>426,530</u>
At 1 July 2013	100,284	24,740	40,672	4,572	5,804	9,498	15,302	63,234	197,810	261,044	446,614
Total comprehensive income for the period	-	-	-	-	(11,578)	(7,166)	(18,744)	14,877	11,213	26,090	7,346
Dividends paid during the period	-	-	-	-	-	-	-	-	(7,521)	(7,521)	(7,521)
At 31 December 2013	<u>100,284</u>	<u>24,740</u>	<u>40,672</u>	<u>4,572</u>	<u>(5,774)</u>	<u>2,332</u>	<u>(3,442)</u>	<u>78,111</u>	<u>201,502</u>	<u>279,613</u>	<u>446,439</u>
Company											
At 1 July 2012	100,284	24,740	40,672	4,572	7,531	8,758	16,289	53,737	175,405	229,142	415,699
Total comprehensive income for the period	-	-	-	-	(109)	965	856	1,852	15,660	17,512	18,368
Dividends paid during the period	-	-	-	-	-	-	-	-	(7,521)	(7,521)	(7,521)
At 31 December 2012	<u>100,284</u>	<u>24,740</u>	<u>40,672</u>	<u>4,572</u>	<u>7,422</u>	<u>9,723</u>	<u>17,145</u>	<u>55,589</u>	<u>183,544</u>	<u>239,133</u>	<u>426,546</u>
At 1 July 2013	100,284	24,740	40,672	4,572	5,804	9,498	15,302	63,234	197,830	261,064	446,634
Total comprehensive income for the period	-	-	-	-	(11,578)	(7,166)	(18,744)	14,877	11,213	26,090	7,346
Dividends paid during the period	-	-	-	-	-	-	-	-	(7,521)	(7,521)	(7,521)
At 31 December 2013	<u>100,284</u>	<u>24,740</u>	<u>40,672</u>	<u>4,572</u>	<u>(5,774)</u>	<u>2,332</u>	<u>(3,442)</u>	<u>78,111</u>	<u>201,522</u>	<u>279,633</u>	<u>446,459</u>

* The unallocated surplus under retained profits of the non-participating ("Non-Par") funds is only available for distribution to the shareholders fund upon recommendation by the Appointed Actuary and approval by the Board of Directors. The unallocated surplus of the Non-Par funds for the period ended 31 December 2013 and 31 December 2012 were RM14,877,000 (Company: RM14,877,000) and RM1,852,000 (Company: RM1,852,000), net of tax at 25% respectively.

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Unaudited statements of cash flows

	Group		Company	
	6 months ended 31.12.2013	6 months ended 31.12.2012	6 months ended 31.12.2013	6 months ended 31.12.2012
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	42,660	33,334	42,660	33,334
Adjustments for non-cash items	5,643	(104,779)	5,643	(104,779)
Operating profit/(loss) before changes in operating assets and liabilities	48,303	(71,445)	48,303	(71,445)
Net investment income received	99,350	97,026	99,350	97,026
Proceed from disposal of investment	2,417,172	3,769,706	2,417,172	3,769,706
Purchase of investments	(2,651,990)	(3,825,273)	(2,651,990)	(3,825,273)
Decrease/(Increase) in loan receivables	26,067	(4,748)	26,067	(4,748)
Decrease/(Increase) in deposits with financial institutions	158,429	(41,067)	158,429	(41,067)
(Increase)/Decrease in reinsurance assets	(9,248)	7,550	(9,248)	7,550
Decrease in receivables	14,576	14,153	14,576	14,153
(Decrease)/Increase in insurance contract liabilities	(84,572)	39,810	(84,572)	39,810
Increase/(Decrease) in payables	(51,744)	17,227	(51,744)	17,227
Cash (used in) / generated from operations	(33,657)	2,939	(33,657)	2,939
Income taxes paid	(11,090)	(12,255)	(11,090)	(12,255)
Net cash outflow from operating activities	(44,747)	(9,316)	(44,747)	(9,316)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment	(623)	(2,274)	(623)	(2,274)
Purchase of intangibles assets	(75)	(31)	(75)	(31)
Proceeds from disposal of property and equipment	-	5	-	5
Net cash outflow from investing activities	(698)	(2,300)	(698)	(2,300)
CASH FLOW FROM FINANCING ACTIVITIES				
Dividend paid to shareholders	(7,521)	(7,521)	(7,521)	(7,521)
Net cash outflow from financing activities	(7,521)	(7,521)	(7,521)	(7,521)
CASH AND BANK BALANCES				
Net decrease in cash and bank balances	(52,966)	(19,137)	(52,966)	(19,137)
Cash and bank balances at 1 July	91,507	44,163	91,507	44,163
Cash and bank balances at 31 December	38,541	25,026	38,541	25,026

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Notes to the interim financial statements

1 Basis of preparation

The interim financial statements of MCIS ZURICH Insurance Berhad ("MZIB" or "Company") and its subsidiary Cramson (Malaysia) Bhd. (collectively referred to as the "Group") are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134 - *Interim Financial Reporting* as issued by the Malaysian Accounting Standards Board ("MASB") and International Accounting Standards ("IAS") 34 - *Interim Financial Reporting* as issued by International Accounting Standards Board ("IASB").

The unaudited interim financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise stated in the accounting policies.

As at the reporting date, the Company has met the minimum capital adequacy requirements as prescribed under the Risk-Based Capital ("RBC") Framework issued by Bank Negara Malaysia ("BNM").

The unaudited interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's audited financial statements for the financial year ended 30 June 2013.

The notes attached to the unaudited interim financial statements provide an explanation of events and transactions that are significant to gain an understanding of the changes in the financial position and performance of the Group and of the Company since the financial year ended 30 June 2013.

The unaudited interim financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000") except when otherwise indicated.

2 Significant accounting policies

2.1 Standards effective for financial year beginning on or after 1 July 2013

The accounting policies and presentation adopted by the Group and the Company for the unaudited interim financial statements are consistent with those adopted by the Group's audited financial statements for the financial year ended 30 June 2013, except for the adoption of the following:

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2 Significant accounting policies (cont'd.)

2.1 Standards effective for financial year beginning on or after 1 July 2013 (cont'd.)

MFRS 3	Business Combinations
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits (revised)
MFRS 127	Separate Financial Statements (revised)
MFRS 128	Investments in Associates and Joint Ventures (revised)
Amendments to MFRS 7	Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards - Government Loans
Amendments to MFRS	Annual Improvements 2009-2011 Cycle
Amendments to MFRS 10	Consolidated Financial Statements: Transition Guidance
Amendments to MFRS 11	Joint Arrangements: Transition Guidance
Amendments to MFRS 12	Disclosure of Interests in Other Entities: Transition Guidance
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 revised standards, amendments and interpretations issued by MASB which are effective in the current financial year did not have any significant impact to the interim financial statements of the Group and of the Company.

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2 Significant accounting policies (cont'd.)

2.2 Adjustments to share of Malaysian Motor Insurance Pool ("MMIP")'s assets

During the previous financial period, the Company adjusted other operating income and taxation for the share of MMIP's assets in respect of prior years which arise mainly from the withdrawal of MMIP's members.

Reconciliation of income statements for comparative period as follows:

Group and Company

	6 months ended 31.12.2012 (as previously reported) RM'000	Adjustment RM'000	6 months ended 31.12.2012 (Restated) RM'000
Other operating income	4,585	1,713	6,298
Taxation	(15,394)	(428)	(15,822)
Net profit for the period	16,227	1,285	17,512

3 Seasonal or cyclical factors

The operation of the Group and of the Company were not materially affected by any seasonal or cyclical fluctuations during the interim financial period.

4 Unusual items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the current financial period ended 31 December 2013.

5 Change in estimates

There were no changes in the basis used for accounting estimates in respect of amounts reported in prior financial periods that would have a material effect on the unaudited interim financial statements.

6 Debt and equity securities

There was no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the interim financial period.

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7 Dividends

A final dividend of 7.5 sen per share less income tax of 25% tax on 100,284,071 ordinary shares amounting to RM7,521,305 for the financial year ended 30 June 2013 was approved at the last Annual General Meeting on 28 November 2013 and the dividend was paid on 17 December 2013.

8 Material events subsequent to the end of the period

There was no material event subsequent to the end of the interim reporting period that has not been reported in the interim financial statements.

9 Contingent liabilities

There were no contingent liabilities as at the date of this report since the date of the last annual statement of financial position.

10 Taxation

	6 months ended 31.12.2013 RM'000	6 months ended 31.12.2012 RM'000
In respect of current period:		
Current tax	11,784	14,030
Deferred tax	4,786	1,792
	<u>16,570</u>	<u>15,822</u>

The income tax for the Shareholders' and General funds are calculated based on the tax rate of 25% (2013: 25%) of the estimated assessable profit for the financial period. The income tax for the Life fund is calculated based on tax rate of 8% (2013: 8%) on the investment income for the financial period.

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11 Investments

	As at 31.12.2013 RM'000	As at 30.6.2013 RM'000
Malaysian government securities	1,530,697	1,245,608
Government investment issues	176,699	98,245
Malaysian government guaranteed bonds	712,708	840,052
Unquoted debt securities	785,907	932,994
Quoted equity securities	334,330	303,813
Quoted exchange traded funds	24,295	23,879
Unquoted equity securities	7,336	7,336
Quoted unit and property trust funds	145,684	156,199
Deposits with financial institutions	150,565	308,994
Loans receivable	357,917	383,984
	<u>4,226,138</u>	<u>4,301,104</u>

The Company's financial investments are summarised by categories as follows:

Loans and receivables ("LAR")	508,482	692,978
Available-for-sale financial assets ("AFS")	3,613,183	3,505,387
Designated upon initial recognition at fair value through profit or loss ("FVTPL")	104,473	102,739
	<u>4,226,138</u>	<u>4,301,104</u>

	As at 31.12.2013 RM'000	As at 30.6.2013 RM'000
(a) LAR		
At amortised cost:		
Deposits with financial institutions	<u>150,565</u>	<u>308,994</u>
Loans receivable:		
Policy loans	343,449	367,800
Mortgage loans	8,669	9,446
Term loan to related party	8,000	9,000
Other loans	773	712
Accumulated impairment loss	(2,974)	(2,974)
	<u>357,917</u>	<u>383,984</u>
	<u>508,482</u>	<u>692,978</u>

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11 Investments (cont'd.)

	As at 31.12.2013 RM'000	As at 30.6.2013 RM'000
(b) AFS		
At fair value:		
Malaysian government securities	1,517,050	1,234,901
Government investment issues	174,745	98,245
Malaysian government guaranteed bonds	712,708	836,508
Unquoted debt securities	781,100	924,080
Quoted equity securities	279,186	251,481
Quoted unit and property trust funds	141,058	152,836
	<u>3,605,847</u>	<u>3,498,051</u>
At cost less impairment:		
Unquoted equity securities (net of impairment loss of RM62,000 (2013 : RM62,000))	7,336	7,336
	<u>3,613,183</u>	<u>3,505,387</u>
(c) FVTPL		
At fair value:		
Malaysian government securities	13,647	10,707
Government investment issues	1,954	-
Malaysian government guaranteed bonds	-	3,544
Unquoted debt securities	4,807	8,914
Quoted equity securities	55,144	52,332
Quoted exchange trade funds	24,295	23,879
Quoted unit and property trust funds	4,626	3,363
	<u>104,473</u>	<u>102,739</u>

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11 Investments (cont'd.)

(d) Carrying values of financial instruments

	LAR RM'000	AFS RM'000	FVTPL RM'000	Total RM'000
At 1 July 2012	751,412	3,308,869	80,455	4,140,736
Purchases	-	8,159,174	50,875	8,210,049
Disposals	-	(7,996,902)	(35,051)	(8,031,953)
Fair value gains/(losses) recorded in:				
Other comprehensive income	-	(1,315)	-	(1,315)
Insurance contract liabilities:				
Life fund	-	(22,842)	-	(22,842)
Investment-linked fund	-	-	3,465	3,465
Realised gains recorded				
in income statements	-	66,879	2,995	69,874
Decrease in loans	(12,296)	-	-	(12,296)
Decrease in impairment loss	41	-	-	41
Decrease in deposits with financial institutions	(46,179)	-	-	(46,179)
Net amortisation of premiums	-	(8,476)	-	(8,476)
At 30 June 2013	692,978	3,505,387	102,739	4,301,104
Purchases	-	2,634,240	17,750	2,651,990
Disposals	-	(2,398,598)	(18,574)	(2,417,172)
Fair value gains/(losses) recorded in:				
Other comprehensive income	-	(24,984)	-	(24,984)
Insurance contract liabilities:				
Life fund	-	(119,666)	-	(119,666)
Investment-linked fund	-	-	1,462	1,462
Realised gains recorded in				
income statements	-	20,314	1,122	21,436
Decrease in loans	(26,067)	-	-	(26,067)
Decrease in deposits with financial institutions	(158,429)	-	-	(158,429)
Net amortisation of premiums	-	(3,510)	(26)	(3,536)
At 31 December 2013	508,482	3,613,183	104,473	4,226,138

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12 Earning per share

Basic earnings per share is calculated by dividing profit for the financial year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	6 months ended 31.12.2013	6 months ended 31.12.2012
Profit attributable to ordinary equity holders (RM'000)	26,090	17,512
Weighted average number of shares in issue ('000)	100,284	100,284
Basic and diluted earnings per share (sen)	26.02	17.46

There were no potential dilutive ordinary shares as at the reporting date.

There have been no other transactions involving ordinary shares between the reporting date and the date of completion of these financial statements.

13 Reinsurance assets

	As at 31.12.2013 RM'000	As at 30.6.2013 RM'000
Reinsurance of insurance contracts:		
Claims liabilities	126,217	109,011
Premium liabilities	22,992	30,950
	<u>149,209</u>	<u>139,961</u>

14 Capital commitments

	As at 31.12.2013 RM'000	As at 30.6.2013 RM'000
Capital expenditure:		
Approved but not contracted for:		
Property, plant and equipment	1,131	1,544
Intangible assets	716	735
	<u>1,847</u>	<u>2,279</u>

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15 Significant related party disclosures

Related parties

The related parties and their relationship with the Company as at 31 December 2013 are as follows:

Name	Relationship
Zurich Asia Holdings Ltd ("Z AHL")	Corporate shareholder
Koperasi MCIS Berhad	Corporate shareholder
Zurich American Insurance Company	Related company of Z AHL
Zurich International (Deutschland)	Related company of Z AHL
Zurich International (UK) Limited	Related company of Z AHL
Zurich Insurance Company (Switzerland)	Related company of Z AHL
Zurich Services (Hong Kong) Limited	Related company of Z AHL
Zurich International France	Related company of Z AHL
National Land Finance Co-operative Society	A Co-operative in which a director Dato' Balaram a/l Petha Naidu is also a director
Syed Hussain Publications Sdn Bhd (The Malaysian Reserve)	Datuk Ir (Dr.) Haji Mohamed Al-Amin bin Haji Abdul Majid is the Chairman of Redberry Sdn Bhd, co-owner of The Malaysian Reserve.
Malay Mail Sdn Bhd	Datuk Ir (Dr.) Haji Mohamed Al-Amin bin Haji Abdul Majid is the Chairman of Redberry Sdn Bhd, co-owner of Malay Mail Sdn Bhd.

The Company undertakes various transactions with related companies of Z AHL. The Directors are of the opinion that the reinsurance premiums ceded to related companies and related parties are contracted on terms and conditions no more favourable than those available with other reinsurance counterparties. Other related party transactions were also carried out on terms and conditions no more favourable than those available on similar transactions with unrelated parties, unless otherwise stated.

Group and Company	6 months ended 31.12.2013 RM'000	6 months ended 31.12.2012 RM'000
Transactions with related parties:		
(i) Interest income received from:		
National Land Finance Co-operative Society Limited	224	280
(ii) Rental income received from:		
Koperasi MCIS Berhad	53	53

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15 Significant related party disclosures (cont'd.)

Related parties (cont'd.)

	6 months ended 31.12.2013 RM'000	6 months ended 31.12.2012 RM'000
Group and Company (cont'd.)		
(iii) Reinsurance premium ceded to:		
Zurich American Insurance Company	60	790
Zurich International (Deutschland)	177	1,576
Zurich International (UK) Limited	448	1,900
Zurich Insurance Company (Switzerland)	1,759	5,513
Zurich International France	166	2,701
	<u>2,610</u>	<u>12,480</u>
(iv) Reimbursable costs to:		
Zurich Insurance Company (Switzerland)	-	86
Syed Hussain Publications Sdn Bhd	-	72
Malay Mail Sdn Bhd	-	106
Zurich Insurance Plc UK	90	24
Koperasi MCIS Berhad	20	20
	<u>110</u>	<u>308</u>
(v) Reimbursable costs from:		
Zurich Services (Hong Kong) Limited	132	198
	<u>132</u>	<u>198</u>

16 Regulatory capital requirement

The capital structure of the Company as at 31 December 2013, as prescribed under the RBC Framework is provided below:

	As at 31.12.2013 RM'000	As at 30.6.2013 RM'000
<u>Eligible Tier 1 Capital</u>		
Share capital (paid-up)	100,284	100,284
Reserves, including retained earnings	1,293,183	1,147,536
	<u>1,393,467</u>	<u>1,247,820</u>
<u>Tier 2 Capital</u>		
Eligible reserves	17,476	150,891
Total capital available	<u>1,410,943</u>	<u>1,398,711</u>

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17 Insurance contract liabilities

	As at 31.12.2013			As at 30.6.2013		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Life insurance	3,672,537	(1,857)	3,670,680	3,758,813	(919)	3,757,894
General insurance	383,096	(147,352)	235,744	373,772	(139,042)	234,730
	<u>4,055,633</u>	<u>(149,209)</u>	<u>3,906,424</u>	<u>4,132,585</u>	<u>(139,961)</u>	<u>3,992,624</u>

(a) Life insurance fund

	As at 31.12.2013			As at 30.6.2013		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Provision for outstanding claims	55,042	(1,857)	53,185	41,147	(919)	40,228
Actuarial liabilities	2,980,957	-	2,980,957	3,026,377	-	3,026,377
Unallocated surplus	494,022	-	494,022	441,295	-	441,295
AFS reserves	(20,311)	-	(20,311)	91,735	-	91,735
Asset revaluation reserves	36,929	-	36,929	36,929	-	36,929
Net asset value attributable to unitholders	125,898	-	125,898	121,330	-	121,330
	<u>3,672,537</u>	<u>(1,857)</u>	<u>3,670,680</u>	<u>3,758,813</u>	<u>(919)</u>	<u>3,757,894</u>

	<----- Gross ----->			<----- Reinsurance ----->			Net RM'000
	With DPF RM'000	Without DPF RM'000	Total RM'000	With DPF RM'000	Without DPF RM'000	Total RM'000	
At 1 July 2012	3,119,982	410,463	3,530,445	(1,226)	(423)	(1,649)	3,528,796
Premiums received	439,810	94,313	534,123	(2,671)	235	(2,436)	531,687
Liabilities paid for death, maturities, surrenders, benefits and claims	(307,122)	(51,528)	(358,650)	4,498	978	5,476	(353,174)
Policy movement	135,483	18,316	153,799	-	-	-	153,799
Interest rate	2,574	333	2,907	-	-	-	2,907
<i>Adjustments due to changes in assumptions:</i>							
<i>Mortality/morbidity</i>	190	(4,559)	(4,369)	-	-	-	(4,369)
<i>Expenses</i>	-	(116)	(116)	-	-	-	(116)
<i>Lapse</i>	(15,798)	(105)	(15,903)	-	-	-	(15,903)
<i>Others</i>	(9,744)	4,504	(5,240)	-	-	-	(5,240)
Claims benefit experience variation	(127,796)	(41,380)	(169,176)	(757)	(1,553)	(2,310)	(171,486)
Net asset value attributable to unitholders	-	8,053	8,053	-	-	-	8,053
Net creation of units	-	49,316	49,316	-	-	-	49,316
Net cancellation of units	-	(35,987)	(35,987)	-	-	-	(35,987)
AFS reserves	(22,841)	-	(22,841)	-	-	-	(22,841)
Deferred tax on AFS reserves	1,036	-	1,036	-	-	-	1,036
Unallocated surplus available	91,416	-	91,416	-	-	-	91,416
As at 30 Jun 2013	<u>3,307,190</u>	<u>451,623</u>	<u>3,758,813</u>	<u>(156)</u>	<u>(763)</u>	<u>(919)</u>	<u>3,757,894</u>

MCIS ZURICH INSURANCE BERHAD
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17 Insurance contract liabilities (cont'd.)

(a) Life insurance fund (cont'd.)

	<-----Gross----->			<-----Reinsurance----->			Net RM'000
	With DPF RM'000	Without DPF RM'000	Total RM'000	With DPF RM'000	Without DPF RM'000	Total RM'000	
At 1 July 2013	3,307,190	451,623	3,758,813	(156)	(763)	(919)	3,757,894
Premiums received	197,169	47,300	244,469	(1,259)	(1,902)	(3,161)	241,308
Liabilities paid for death, maturities, surrenders, benefits and claims	(208,645)	(23,680)	(232,325)	2,258	23	2,281	(230,044)
Policy movement	(2,581)	531	(2,050)	-	-	-	(2,050)
Interest rate	(32,689)	(10,417)	(43,106)	-	-	-	(43,106)
<i>Adjustments due to changes in assumptions:</i>							
<i>Lapse</i>	889	95	984	-	-	-	984
<i>Others</i>	(1,735)	487	(1,248)	-	-	-	(1,248)
Claims benefit experience variation	18,814	(17,063)	1,751	(1,067)	1,009	(58)	1,693
Net asset value attributable to unitholders	-	3,254	3,254	-	-	-	3,254
Net creation of units	-	15,206	15,206	-	-	-	15,206
Net cancellation of units	-	(13,892)	(13,892)	-	-	-	(13,892)
AFS reserves	(119,666)	-	(119,666)	-	-	-	(119,666)
Deferred tax on AFS reserves	7,620	-	7,620	-	-	-	7,620
Unallocated surplus available	52,727	-	52,727	-	-	-	52,727
As at 31 December 2013	3,219,093	453,444	3,672,537	(224)	(1,633)	(1,857)	3,670,680

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17 Insurance contract liabilities (cont'd.)

(b) General insurance fund

	As at 31.12.2013			As at 30.06.2013		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Provision for claims reported by policyholders	185,819	(88,339)	97,480	176,930	(78,952)	97,978
Provision for incurred but not reported ("IBNR") claims and provision for risk margin for adverse deviations ("PRAD")	118,481	(36,021)	82,460	105,756	(29,140)	76,616
Claim liabilities (i)	304,300	(124,360)	179,940	282,686	(108,092)	174,594
Premium liabilities (ii)	78,796	(22,992)	55,804	91,086	(30,950)	60,136
	383,096	(147,352)	235,744	373,772	(139,042)	234,730
(i) Claim liabilities						
At beginning of year	282,686	(108,092)	174,594	276,852	(112,626)	164,226
Claims incurred in the current accident year	29,262	(5,122)	24,140	114,504	(51,836)	62,668
IBNR and PRAD incurred	12,725	(6,880)	5,845	11,070	(1,811)	9,259
Claims incurred in prior accident years	31,658	(21,931)	9,727	9,828	12,235	22,063
Claims paid during the year	(52,031)	17,665	(34,366)	(129,568)	45,946	(83,622)
At end of year	304,300	(124,360)	179,940	282,686	(108,092)	174,594
(ii) Premiums liabilities						
At beginning of year	91,086	(30,950)	60,136	115,027	(52,898)	62,129
Premiums written in the year	83,488	(30,641)	52,847	208,298	(83,656)	124,642
Premiums earned during the year	(95,778)	38,599	(57,179)	(232,239)	105,604	(126,635)
At end of year	78,796	(22,992)	55,804	91,086	(30,950)	60,136

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Interim financial statements for the six months ended 31 December 2013

Notes to the interim financial statements

18 Insurance funds

The Company's activities are organised by funds and segregated into Shareholders' and General Fund, Life Funds and Investment Linked Fund in accordance with the Financial Services Act, 2013.

The statements of financial position and income statements by funds are presented as follows:

	Shareholders' and General Fund		Life Fund		Investment Linked Fund		Total	
	As at	As at	As at	As at	As at	As at	As at	As at
	31.12.2013	30.06.2013	31.12.2013	30.06.2013	31.12.2013	30.06.2013	31.12.2013	30.06.2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS								
Property and equipment	353	387	104,125	106,163	-	-	104,478	106,550
Investment properties	-	-	1,770	1,770	-	-	1,770	1,770
Intangible assets	22	24	14,192	15,849	-	-	14,214	15,873
Prepaid land lease payments	-	-	248	255	-	-	248	255
Investments	570,987	585,422	3,533,927	3,599,701	121,224	115,981	4,226,138	4,301,104
Reinsurance assets	147,352	139,042	1,857	919	-	-	149,209	139,961
Insurance receivables	15,466	24,075	40,271	49,387	-	-	55,737	73,462
Other receivables*	154,770	146,607	47,879	44,816	3,455	3,736	103,161	100,474
Cash and bank balances	12,540	7,354	20,722	79,401	5,279	4,752	38,541	91,507
TOTAL ASSETS	901,490	902,911	3,764,991	3,898,261	129,958	124,469	4,693,496	4,830,956
Total Equity	446,459	446,634	-	-	-	-	446,459	446,634
LIABILITIES								
Insurance contract liabilities	383,096	373,772	3,546,639	3,637,483	125,898	121,330	4,055,633	4,132,585
Deferred tax liabilities	27,309	24,493	17	11,778	1,669	1,545	28,995	37,816
Insurance payables	39,050	49,063	57,897	79,773	-	-	96,947	128,836
Provision for taxation	-	-	-	-	629	397	629	397
Other payables*	5,576	8,949	160,438	169,227	1,762	1,197	64,833	84,688
Total Liabilities	455,031	456,277	3,764,991	3,898,261	129,958	124,469	4,247,037	4,384,322
TOTAL EQUITY, AND LIABILITIES	901,490	902,911	3,764,991	3,898,261	129,958	124,469	4,693,496	4,830,956

* Included in other receivables and payables are inter-fund balances which are eliminated in presenting the Company's total results.

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Interim income statement by funds
For the six months ended 31 December 2013

	Shareholders' and General Fund		Life Fund		Investment Linked Fund		Total	
	6 months ended	6 months ended	6 months ended	6 months ended	6 months ended	6 months ended	6 months ended	6 months ended
	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross earned premiums	95,778	116,927	244,469	253,024	15,206	29,340	355,453	399,291
Premiums ceded to reinsurers	(38,599)	(53,946)	(3,161)	(4,508)	-	-	(41,760)	(58,454)
Net earned Premiums	57,179	62,981	241,308	248,516	15,206	29,340	313,693	340,837
Investment income	12,177	11,960	86,136	84,199	1,037	1,123	99,350	97,282
Realised gains and losses	1,813	2,430	18,501	29,613	1,122	2,925	21,436	34,968
Fair value gains and losses	-	-	-	-	1,462	1,022	1,462	1,022
Fee and commission income	6,158	7,457	-	640	-	-	6,158	8,097
Other operating income	3,090	4,910	1,022	1,388	-	-	4,112	6,298
Other revenue	23,238	26,757	105,659	115,840	3,621	5,070	132,518	147,667
Gross benefits and claims paid	(52,031)	(52,721)	(232,325)	(173,952)	(13,892)	(21,257)	(298,248)	(247,930)
Claims ceded to reinsurers	17,665	11,938	2,281	328	-	-	19,946	12,266
Gross change in insurance contract liabilities	(21,614)	(8,529)	(21,202)	(109,354)	(4,568)	(12,680)	(47,384)	(130,563)
Change in insurance contract liabilities ceded to reinsurers	16,268	7,147	938	-	-	-	17,206	7,147
Net benefits and claims	(39,712)	(42,165)	(250,308)	(282,978)	(18,460)	(33,937)	(308,480)	(359,080)
Fee and commission expense	(10,645)	(10,950)	(37,961)	(44,046)	-	-	(48,606)	(54,996)
Other operating expenses	-	-	(309)	-	-	-	(309)	-
Management expenses	(14,221)	(14,441)	(31,924)	(26,644)	(11)	(9)	(46,156)	(41,094)
Other expenses	(24,866)	(25,391)	(70,194)	(70,690)	(11)	(9)	(95,071)	(96,090)
Profit from operation	15,839	22,182	26,465	10,688	356	464	42,660	33,334
Reclassification of unallocated surplus of non-participating fund to shareholders fund	19,836	2,468	(19,836)	(2,468)	-	-	-	-
Profit before taxation	35,675	24,650	6,629	8,220	356	464	42,660	33,334
Taxation	(9,585)	(7,138)	(6,629)	(8,220)	(356)	(464)	(16,570)	(15,822)
Net profit for the period	26,090	17,512	-	-	-	-	26,090	17,512