MCIS INSURANCE BERHAD

(Formerly known as MCIS ZURICH Insurance Berhad)

(Company No : 435318-U)

(Incorporated in Malaysia under the Companies Act, 1965)

Annual Report

For The Six-Month Period Ended 31 December

2014

Directors' Report & Audited Financial Statements

For The Six-Month Period Ended 31 December 2014

CONTENTS	PAGE

MCIS Insurance Berhad
(Formerly known as MCIS ZURICH Insurance Berhad)
(Incorporated in Malaysia)

Directors' report

The Directors have pleasure in presenting their report together with the audited financial statements of the Company for the six-month period ended 31 December 2014.

Principal activities

The Company is engaged principally in the underwriting of life and investment linked insurance, and all classes of general insurance business.

Cramson Sdn Bhd ("Cramson"), previously a subsidiary of the Company, had been struck off in accordance with Section 308(2) of the Companies Act, 1965 in Malaysia under the Government Gazette Order dated 15 August 2014. Consequently, Cramson has ceased its operation as a dormant company and is no longer form part of the Group since then.

On 1 March 2015, subsequent to the end of the financial period being reported on here, the Company has completed the transfer of certain assets and liabilities of the general insurance business as a going concern to The Pacific Insurance Berhad ("PIB") for a cash consideration of RM42.8 million, subject to any adjustments to be made to the value of the assets and liabilities at the finalisation of this transfer as disclosed in Note 11 and Note 43.

Change of financial year end

The financial year-end of the Company was changed from 30 June to 31 December to coincide with the financial year-end of the holding and ultimate holding companies. Accordingly, the financial statements of the Company for the current financial period ended 31 December 2014 covers a six-month period compared to a twelve-month period for the previous financial year ended 30 June 2014, and therefore the comparative amounts for the income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and the related notes are not comparable.

Results

	RM'000
Net profit for the period:	
- Continuing operations	13,408
- Discontinued operations	(5,091)
	8,317

MCIS Insurance Berhad
(Formerly known as MCIS ZURICH Insurance Berhad)
(Incorporated in Malaysia)

Results (cont'd.)

There were no material transfers to or from reserves or provisions during the financial period other than as disclosed in the financial statements.

In the opinion of the Directors, the results of the operations of the Company during the financial period were not substantially affected by any item, transaction or event of a material and unusual nature, other than as disclosed in the financial statements.

Dividends

The amounts of dividends declared and paid by the Company since 30 June 2014 were as follows:

	RM'000
Interim single-tier dividend of 5% of nominal value of share capital, amounting to RM5,014,204 in respect of the financial year ended 30 June 2014 approved on 25 August 2014 and paid on 21 November 2014	5,014
Final single-tier dividend of 10% of nominal value of share capital, amounting to RM10,028,407 in respect of the financial year ended 30 June 2014 approved on 27 November 2014 and paid on 16 December 2014	10,028
	15,042

Directors

The names of the Directors of the Company in office since the date of the last report and at the date of this report are:

Tan Sri Mohamed Al Amin bin Abdul Majid (Chairman)
Independent, non-executive director

Dato’ Balaram a/l Petha Naidu
Non-independent, non-executive director

Dato' Hj Mustapha @ Mustapa bin Md Nasir
Non-independent, non-executive director

Mr. Kirupalani a/l Chelliah
Independent, non-executive director

Mr. Murugiah M N Singham
Independent, non-executive director

Directors (cont'd.)

Dato' Dr. Md Khir bin Abdul Rahman
Independent, non-executive director

Mr. Cornelius Karel Foord
Non-independent, non-executive director

Mr. Philippus Rudolph Van Rooijen
Non-independent, non-executive director

Board meeting

The Board comprises four independent, non-executive directors and four non-independent, non-executive directors. The attendance of the members of the Board in office at the 5 meetings of the Board held during the financial period was as follows:

	Attendance
Chairman:	
Tan Sri Mohamed Al Amin bin Abdul Majid	4/5
Members:	
Dato’ Balaram a/l Petha Naidu	5/5
Dato' Hj Mustapha @ Mustapa bin Md Nasir	5/5
Mr. Kirupalani a/l Chelliah	5/5
Mr. Murugiah M N Singham	5/5
Dato' Dr. Md Khir bin Abdul Rahman	5/5
Mr. Cornelius Karel Foord	5/5
Mr. Philippus Rudolph Van Rooijen	5/5

Corporate governance

The Board of Directors ("the Board") confirms that the Company has complied with all the prescriptive requirements of, and adopts management practices that are consistent with, the principles prescribed under Bank Negara Malaysia ("BNM")'s Guidelines, BNM/RH/GL/003-1 *Minimum Standards for Prudential Management of Insurers (Consolidated)* and BNM/RH/GL/003-2 *Prudential Framework of Corporate Governance for Insurers* .

Corporate governance standards

The memberships, roles and terms of reference of the Audit, Risk Management, Nominating and Remuneration Committees of the Board during the financial period are as follows:

Corporate governance standards (cont'd.)

(i) Audit Committee (cont'd.)

The Audit Committee ("AC") comprises two independent, non-executive directors and one non-independent, non-executive director. The attendance of the members of the Committee in office at the 4 meetings of the Committee held during the financial period is as follows:

	Attendance
Chairman:	
Mr. Murugiah M N Singham	4/4
Members:	
Mr. Kirupalani a/l Chelliah	4/4
Cornelius Karel Foord	4/4

The AC's terms of reference include the reinforcement of the independence and objectivity of the internal audit function and the specification of its scope, the review of the Company's financial statements which includes the findings of both the internal and external auditors and the propriety of disclosure of related party transactions. It also makes recommendations to the Board on the appointment and re-appointment of the external auditors and the maintenance of a sound system of internal controls to safeguard the Company's assets.

The Committee's primary duties are as spelt out in the Guidelines, BNM/RH/GL/003-22 *Guidelines on Audit Committees and Internal Audit Department (Part A)* and BNM/RH/GL/013-4 *Guidelines on Internal Audit Function of Licensed Institutions* issued by BNM.

(ii) Risk Management Committee

The Risk Management Committee ("RMC") comprises one independent, non-executive director and two non-independent, non-executive directors. The attendance of the members of the Committee in office at the 4 meetings of the Committee held during the financial period is as follows:

	Attendance
Chairman:	
Dato' Dr. Md Khir bin Abdul Rahman	4/4
Members:	
Dato' Hj Mustapha @ Mustapa bin Md Nasir	4/4
Mr. Philippus Rudolph Van Rooijen	4/4

The RMC oversees senior management's activities in managing the key risks of the Company, in order to ensure that the risk management process is in place and functioning effectively. The responsibilities of the RMC include the review, assessment and recommendation of the risk management strategies and risk tolerance of the Company. It also assesses the adequacy and effectiveness of the internal policies and frameworks for identifying, measuring, monitoring and controlling risks.

Corporate governance standards (cont'd.)

(iii) Nominating Committee

The Nominating Committee ("NC") comprises two independent, non-executive directors and three non-independent, non-executive directors. The attendance of the members of the Committee in office at the 4 meetings and one adjourned meeting of the Committee held during the financial period is as follows:

	Attendance
Chairman:	
Mr. Kirupalani a/l Chelliah	4/4
Members:	
Dato' Hj Mustapha @ Mustapa bin Md Nasir	4/4
Dato' Balaram a/l Petha Naidu	4/4
Mr. Murugiah M N Singham	4/4
Mr. Cornelius Karel Foord	3/3

The NC is empowered to consider and evaluate the appointment of new directors and directors to fill the seats on Committees of the Board. It also recommends suitable, competent candidates to the Board and BNM for appointment and re-appointment or re-election. In addition, the NC is also entrusted with the responsibility for both the appointment and evaluation of the Chief Executive Officer ("CEO") and key senior officers of the Company.

The NC will review annually, the structure, size, composition and mix of skills required for the Board to discharge its duties effectively. It also assesses on an annual basis, the effectiveness of the Board as a whole, including the various Committees of the Board.

(iv) Remuneration Committee

The Remuneration Committee ("RC") comprises two independent, non-executive directors and one non-independent, non-executive director. The attendance of the members of the Committee in office at the 2 meetings of the Committee held during the financial period is as follows:

	Attendance
Chairman:	
Dato' Dr. Md Khir bin Abdul Rahman	2/2
Members:	
Dato' Balaram a/l Petha Naidu	2/2
Mr. Philippus Rudolph Van Rooijen	2/2

Corporate governance standards (cont'd.)

(iv) Remuneration Committee (cont'd.)

The Board recognises that levels of remuneration must be sufficient to attract, retain and motivate directors of the quality required to manage the business of the Company and to align the interests of the directors with those of the shareholders. In this respect, the RC is responsible for reviewing and recommending the remuneration packages of directors, CEO and other key senior officers.

Directors' benefits

Neither at the end of the financial period, nor at any time during that period, did there subsist any arrangement to which the Company or its subsidiary was a party, whereby the Directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in Note 28 to the financial statements, or the proceeds from the sale of shares as outline in the directors' interest below) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Directors' interests

According to the register of Directors' shareholdings, the interests of Directors in office at the end of the financial period in shares in the Company during the financial period were as follows:

	Number of ordinary shares of RM1.00 each			
	01.07.2014	**Acquired**	**Sold**	**31.12.2014**
Direct interest:				
Dato' Hj Mustapha @ Mustapa bin Md Nasir*	6,489	-	(6,489)	-

* The sales of shares by Dato' Hj Mustapha @ Mustapa bin Md Nasir during the financial period took place as part of the mandatory general offer to the minority shareholders of the Company undertaken jointly by Sanlam Emerging Markets Proprietary Limited and Koperasi MCIS Berhad.

Other than as stated above, none of the Directors in office at the end of the financial period had any interest in shares in the Company or its related corporations during the financial period.

MCIS Insurance Berhad
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(Incorporated in Malaysia)

Other statutory information

(a) Before the statement of financial position, income statement and statement of comprehensive income of the Company were made out, the Directors took reasonable steps:

  (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no known bad debts and that adequate allowance had been made for doubtful debts; and

  (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances which would:

  (i) require any amount to be written off as bad debts or render the amount of the allowance for doubtful debts of the Company inadequate to any substantial extent; and

  (ii) render the values attributed to current assets in the financial statements of the Company misleading.

(c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

(d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

  (i) any charge on the assets of the Company which has arisen since the end of the financial period which secures the liabilities of any other person; or

  (ii) any contingent liability of the Company which has arisen since the end of the financial period.

MCIS Insurance Berhad
(Formerly known as MCIS ZURICH Insurance Berhad)
(Incorporated in Malaysia)

Other statutory information (cont'd.)

(f) In the opinion of the Directors:

(i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial period which will or may affect the ability of the Company to meet their obligations when they fall due other than as disclosed; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial period and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial period in which this report is made.

For the purpose of paragraphs (e) and (f) above, contingent or other liabilities do not include liabilities arising from insurance contracts underwritten in the ordinary course of business of the Company.

(g) Before the statement of financial position, income statement and statement of comprehensive income of the Company were made out, the Directors took reasonable steps to ascertain that there was adequate provision for insurance liabilities in accordance with the valuation methods prescribed under Part D of the Risk-Based Capital ("RBC") Framework for insurers issued by BNM.

Significant and subsequent events

Details of significant and subsequent events are disclosed in Note 43 to the financial statements.

Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 19 March 2015.

Tan Sri Mohamed Al Amin bin Abdul Majid

Mr. Murugiah M N Singham

Petaling Jaya, Malaysia
19 March 2015

MCIS Insurance Berhad
(Formerly known as MCIS ZURICH Insurance Berhad)
(Incorporated in Malaysia)

Statement by Directors
Pursuant to Section 169(15) of the Companies Act, 1965

We, Tan Sri Mohamed Al Amin bin Abdul Majid and Mr. Murugiah M N Singham, being two of the directors of MCIS Insurance Berhad (formerly known as MCIS ZURICH Insurance Berhad), do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 12 to 157 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2014 and of its financial performance and cash flows for the six-month period then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 19 March 2015.

Tan Sri Mohamed Al Amin bin Abdul Majid　　　　Mr. Murugiah M N Singham

Petaling Jaya, Malaysia
19 March 2015

Statutory Declaration
Pursuant to Section 169(16) of the Companies Act, 1965

I, Mr. Kevin Jones, being the officer primarily responsible for the financial management of MCIS Insurance Berhad (formerly known as MCIS ZURICH Insurance Berhad), do solemnly and sincerely declare that the accompanying financial statements set out on pages 12 to 157 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed Mr. Kevin Jones)
at Petaling Jaya in Selangor Darul Ehsan)
on 19 March 2015)　　　　Mr. Kevin Jones

Before me,

Independent auditors' report to the members of MCIS Insurance Berhad (Formerly known as MCIS ZURICH Insurance Berhad) (Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of MCIS Insurance Berhad (formerly known as MCIS ZURICH Insurance Berhad), which comprise the statement of financial position as at 31 December 2014 of the Company, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the six-month period then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 12 to 157.

Directors' responsibility for the financial statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent auditors' report to the members of MCIS Insurance Berhad (cont'd.) (Formerly known as MCIS ZURICH Insurance Berhad) (Incorporated in Malaysia)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2014 and of the Company's financial performance and cash flows for the period then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Megat Iskandar Shah Bin Mohamad Nor
No. 3083/07/15(J)
Chartered Accountant

Kuala Lumpur, Malaysia
19 March 2015

MCIS Insurance Berhad
(Formerly known as MCIS ZURICH Insurance Berhad)
(Incorporated in Malaysia)

Statement of financial position
As at 31 December 2014

	Note	31.12.2014 RM'000	30.06.2014 RM'000 (Restated*)
Assets			
Property and equipment	3	134,491	103,299
Investment properties	4	16,340	1,770
Intangible assets	5	13,367	13,954
Prepaid land lease payments	6	237	242
Investments	7	4,199,713	4,188,364
Reinsurance assets	8	2,559	3,291
Insurance receivables	9	39,599	49,033
Other receivables	10	46,064	39,123
Cash and bank balances		7,424	5,977
		4,459,794	4,405,053
Assets classified as held for sale	11	429,895	427,581
Total assets		4,889,689	4,832,634
Equity			
Share capital	13	100,284	100,284
Share premium		24,740	24,740
Retained profits	14	278,192	284,917
Merger reserves	15	40,672	40,672
Available-for-sale reserves		(755)	(972)
Revaluation reserves		6,814	4,572
		449,947	454,213
Reserves of a disposal group classified as held for sale	11	(3,258)	(2,742)
Total equity		446,689	451,471
Liabilities			
Insurance contract liabilities	16	3,797,578	3,750,078
Deferred tax liabilities	17	15,573	25,089
Insurance payables	18	56,108	62,696
Provision for taxation		17,545	4,742
Other payables	19	119,338	98,012
		4,006,142	3,940,617
Liabilities directly associated with the assets classified as held for sale	11	436,858	440,546
Total liabilities		4,443,000	4,381,163
Total equity and liabilities		4,889,689	4,832,634

* Certain amounts shown here do not correspond to the 30 June 2014 financial statements and reflect adjustments made, refer Note 2.4(ii).

The accompanying notes form an integral part of the financial statements.

MCIS Insurance Berhad
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(Incorporated in Malaysia)

Income statement
For the financial period ended 31 December 2014

	Note	01.07.2014 to 31.12.2014 RM'000	01.07.2013 to 30.06.2014 RM'000 (Restated*)
Continuing operations:			
Gross earned premiums	20(a)	266,823	564,185
Earned premiums ceded to reinsurers	20(b)	(4,614)	(6,005)
Net earned premiums		262,209	558,180
Investment income	21	97,712	189,241
Realised gains and losses	22	16,387	57,736
Fair value gains and losses	23	(2,428)	2,401
Fee and commission income	24	-	624
Other operating revenue	25	1,461	726
Other revenue		113,132	250,728
Gross benefits and claims paid	26(a)	(244,229)	(476,052)
Claims ceded to reinsurers	26(b)	2,722	4,128
Gross change in contract liabilities	26(c)	(15,741)	(112,140)
Change in contract liabilities ceded to reinsurers	26(d)	(731)	2,372
Net benefits and claims		(257,979)	(581,692)
Fee and commission expenses	27	(37,485)	(81,009)
Other operating expenses	25	(18,988)	(29,418)
Management expenses	28	(37,260)	(73,197)
Taxation of life insurance business	29	(7,958)	(19,506)
Other expenses		(101,691)	(203,130)

MCIS Insurance Berhad
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(Incorporated in Malaysia)

Income statement
For the financial period ended 31 December 2014 (cont'd.)

	Note	01.07.2014 to 31.12.2014 RM'000	01.07.2013 to 30.06.2014 RM'000 (Restated*)
Profit before taxation from continuing operations		15,671	24,086
Taxation	29	(2,263)	(5,519)
Net profit for the period/year from continuing operations		13,408	18,567
Discontinued operations:			
Net (loss)/profit for the period/year from discontinued operations	11	(5,091)	12,807
Net profit for the period/year		8,317	31,374
Earnings per share (sen)			
Basic and diluted	30	8.3	31.3
Earnings per share (sen) from continuing operations			
Basic and diluted	30	13.4	18.5
(Loss)/earnings per share (sen) from discontinued operations			
Basic and diluted	30	(5.1)	12.8

* Certain amounts shown here do not correspond to the 30 June 2014 financial statements and reflect adjustments made, refer Note 2.4(ii).

The accompanying notes form an integral part of the financial statements.

MCIS Insurance Berhad
(Formerly known as MCIS ZURICH Insurance Berhad)
(Incorporated in Malaysia)

Statement of comprehensive income
For the financial period ended 31 December 2014

	01.07.2014 to 31.12.2014 RM'000	01.07.2013 to 30.06.2014 RM'000 (Restated*)
Net profit for the period/year	8,317	31,374
Other comprehensive income/(loss) :		
Items to be reclassified to the income statements in the subsequent periods:		
Available-for-sale ("AFS") reserves:		
Loss on fair value changes of AFS investments	(3,568)	(16,516)
Realised gain transferred to the income statement	(1,967)	(8,838)
Cumulative loss reclassified to the income statement (Note 25)	5,135	-
Deferred tax effects on AFS reserves (Note 17)	101	6,338
	(299)	(19,016)
Revaluation reserves:		
Gain on fair value changes of revaluation reserve of non-participating funds	2,989	-
Deferred tax effects on revaluation reserve of non-participating funds (Note 17)	(747)	-
	2,242	-
Other comprehensive income/(loss) for the period/year, net of taxation	1,943	(19,016)
Comprising of:		
Continuing operations	2,460	(17,595)
Discontinued operations	(517)	(1,421)
	1,943	(19,016)
Total comprehensive income for the period/year	10,260	12,358
Comprising of:		
Continuing operations	15,868	972
Discontinued operations	(5,608)	11,386
	10,260	12,358

* Certain amounts shown here do not correspond to the 30 June 2014 financial statements and reflect adjustments made, refer Note 2.4(ii).

The accompanying notes form an integral part of the financial statements.

MCIS Insurance Berhad
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(Incorporated in Malaysia)

Statement of changes in equity
For the financial period ended 31 December 2014

		Non-distributable								Distributable			
							Available-for-sale reserves			Retained profits			
	Note	Share capital RM'000	Share premium RM'000	Merger reserve RM'000	Revaluation reserves of non-participating funds RM'000	Reserves of a group held for sale 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	Total equity RM'000
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
Net profit for the year		-	-	-	-	-	-	-	-	17,858	13,516	31,374	31,374
Other comprehensive loss		-	-	-	-	-	(11,093)	(7,923)	(19,016)	-	-	-	(19,016)
Total comprehensive (loss)/income for the year		-	-	-	-	-	(11,093)	(7,923)	(19,016)	17,858	13,516	31,374	12,358
Transfer from non-participating surplus as recommended by Appointed Actuary (net of tax)		-	-	-	-	-	-	-	-	(18,172)	18,172	-	-
Discontinued operations	11	-	-	-	-	(2,742)	-	2,742	2,742	-	-	-	-
Dividends paid during the year	31	-	-	-	-	-	-	-	-	-	(7,521)	(7,521)	(7,521)
At 30 June 2014 (Restated)		100,284	24,740	40,672	4,572	(2,742)	(5,289)	4,317	(972)	62,920	221,997	284,917	451,471
At 1 July 2014 (As previously stated)		100,284	24,740	40,672	4,572	(2,742)	(5,289)	4,317	(972)	69,139	221,997	291,136	457,690
Adjustment	2.4	-	-	-	-	-	-	-	-	(6,219)	-	(6,219)	(6,219)
At 1 July 2014 (As restated)		100,284	24,740	40,672	4,572	(2,742)	(5,289)	4,317	(972)	62,920	221,997	284,917	451,471
Net profit/(loss) for the period				-	-	-	-	-	-	13,405	(5,088)	8,317	8,317
Other comprehensive income/(loss)		-	-	-	2,242	-	(308)	9	(299)	-	-	-	1,943
Total comprehensive income/(loss) for the period		-	-	-	2,242	-	(308)	9	(299)	13,405	(5,088)	8,317	10,260
Transfer from non-participating surplus as recommended by Appointed Actuary (net of tax)		-	-	-	-	-	-	-	-	(50,250)	50,250	-	-
Discontinued operations	11	-	-	-	-	(516)	-	516	516	-	-	-	-
Dividends paid during the period	31	-	-	-	-	-	-	-	-	-	(15,042)	(15,042)	(15,042)
At 31 December 2014		100,284	24,740	40,672	6,814	(3,258)	(5,597)	4,842	(755)	26,075	252,117	278,192	446,689

* The unallocated surplus under retained profits of the non-participating ("Non-Par") funds is only available for distribution to the shareholders' fund upon approval by the Appointed Actuary. The net additional unallocated surplus of the Non-Par funds generated for the financial period/year ended 31 December 2014 and 30 June 2014 were RM13,405,000 and RM17,858,000, net of tax at 25% respectively.

The accompanying notes form an integral part of the financial statements.

MCIS Insurance Berhad
(formerly known as MCIS ZURICH Insurance Berhad)
(Incorporated in Malaysia)

Statement of cash flows
For the financial period ended 31 December 2014

	Note	01.07.2014 to 31.12.2014 RM'000	01.07.2013 to 30.06.2014 RM'000
Operating activities			
Cash (used in)/generated from operating activities	32	(109,626)	65,130
Income tax paid		(7,850)	(18,982)
Net cash flows from operating activities		(117,476)	46,148
Investing activities			
Purchase of property and equipment	3	(491)	(2,220)
Purchase of intangibles assets	5	(830)	(75)
Net cash flows from investing activities		(1,321)	(2,295)
Financing activity			
Dividends paid	31	(15,042)	(7,521)
Net cash flows from financing activity		(15,042)	(7,521)
Cash and cash equivalents			
Net (decrease)/increase in cash and cash equivalents		(133,839)	36,332
Cash and cash equivalents at beginning of period/year		436,095	399,763
Cash and cash equivalents at end of period/year		302,256	436,095
Cash and cash equivalents comprise of:			
Cash and bank balances		7,424	5,977
Short term deposits with maturity periods of less than 3 months		294,832	430,118
		302,256	436,095

The accompanying notes form an integral part of the financial statements.

Notes to the financial statements
For the financial period ended 31 December 2014

1. Corporate information

The Company is engaged principally in the underwriting of life and investment linked insurance, and all classes of general insurance business.

Cramson Sdn Bhd ("Cramson"), previously a subsidiary of the Company, had been struck off in accordance with Section 308(2) of the Companies Act, 1965 in Malaysia under the Government Gazette Order dated 15 August 2014. Consequently, Cramson has ceased its operation as a dormant company and is no longer form part of the Group since then.

The results of the subsidiary for the period from 1 July 2014 to 15 August 2014 and for the year ended 30 June 2014 were not material and accordingly, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and related notes are not presented.

On 1 March 2015, the Company has completed the transfer of certain assets and liabilities of the general insurance business as a going concern to The Pacific Insurance Berhad ("PIB") for a cash consideration of RM42.8 million, subject to any adjustments to be made to the value of the assets and liabilities at the finalisation of this transfer as disclosed in Note 11 and 43.

The financial year-end of the Company was changed from 30 June to 31 December to coincide with the financial year-end of the holding and ultimate holding companies. Accordingly, the financial statements of the Company for the current financial period ended 31 December 2014 covers a six-month period compared to a twelve-month period for the previous financial year ended 30 June 2014, and therefore the comparative amounts for the income statements, statements of comprehensive income, statements of changes in equity, statements of cash flows and the related notes are not comparable.

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The principal place of business of the Company is located at Wisma MCIS, Jalan Barat, 46200 Petaling Jaya, Selangor Darul Ehsan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 19 March 2015.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") as issued by the Malaysian Accounting Standards Board (“MASB”), International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the requirement of Companies Act, 1965 in Malaysia.

At the beginning of the financial period, the Company had fully adopted amendments to MFRSs and Issue Committee ("IC") Interpretation as described in Note 2.4(i) to the financial statements.

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

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").

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense will not be offset in the income statements unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

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

2.2 Merger reserve

As a result of using merger relief provisions, under Section 60(4) of the Companies Act, 1965, a merger reserve is created in place of a share premium account. The goodwill arising on consolidation and any provision for impairment in value of the investment in subsidiary is written-off immediately against the merger reserve at acquisition date. The resulting difference, being a net merger reserve is carried forward as part of shareholders’ equity.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies

(a) Investment in subsidiary

In the Company's separate financial statements, investment in subsidiary is accounted for at cost less impairment losses.

On disposal of such investment, the difference between the net disposal proceeds and its carrying amounts is included in the income statement.

(b) Property and equipment and depreciation

All items of property and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property and equipment, except for land and buildings are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land and the buildings are stated at revalued amounts, which is the fair value at the date of the revaluation less any accumulated depreciation and any accumulated impairment losses. Fair value is determined from market-based evidence by appraisals that are undertaken by professionally qualified valuers. Revaluations are performed with sufficient regularity of at least once in every three years with additional valuations in the intervening years where market conditions indicate that the carrying values of the revalued assets are materially different from the fair values. Any increase in the carrying amount arising from the revaluation of land and buildings is credited to an asset revaluation reserve as a revaluation surplus in the insurance contract liabilities of the participating funds or statement of comprehensive income of the non-participating funds, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in the income statement in which case the increase is recognised in the income statement to the extent of the decrease previously recognised. A revaluation deficit is first offset against unutilised previously recognised revaluation surplus in respect of the same asset in the statement of financial position, and any remaining deficit is thereafter recognised in the income statement.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(b) Property and equipment and depreciation (cont'd.)

Freehold land has an unlimited useful life and therefore is not depreciated. Work-in-progress are also not depreciated as these assets are not available for use. Leasehold land is depreciated over the period of the respective leases which ranges from 35 to 110 years. The remaining period of respective leases ranges from 20 to 87 years.

Depreciation of other property and equipment is computed on a straight-line basis over its estimated useful life at the following annual rates:

Freehold buildings	2%
Leasehold buildings	Over the remaining leasehold period or 50 years whichever is lower
Motor vehicles	20%
Furniture, fixtures and fittings	10%
Office equipment	10%
Computer equipment	20%
Office renovation	20%

The residual values, useful lives and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property and equipment.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in the income statement.

(c) Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Fair value is reviewed at every reporting date and a formal valuation by an independent professional valuer is carried out once in every three years or earlier if the carrying value of the investment properties is materially different from the market value.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(c) Investment properties (cont'd.)

Gains or losses arising from changes in the fair values of investment properties are recognised in the income statement in the year in which they arise.

Investment properties are derecognised when either they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year in which they arise.

(d) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets are not capitalised and expenditure is reflected in the income statement in the period in which the expenditure is incurred.

Intangible assets are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of five to ten years.

Costs associated with maintaining computer software programmes are recognised as an expense when incurred. Costs that are directly associated with identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include employee costs incurred as a result of developing software and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised using the straight line method over their estimated useful lives, not exceeding a period of ten years.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(d) Intangible assets (cont'd.)

The carrying amount of assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(e) Non-current assets held for sale or for distribution to equity holders of the parent and discontinued operations

The Company classifies non-current assets and disposal groups as held for sale or for distribution to equity holders of the parent if their carrying amounts will be recovered principally through a sale or distribution rather than through continuing use. Such non-current assets and disposal groups classified as held for sale or as held for distribution are measured at the lower of their carrying amount and fair value less costs to sell or to distribute. Costs to distribute are the incremental costs directly attributable to the distribution, excluding the finance costs and income tax expense.

The criteria for held for distribution classification is regarded as met only when the distribution is highly probable and the asset or disposal group is available for immediate distribution in its present condition. Actions required to complete the distribution should indicate that it is unlikely that significant changes to the distribution will be made or that the distribution with be withdrawn. Management must be committed to the distribution expected within one year from the date of the classification. Similar considerations apply to assets or a disposal group held for sale.

Property and equipment and intangible assets are not depreciated or amortised once classified as held for sale or as held for distribution.

Assets and liabilities classified as held for sale or for distribution are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is:

- A component of the Group that is a CGU or a group of CGUs;

- Classified as held for sale or distribution or already disposed in such a way; or

- A major line of business or major geographical area.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(e) Non-current assets held for sale or for distribution to equity holders of the parent and discontinued operations (cont'd.)

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as net profit for the year from discontinued operations in the income statement. Additional disclosures are provided in Note 11. All other notes to the financial statements mainly include amounts for continuing operations, unless otherwise mentioned.

(f) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Company, all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets. The land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases except that property held under operating leases that would otherwise meet the definition of an investment property, is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (Note 2.3(f)(ii)).

(ii) Finance Leases - The Company as Lessee

Useful lives of all leasehold buildings are shorter than the lease term of the leasehold land on which the buildings are located. As such, all risks and rewards incidental to the ownership of such assets would be deemed to have been substantially transferred to the Company at the end of their useful lives. All leasehold buildings are therefore classified as finance lease in the financial statements.

Buildings held under finance lease are recognised as assets in the statement of financial position of the Company and measured in accordance with MFRS 116 - Property, Plant and Equipment and MFRS 140 - Investment Properties.

The depreciation policy for leased assets is in accordance with that for depreciable property and equipment as described in Note 2.3(b).

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(f) Leases (cont'd.)

(iii) Operating Leases - The Company as Lessee

Operating lease payments are recognised as expense on a straight-line basis over the term of the relevant lease.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payment made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

(g) Impairment of non-financial assets

The carrying amounts of assets are reviewed at each reporting date to determine whether there is any indication of impairment. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of the net realisable value and the value in use, which is measured by reference to discounted cash flows. Recoverable amounts are estimated for individual assets, or if it is not possible, for the cash-generating unit.

An impairment loss is recognised in the income statement in the period in which it arises. Subsequent increases in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. A reversal of impairment loss is recognised in the income statement, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(h) Investments and financial assets

The Company classifies its investments into financial assets at fair value through profit or loss (“FVTPL”), held-to-maturity (“HTM”) financial assets, loans and other receivables (“LAR”) and available-for-sale (“AFS”) financial assets.

The classification depends on the purpose for which the investments were acquired or originated. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(h) Investments and financial assets (cont'd.)

Financial assets are classified as at fair value through profit or loss where the Company documented investment strategy is to manage financial assets on a fair value basis, because the related liabilities are also managed on this basis. The available-for-sale and held-to-maturity categories are used when the relevant liability (including shareholders' fund) are passively managed and/or carried at amortised cost.

All regular way purchases and sales of financial assets are recognised on the trade date which is the date that the Company commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets at FVTPL

FVTPL include financial assets held for trading and those designated at fair value through profit or loss at inception. Investments bought with the intention to sell in the near future are classified as held-for-trading. For investments designated as at fair value through profit or loss, the following criteria must be met:

(i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or

(ii) the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These financial assets are initially recorded at fair value. Subsequent to initial recognition, these financial assets are remeasured at fair value. Fair value adjustments and realised gains and losses are recognised in the income statement.

Investments under unit linked funds are designated as FVTPL at inception as they are managed and evaluated on a fair value basis in accordance with the respective investment strategies and mandates of the funds.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(h) Investments and financial assets (cont'd.)

HTM

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM when the Company has the positive intention and ability to hold until maturity. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. After initial measurement, HTM are measured at amortised cost, using the effective yield method, less provision for impairment. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process. The Company does not have any financial assets classified as HTM as at 31 December 2014 (30 June 2014: Nil).

LAR

LAR are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, loans and receivables are measured at amortised cost, using the effective yield method, less provision for impairment. Gains and losses are recognised in the income statement when the financial assets are derecognised or impaired, as well as through the amortisation process.

AFS

AFS are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. These investments are initially recorded at fair value. After initial measurement, AFS are remeasured at fair value.

Any gains or losses from changes in fair value of the financial assets are recognised in the available-for-sale reserve in the statement of comprehensive income or insurance contract liabilities, except for impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method which are recognised in the income statement. The cumulative gain or loss previously recognised in equity is recognised in the income statement when the financial asset is derecognised.

On derecognition or impairment, the cumulative fair value gains and losses previously reported in equity is transferred to the income statement.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(i) Fair value of measurement

The Company measures financial instruments and non-financial assets such as investment properties, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(i) Fair value of measurement (cont'd.)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of properties.

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the reporting date.

For investments in unit and property trust funds, fair value is determined by reference to published bid values.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(j) Impairment of financial instruments, reinsurance assets and insurance receivables

The Company assesses at each reporting date whether a financial asset or Company of financial assets is impaired.

Assets carried at amortised cost

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a Company of financial assets with similar credit risk characteristics and that Company of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. The impairment assessment is performed at each reporting date.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(j) Impairment of financial instruments, reinsurance assets and insurance receivables (cont'd.)

Assets carried at amortised cost (cont'd.)

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate / yield. The carrying amount of the asset is reduced and the loss is recorded in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Assets carried at cost

If there is objective evidence that an impairment loss on a financial asset carried at cost has been incurred, the carrying amount will be written down to the recoverable amount. Such impairment losses are not reversed in subsequent periods.

Assets classified as available-for-sale

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as AFS financial assets are impaired.

In respect of equity investments classified as AFS, a decline of 30% or more is regarded as significant, and a period of 12 months or longer is considered to be prolonged. If any such quantitative evidence exists for AFS financial assets, the asset is considered for impairment, taking qualitative evidence into account.

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(j) Impairment of financial instruments, reinsurance assets and insurance receivables (cont'd.)

Assets classified as available-for-sale (cont'd.)

Impairment losses on AFS equity investments are not reversed in the income statement in subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in equity. For AFS debt investments, impairment losses are subsequently reversed in the income statement if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in the income statement.

(k) Derecognition of financial assets/liabilities and insurance receivables/payables

Financial assets and insurance receivables are derecognised when the rights to receive cash flows from them have expired or where they have been transferred and the Company has also transferred substantially all risks and rewards of ownership.

Financial liabilities and insurance payables are derecognised when the obligation under the liabilities are discharged, cancelled or expired.

(l) Equity instruments

Ordinary share capital

The Company has issued ordinary shares that are classified as equity. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity, net of tax.

Dividends on ordinary share capital

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are approved by BNM in accordance with *BNM/RH/STD 032-5 Financial Reporting* guideline.

Dividends for the year that are approved after the statement of financial position date are dealt with as a non-adjusting event after the reporting date.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(m) Contract classification

The Company issues contracts that transfer insurance risk, or financial risk or both.

(i) Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Based on this definition, all policy contracts issued by the Company are insurance contracts as at current reporting date.

Insurance contracts are recognised and measured in accordance with the terms and conditions of the respective contracts and are based on guidelines laid down by BNM. Premiums, claims and benefit payments, acquisition and management expenses and valuation of future policy benefit payments or premium reserves as the case may be, are recognised in the income statement.

(ii) Participating life insurance contracts contain discretionary participating feature ("DPF"). This feature entitles the policyholders to receive non-guaranteed benefits which could vary according to the investment and operating results of the Company. The Company does not recognise the guaranteed component separately from the DPF; hence the whole contract is presented within the insurance contract liability in the financial statement.

(iii) The Company is not required to un-bundle any insurance contract as the current accounting policy recognises all insurance premiums, claims and policy benefit payments, expenses and valuation of future benefit payments through the income statement.

(iv) The Company does not separately measure at fair value the policyholder's option to surrender an insurance contract for a fixed amount or for an amount based on fixed amount and an interest rate.

Options and guarantees inherent in some insurance contracts which are closely related to the host contract issued by the Company are not required to be separated and measured at fair value.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(m) Contract classification (cont'd.)

(v) The Company does not adopt a policy of deferring acquisition costs for its life insurance contracts.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its life-time, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Insurance contracts are further classified as being either with or without DPF. DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the issuer; and
- contractually based on the:
  - performance of a specified pool of contracts or a specified type of contract;
  - realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
  - the profit or loss of the Company, fund or other entity that issues the contract.

Under the terms of the contracts, surpluses in the DPF funds can be distributed on a 90/10 basis to the policyholders and the shareholders respectively. The Company has the discretion over the amount and timing of the distribution of these surpluses to policyholders. All DPF liabilities, including unallocated surpluses, both guaranteed and discretionary, at the end of the reporting period are held within the insurance liabilities.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(m) Contract classification (cont'd.)

For financial options and guarantees which are not closely related to the host insurance contract and/or investment contract with DPF, bifurcation is required to measure these embedded derivatives separately at fair value through profit or loss. However, bifurcation is not required if the embedded derivative is itself an insurance contract and/or investment contract with DPF, or if the host insurance contract and/or investment contract itself is measured at fair value through profit or loss.

(n) Reinsurance

The Company enters into reinsurance contracts in the normal course of business to diversify the risks and limit its net loss potential. Assets, liabilities, income and expense arising from the reinsurance contracts are presented separately from the assets, liabilities, income and expense from the related insurance contracts.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets represent balances due from reinsurers. Amounts recoverable under reinsurance contracts are assessed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in the income statement.

The Company assesses its reinsurance assets for impairment at each reporting period. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is calculated following the same method used for these financial assets. These processes are described in Note 2.3(j).

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(n) Reinsurance (cont'd.)

Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised.

The Company also assumes reinsurance risk in the normal course of its general insurance business.

Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the contract classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire, or when the contract is transferred to another party.

(o) Life insurance underwriting results

The surplus transferable from the Life funds to the income statement is based on the surplus determined by an annual actuarial valuation of the liabilities to policyholders, made in accordance with the provisions of the Financial Services Act, 2013, by the Company's appointed actuary.

Gross premiums

Gross premiums are recognised as soon as the amount of the premiums can be reliably measured. First year premium is recognised on inception date and subsequent premiums are recognised on due date.

Premium income of the Investment linked funds is in respect of the net creation of units which represents premiums paid by policyholders as payment for a new contract or subsequent payments to increase the amount of the contract. Net creation of units is recognised on a receipt basis.

At the end of the financial period, all due premiums are accounted for to the extent that they can be reliably measured.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(o) Life insurance underwriting results (cont'd.)

Reinsurance premiums

Gross reinsurance premiums are recognised as an expense when payable or on the date on which the policy is effective.

Benefits, claims and expenses

Benefits and claims that are incurred during the financial period are recognised when a claimable event occurs and/or the insurer is notified.

Benefits and claims, including settlement costs, are accounted for using the case-by-case basis method and for this purpose, the amounts payable under a policy are recognised as follows:

- maturity and other policy benefit payments due on specified dates are treated as claims payable on the due dates;
- death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered; and
- bonus on policies with DPF are recognised upon declaration.

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contracts.

Commission and agency expenses

Gross commission and agency expenses, which are costs directly incurred in securing premium on insurance policies, and income derived from reinsurers in the course of ceding of premiums to reinsurers, are charged to the income statement in the period in which they are incurred.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(p) General insurance underwriting results

The general insurance underwriting results are determined for each class of business after taking into account reinsurance, commissions, premium liabilities and claim liabilities.

Gross premiums

Gross premiums are recognised as income in a financial period in respect of risks assumed during that particular financial period.

Reinsurance premiums

Inwards facultative reinsurance premiums are recognised in the financial period in respect of the facultative risks assumed during that particular financial period, as in the case of direct policies, following the individual risks' inception dates.

Inwards proportional treaty reinsurance premium is recognised on the basis of periodic advices received from cedants given that the periodic advices reflect the individual underlying risks being incepted and reinsured at various inception dates of these risks and contractually accounted for.

Premium liabilities

Premium liabilities represent the Company's future obligations on insurance contracts as represented by premiums received for risks that have not yet expired. In determining premium liabilities at reporting date, the method that most accurately reflects the actual unearned premium used is described in Note 2.3(r)(ii).

Claim liabilities

A liability for outstanding claims is recognised in respect of both direct insurance and inward reinsurance.

The amount of claim liabilities is the best estimate of the expenditure required together with related expenses less recoveries to settle the present obligation at reporting date.

Provision is also made for the cost of claims, together with related expenses, incurred but not reported at reporting date, using a mathematical method of estimation.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(p) General insurance underwriting results (cont'd.)

Acquisition costs

The gross costs of acquiring and renewing insurance policies and income derived from ceding reinsurance premiums is recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

(q) Insurance receivables and payables

Insurance receivables and payables are recognised when due and measured on initial recognition at the fair value of the consideration received / paid or receivable / payable respectively. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective yield method.

If there is objective evidence that an insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2.3(j).

Insurance receivables and payable are derecognised when the derecognition criteria for financial assets and liabilities, as described in Note 2.3(k), have been met.

(r) Insurance contract liabilities

Life insurance contract liabilities

Life insurance contract liabilities are recognised when contracts are entered into and premiums are charged.

The valuation of insurance contract liabilities is determined according to the Financial Services Act, 2013, the prevailing RBC Framework and MFRS 4 *Insurance Contracts* ("MFRS 4"). The liability estimation methods prescribed under the RBC Framework meets the requirements of the Liability Adequacy Test under MFRS 4.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(r) Insurance contract liabilities (cont'd.)

Life insurance contract liabilities (cont'd.)

The Company performs liability adequacy tests on its life insurance liabilities to ensure that the carrying amount of provisions is sufficient to cover estimated future cash flows arising from contracts of insurance underwritten. When performing the liability adequacy test, the Company discounts all contractual cash flows and compares this amount against the carrying value of the liability. Any deficiency is charged to the income statement.

Participating Life plans are valued using a prospective actuarial valuation method based on the sum of the present value of future guaranteed benefits, an appropriate level of non-guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross premiums arising from the policy discounted at the appropriate risk discount rate. The participating Life insurance liability is taken as the higher of the guaranteed benefit liabilities or the total benefit liabilities.

Provisions for annuity policies are valued using similar basis as participating Life contracts.

The liability of non-participating Life plans are valued using a prospective actuarial valuation method based on the sum of the present value of future benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate risk discount rate.

Provisions for Investment linked insurance contracts is based on the carrying amount of the net assets of the Investment linked funds at the reporting date and the non-unit liability. The non-unit liability of Investment linked policies are valued by projecting future cash flows to ensure that all future outflows can be met without recourse to additional financing or capital support at any future time during the duration of the policy.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(r) Insurance contract liabilities (cont'd.)

General insurance contract liabilities

General insurance contract liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities comprise claim liabilities and premium liabilities.

(i) Claim liabilities

Claim liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claim handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques based on empirical data and current assumptions and includes a margin for adverse deviation as prescribed by the RBC Framework. The liability is discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

(ii) Premium liabilities

Premium liabilities is the higher of the aggregate of the Unearned Premium Reserves ("UPR") for all lines of business and the best estimate value of the Unexpired Risk Reserves ("URR") at the required risk margin for adverse deviation as required by the RBC Framework.

<u>UPR</u>

UPR represent the portion of the net premiums of insurance policies written less deductible acquisition costs that relate to the unexpired periods of the policies at the end of the financial period.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(r) Insurance contract liabilities (cont'd.)

General insurance contract liabilities (cont'd.)

(ii) Premium liabilities (cont'd.)

UPR (cont'd.)

In determining UPR at reporting date, the method that most accurately reflects the actual unearned premiums is used as follows:

- 25% method for marine cargo, aviation cargo and transit
- 1/24th method (or other more accurate) method for all other classes of Malaysian general policies
- 1/8th method for all other classes of overseas inward business
- Non-annual policies are time-apportioned over the period of the risks

URR

The best estimate value of URR is a prospective estimate of the expected future payments arising from future events insured under policies in force as at the end of the financial year and also includes allowance for expenses, including overheads and cost of reinsurance, expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and allows for expected future premium refunds.

(s) Other revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Rental income

Rental income from investment property is recognised on a straight-line basis over the term of the lease. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(s) Other revenue recognition (cont'd.)

Interest and profit income

Interest/profit income is recognised on an accrual basis using the effective yield method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective yield of the instrument. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest/profit income.

Dividend income

Dividend income is recognised when the Company's right to receive payment is established.

Realised gains and losses on investments

Realised gains and losses recorded in the income statement on investments include gains and losses on financial assets, investment properties and property and equipment. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

Fees and commission income

Insurance and investment contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services to be provided in future periods, then, they are deferred and recognised over those future periods.

(t) Income tax

Income tax on the income statement for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the reporting date.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(t) Income tax (cont'd.)

Deferred tax is provided for using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised as income or an expense and included in the income statement for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity.

(u) Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(v) Employee benefits

Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(v) Employee benefits (cont'd.)

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the income statement as incurred. As required by law, the Company makes such contributions to the Employees Provident Fund ("EPF").

(w) Foreign currencies

The financial statements are presented in Ringgit Malaysia which is also the functional currency of the Company.

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in foreign currency are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to the income statement, except for differences relating to items where gains or losses are recognised directly in equity, in which case, the gain or loss is recognised net of the exchange component in equity.

2. Significant accounting policies (cont'd.)

2.3 Summary of significant accounting policies (cont'd.)

(x) Financial liabilities

Financial liabilities are recognised when the Company becomes a party to contractual provisions of the instruments and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective yield method.

(y) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, cash at bank and deposits held at call with financial institutions with original maturities of three months or less.

2.4 Changes in accounting policies and restatement of comparatives

(i) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 July 2014, the Company adopted the following amended MFRSs and IC Interpretation mandatory for annual financial periods beginning on or after 1 January 2014.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities	1 January 2014
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21 Levies	1 January 2014
Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010 – 2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011 – 2013 Cycle	1 July 2014

2. Significant accounting policies (cont'd.)

2.4 Changes in accounting policies and restatement of comparatives (cont'd.)

(i) Changes in accounting policies (cont'd.)

The nature and impact of the amended MFRSs and IC Interpretation are described below:

(a) Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under MFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Company, since none of the entities in the Company qualifies to be an investment entity under MFRS 10.

(b) Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities

The amendments clarify the meaning of “currently has a legally enforceable right to set-off” and “simultaneous realisation and settlement”. These amendments are to be applied retrospectively.

The application of these amendments has had no material impact on the disclosures in the Company’s financial statements.

(c) Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial

The amendments to MFRS 136 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives has been allocated when there has been no impairment or reversal of impairment of the related CGU. In addition, the amendments introduce additional disclosure requirements when the recoverable amount is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by MFRS 13 Fair Value Measurements.

The application of these amendments has had no material impact on the disclosures in the Company’s financial statements.

2. Significant accounting policies (cont'd.)

2.4 Changes in accounting policies and restatement of comparatives (cont'd.)

(i) Changes in accounting policies (cont'd.)

(d) Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge

These amendments provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measure of hedge effectiveness. Retrospective application is required.

These amendments have no impact on the Company as the Company does not have any derivatives that are subject to novation.

(e) IC Interpretation 21 Levies

IC 21 defines a levy and clarifies that the obligating event which gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. For a levy which is triggered upon reaching a minimum threshold, IC 21 clarifies that no liability should be recognised before the specified minimum threshold is reached. Retrospective application is required. The application of IC 21 has had no material impact on the disclosures or on the amounts recognised in the Company's financial statements.

(f) Amendments to MFRS 119 Defined Benefit Plans: Employee Contributions

The amendments to MFRS 119 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee. For contributions that are independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. For contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The application of these amendments has had no impact on the disclosures or on the amounts recognised in the Company's financial statements.

2. Significant accounting policies (cont'd.)

2.4 Changes in accounting policies and restatement of comparatives (cont'd.)

(i) Changes in accounting policies (cont'd.)

Annual Improvements to MFRSs 2010–2012 Cycle

The Annual Improvements to MFRSs 2010-2012 Cycle include a number of amendments to various MFRSs, which are summarised below:

Standards	Descriptions
MFRS 2 Share-based Payment	This improvement clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including: - A performance condition must contain a service condition; - A performance target must be met while the counterparty is rendering services; - A performance target may relate to the operations or activities of an entity, or those of another entity in the same group; - A performance condition may be a market or non-market condition; and - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. This improvement is effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

2. Significant accounting policies (cont'd.)

2.4 Changes in accounting policies and restatement of comparatives (cont'd.)

(i) Changes in accounting policies (cont'd.)

Standards	Descriptions
MFRS 3 Business Combinations	The amendments to MFRS 3 clarifies that contingent consideration classified as liabilities (or assets) should be measured at fair value through profit or loss at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of MFRS 9 or MFRS 139. The amendments are effective for business combinations for which the acquisition date is on or after 1 July 2014.
MFRS 8 Operating Segments	The amendments are to be applied retrospectively and clarify that: - an entity must disclose the judgements made by management in applying the aggregation criteria in MFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar; and - the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.
MFRS 116 Property, Plant and Equipment and MFRS 138	The amendments remove inconsistencies in the accounting for accumulated depreciation or amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amendments clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

2. Significant accounting policies (cont'd.)

2.4 Changes in accounting policies and restatement of comparatives (cont'd.)

(i) Changes in accounting policies (cont'd.)

Annual Improvements to MFRSs 2010–2012 Cycle (cont'd.)

Standards	Descriptions
MFRS 124 Related Party Disclosures	The amendments clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. The reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services.

Annual Improvements to MFRSs 2011–2013 Cycle

The Annual Improvements to MFRSs 2011-2013 Cycle include a number of amendments to various MFRSs, which are summarised below:

Standards	Descriptions
MFRS 3 Business Combinations	The amendments to MFRS 3 clarify that the standard does not apply to the accounting for formation of all types of joint arrangement in the financial statements of the joint arrangement itself. This amendment is to be applied prospectively.
MFRS 13 Fair Value Measurement	The amendments to MFRS 13 clarify that the portfolio exception in MFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of MFRS 9 (or MFRS 139 as applicable).
MFRS 140 Investment Property	The amendments to MFRS 140 clarify that an entity acquiring investment property must determine whether: - the property meets the definition of investment property in terms of MFRS 140; and - the transaction meets the definition of a business combination under MFRS 3. To determine if the transaction is a purchase of an asset or is a business combination.

2. Significant accounting policies (cont'd.)

2.4 Changes in accounting policies and restatement of comparatives (cont'd.)

(ii) Restatement of comparatives

Adjustment of benefit payments for Non-Participating Paid Up ("NPPU") policies

NPPU is an option offerred to Par Fund policyholders to convert their policies to NPPU policy for a reduced sum assurred after deducting all indebtness on the policies. NPPU policies does not participate in subsequent distributions of profit.

During the financial period the Company found that in relation to NPPU policies certain blocks of data was migrated as "Participating" rather than "Non-participating" during the change of the life core IT system in May 2013. As a result the benefit payments for these NPPU policies were paid out from and expensed to the Participating Fund instead of the Non-Participating Fund.

Statement of financial position as at 30 June 2014

	As previously reported RM'000	Adjustment RM'000	As restated RM'000
Assets			
Property and equipment	103,299	-	103,299
Investment properties	1,770	-	1,770
Intangible assets	13,954	-	13,954
Prepaid land lease payments	242	-	242
Investments	4,188,364	-	4,188,364
Reinsurance assets	3,291	-	3,291
Insurance receivables	49,033	-	49,033
Other receivables	39,123	-	39,123
Cash and bank balances	5,977	-	5,977
	4,405,053	-	4,405,053
Assets classified as held for sale	427,581	-	427,581
Total assets	4,832,634	-	4,832,634
Equity			
Share capital	100,284	-	100,284
Share premium	24,740	-	24,740
Retained profits	291,136	(6,219)	284,917
Merger reserves	40,672	-	40,672
Available-for sale reserves	(972)	-	(972)
Revaluation reserves	4,572	-	4,572
	460,432	(6,219)	454,213

MCIS Insurance Berhad
(Formerly known as MCIS ZURICH Insurance Berhad)
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

2.4 Changes in accounting policies and restatement of comparatives (cont'd.)

(ii) Restatement of comparatives (cont'd.)

Statement of financial position as at 30 June 2014 (cont'd.)

	As previously reported RM'000	Adjustment RM'000	As restated RM'000
Reserves of a disposal group classified as held for sale	(2,742)	-	(2,742)
Total equity	457,690	(6,219)	451,471
Liabilities			
Insurance contract liabilities	3,741,786	8,292	3,750,078
Deferred tax liabilities	27,162	(2,073)	25,089
Insurance payables	62,696	-	62,696
Provision for taxation	4,742	-	4,742
Other payables	98,012	-	98,012
	3,934,398	6,219	3,940,617
Liabilities directly associated with the assets classified as held for sale	440,546	-	440,546
Total liabilities	4,374,944	6,219	4,381,163
Total equity and liabilities	4,832,634	-	4,832,634

Income statement for the financial year ended 30 June 2014

	As previously reported RM'000	Adjustment RM'000	As restated RM'000
Continuing operations:			
Gross earned premiums	564,185	-	564,185
Earned premiums ceded to reinsurers	(6,005)	-	(6,005)
Net earned premiums	558,180	-	558,180
Investment income	189,241	-	189,241
Realised gains and losses	57,736	-	57,736
Fair value gains and losses	2,401	-	2,401
Fee and commission income	624	-	624
Other operating revenue	726	-	726
Other revenue	250,728	-	250,728

2. Significant accounting policies (cont'd.)

2.4 Changes in accounting policies and restatement of comparatives (cont'd.)

(ii) Restatement of comparatives (cont'd.)

Income statement for the financial year ended 30 June 2014 (cont'd.)

	As previously reported RM'000	Adjustment RM'000	As restated RM'000
Gross benefits and claims paid	(476,052)	-	(476,052)
Claims ceded to reinsurers	4,128	-	4,128
Gross change in contract liabilities	(103,848)	(8,292)	(112,140)
Change in contract liabilities ceded to reinsurers	2,372	-	2,372
Net benefits and claims	(573,400)	(8,292)	(581,692)
Fee and commission expenses	(81,009)	-	(81,009)
Other operating expenses	(29,418)	-	(29,418)
Management expenses	(73,197)	-	(73,197)
Taxation of life insurance business	(19,506)	-	(19,506)
Other expenses	(203,130)	-	(203,130)
Profit before taxation from continuing operations	32,378	(8,292)	24,086
Taxation	(7,592)	2,073	(5,519)
Net profit for the year from continuing operations	24,786	(6,219)	18,567
Discontinued operations:			
Net profit for the year from discontinued operations	12,807	-	12,807
Net profit for the year	37,593	(6,219)	31,374

The above adjustment does not have any impact on the financial statements of the Company as at 1 July 2013. Accordingly, no disclosures have been made on the statement of financial position at the earliest prior period at 1 July 2013.

2. Significant accounting policies (cont'd.)

2.5 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Company's financial statements are disclosed below. The Company intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Annual Improvements to MFRSs 2012 – 2014 Cycle	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Method of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 127: Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 101: Disclosure Initiatives	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception	1 January 2016
MFRS 14 Regulatory Deferral Accounts	1 January 2016
MFRS 15 Revenue from Contracts with Customers	1 January 2017
MFRS 9 Financial Instruments	1 January 2018

2. Significant accounting policies (cont'd.)

2.5 Standards issued but not yet effective (cont'd.)

Annual Improvements to MFRSs 2012–2014 Cycle

The Annual Improvements to MFRSs 2012-2014 Cycle include a number of amendments to various MFRSs, which are summarised below. The Directors of the Company do not anticipate that the application of these amendments will have a significant impact on the Company's financial statements.

Standards	Descriptions
MFRS 5 Non-current Assets Held for Sale and Discontinued Operations	The amendment to MFRS 5 clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in MFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification. This amendment is to be applied prospectively to changes in methods of disposal that occur in annual periods beginning on or after 1 January 2016, with earlier application permitted.
MFRS 7 Financial Instruments: Disclosures	The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in MFRS 7 in order to assess whether the disclosures are required. In addition, the amendment also clarifies that the disclosures in respect of offsetting of financial assets and financial liabilities are not required in the condensed interim financial report.

2. Significant accounting policies (cont'd.)

2.5 Standards issued but not yet effective (cont'd.)

Annual Improvements to MFRSs 2012–2014 Cycle

Standards	Descriptions
MFRS 119 Employee Benefits	The amendment to MFRS 119 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
MFRS 134 Interim Financial Reporting	MFRS 134 requires entities to disclose information in the notes to the interim financial statements ‘if not disclosed elsewhere in the interim financial report’. The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.

Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of an asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company as the Company has not used a revenue-based method to depreciate its non-current assets.

2. Significant accounting policies (cont'd.)

2.5 Standards issued but not yet effective (cont'd.)

Amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of MFRS 141. Instead, MFRS 116 will apply. After initial recognition, bearer plants will be measured under MFRS 116 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of MFRS 141 and are measured at fair value less costs to sell.

The amendments are effective for annual periods beginning on or after 1 January 2016 and are to be applied retrospectively, with early adoption permitted.

These amendments are not expected to have any impact to the Company as the Company does not have any biological assets.

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

The amendments clarify that:

- gains and losses resulting from transactions involving assets that do not constitute a business, between investor and its associate or joint venture are recognised in the entity's financial statements only to the extent of unrelated investors' interests in the associate or joint venture; and

- gains and losses resulting from transactions involving the sale or contribution to an associate of A joint venture of assets that constitute A business is recognised in full.

The amendments are to be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after 1 January 2016. Earlier application is permitted. These amendments will not have any impact on the Company's financial statements.

2. Significant accounting policies (cont'd.)

2.5 Standards issued but not yet effective (cont'd.)

Amendments to MFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations

The amendments to MFRS 11 require that a joint operator which acquires an interest in a joint operations which constitute a business to apply the relevant MFRS 3 Business Combinations principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to MFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

These amendments are to be applied prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Company's financial statements.

Amendments to MFRS 127: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associate in their separate financial statements. Entities already applying MFRS and electing to change to the equity method in its separate financial statements will have to apply this change retrospectively. For first-time adopters of MFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to MFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Company's financial statements.

2. Significant accounting policies (cont'd.)

2.5 Standards issued but not yet effective (cont'd.)

Amendments to MFRS 101: Disclosure Initiatives

The amendments to MFRS 101 include narrow-focus improvements in the following five areas:

- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income arising from equity accounted investments

The Directors of the Company do not anticipate that the application of these amendments will have a material impact on the Company's financial statements.

Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception

The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. The amendments further clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. In addition, the amendments also provides that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries.

The amendments are to be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Company's financial statements.

MFRS 14 Regulatory Deferral Accounts

MFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulations, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of MFRS. Entities that adopt MFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in the account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. Since the Company is an existing MFRS preparer, this standard would not apply.

2. Significant accounting policies (cont'd.)

2.5 Standards issued but not yet effective (cont'd.)

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step models that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFR 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Directors of the Company do not anticipate that the application of these amendments will have a material impact on the Company’s financial statements.

MFRS 9 Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will have an effect on the classification and measurement of the Company’s financial assets, but no impact on the classification and measurement of the Company’s financial liabilities.

However, it is not practicable to provide a reasonable estimate of the effect of MFRS 9 until the Company undertakes a detailed review.

2. Significant accounting policies (cont'd.)

2.6 Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenue, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. These factors could include:

(a) Critical judgments made in applying accounting policies

The following are judgments made by management in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

(i) Deferred tax assets (Note 17)

Deferred tax assets are recognised for various allowances and provisions to the extent that it is probable that taxable profit will be available against which these allowances and provisions can be utilised. Significant judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing of future taxable profits together with future tax planning strategies.

(ii) Income taxes (Note 29)

The Company is subject to income taxes in Malaysia. Significant judgment is required in determining the allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

(iii) Property and equipment (Note 3)

Property and equipment requires the review of the residual value and remaining useful life of an item of property and equipment at least at each financial period end.

Management estimates that the residual values and remaining useful lives are applicable for the current financial period.

2. Significant accounting policies (cont'd.)

2.6 Significant accounting judgments, estimates and assumptions (cont'd.)

(a) Critical judgments made in applying accounting policies (cont'd.)

(iv) Classification between investment properties and property and equipment (Notes 3 and 4)

The Company has developed certain criteria based on MFRS 140 *Investment Property* in making judgments whether a property qualifies to be classified as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for administrative purpose. If these portions could be sold separately (or leased out separately under finance lease), the Company would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for administrative purpose.

(v) Impairment of receivables (Notes 8, 9 and 10)

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Company complies with BNM's Guidelines on Financial Reporting (BNM/RH/STD 032-5). According to the Guidelines, objective evidence of impairment is deemed to exist where the financial assets which are individually assessed for impairment are past due for more than 90 days or 3 months. Other factors considered by the Company are probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the Company will recognise the impairment loss in the income statement.

(vi) Impairment of AFS financial assets (Note 7)

Significant judgment is required to assess impairment for AFS financial assets. The Company evaluates the duration and extent to which the fair value of an investment is less than cost. In addition, the Company evaluates the financial health and near-term business outlook for the investee, including but not limited to factors such as industry and sector performance, changes in technology and operational and financial cash flow.

2. Significant accounting policies (cont'd.)

2.6 Significant accounting judgments, estimates and assumptions (cont'd.)

(a) Critical judgments made in applying accounting policies (cont'd.)

(vii) Insurance contract classification (Note 16)

Contracts are classified as insurance contracts where they transfer significant insurance risk from the policyholder to the Company. The Company exercises judgment about the level of insurance risk transferred. The level of insurance risk is assessed by considering whether the Company is required to pay significant additional benefits in excess of amounts payable when the insured event occurs. These additional benefits include claims liability and assessment costs, but exclude the loss of the ability to charge the policyholder for future services.

The assessment covers the whole of the expected term of the contract where such additional benefits could be payable. Some contracts contain options for the policyholder to purchase insurance risk protection at a later date; these insurance risks are deemed not significant.

(viii) Discontinued operations and disposal group classified as held for sale (Note 11)

On 1 December 2014, Fairfax Financial Holdings Limited ("Fairfax") through its wholly-owned subsidiary, The Pacific Insurance Berhad ("Pacific Insurance"), entered into a business transfer agreement with the Company and Koperasi MCIS Berhad ("Koperasi") to acquire the general insurance ("GI") business of MCIS. The transaction has been granted approval by BNM. The Business Transfer Agreement was signed on 1 December 2014. Subsequently in January 2015, court approval was obtained for the transfer to take place on 1 March 2015. Therefore, the operations of GI business are classified as disposal group held for sale.

The Board considered the GI business as a disposal group held for sale for as at 31 December 2014/30 June 2014 for the following reasons:

- The GI business is available for immediate sale and/or transfer in its present condition;

- The action to complete the sale and/or transfer were initiated and expected to be completed within one year from the reporting date; and

- The sale and/or transfer was agreed in the business transfer agreement dated 1 December 2014;

2. Significant accounting policies (cont'd.)

2.6 Significant accounting judgments, estimates and assumptions (cont'd.)

(a) Critical judgments made in applying accounting policies (cont'd.)

(viii) Discontinued operations and disposal group classified as held for sale (Note 11) (cont'd.)

The discontinued operation includes balances and transactions relating to MMIP. The balances and transactions are closely related to the GI business and was therefore reclassified as part of discontinued operations.

For more details on discontinued operations, refer to Note 11.

(b) Key sources of estimation uncertainty and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Valuation of life insurance contract liabilities (Note 16)

There are several sources of uncertainty that need to be considered in the estimation of the life insurance contract liabilities that the Company will ultimately be required to pay as claims.

For life insurance contracts, estimates are made for future deaths, disabilities, voluntary terminations, discount rates and expenses.

The Company relies on standard industry and reinsurance mortality tables which represent historical mortality experience, and makes appropriate adjustments for its respective risk exposures in deriving the mortality and morbidity estimates. These estimates provide the basis in the valuation of the future benefits to be paid to policyholders and ensure adequate provision of reserve which are monitored against current and future premiums. At each reporting date, these estimates are assessed for adequacy and changes will be reflected as adjustments to insurance contract liabilities. Changes to the insurance contract liabilities during the year are reported in the income statement.

2. Significant accounting policies (cont'd.)

2.6 Significant accounting judgments, estimates and assumptions (cont'd.)

(b) Key sources of estimation uncertainty and assumptions (cont'd.)

(i) Valuation of life insurance contract liabilities (Note 16) (cont'd.)

Table below provides the key underlying assumptions used for valuation of life insurance contract liabilities:

Valuation method	**Gross premium**
Discount rates	Participating and annuity funds: The actual zero-coupon spot yields of Malaysian Government Securities (MGS) is used to discount the guaranteed benefit cash flows while the average of the last five years Company's gross investment returns (net of 8% Investment Tax) is used to discount the total benefit cash flows. The gross investment return is capped at 6.50% for the participating business and 6.25% for the annuity business. Non-participating and Investment linked funds: The zero-coupon spot yields of MGS at valuation date is used to discount the guaranteed benefit cash flows. Data source: MGS spot yields are obtained from the Bond Pricing Agency Malaysia (BPAM) under http://www.bpam.com.my
Mortality and Morbidity	Best estimates plus provision for adverse deviation Data source: internal experience studies
Lapse and Surrender	Best estimates plus provision for adverse deviation Data source: internal experience studies
Expenses	Best estimates plus provision for adverse deviation Data source: internal experience studies

2. Significant accounting policies (cont'd.)

2.6 Significant accounting judgments, estimates and assumptions (cont'd.)

(b) Key sources of estimation uncertainty and assumptions (cont'd.)

(ii) Valuation of general insurance contract liabilities (Note 16)

For general insurance contracts, estimates have to be made for both the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported at the reporting date ("IBNR").

It can take a significant period of time before the ultimate claims costs can be established with certainty and for some type of policies, IBNR claims form the majority of the statement of financial position liability. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornhuetter-Ferguson methods.

The main assumption underlying these techniques is that a company's past claims development experience can be used to project future claims development and hence, ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical areas, as well as by significant business lines and claims type. Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected in order to reflect their future development. Explicit assumptions have been made regarding future rates of claims inflation and discounting. We applied explicit discounting assumptions in our valuation for future investment earnings using the zero coupon spot yields of Malaysian Government Securities (MGS) as at the valuation date. We have also explicitly inflation adjusted claim amounts payable in the future, taking into account of both economic and non-economic factors that drive the escalation of claims. Economics inflation refers to the general increase in the price level of goods and services, usually measured based on the historical wage or price inflation such as Consumer Price Index (CPI). Non-economic factors refer to other inflation drivers such as increasing court awards or medical cost escalation due to technological advances.

2. Significant accounting policies (cont'd.)

2.6 Significant accounting judgments, estimates and assumptions (cont'd.)

(b) Key sources of estimation uncertainty and assumptions (cont'd.)

(ii) Valuation of general insurance contract liabilities (Note 16) (cont'd.)

Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (for example, to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

(iii) Fair value of financial assets determined using valuation techniques

Fair value, in the absence of an active market, is estimated by using valuation techniques, such as recent arm’s length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and/or option pricing models. For reference to similar instruments, instruments must have similar credit ratings.

For discounted cash flow analysis, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions (including country specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity and financial conditions of counter-parties. Discount rates are influenced by risk-free interest rates and credit risk.

The valuation techniques described above are calibrated annually.

(iv) Valuation of unitised insurance contract liabilities

Unitised insurance contract fair values are determined by reference to the values of the assets backing the liabilities, which are based on the value of the unit linked funds.

2. Significant accounting policies (cont'd.)

2.6 Significant accounting judgments, estimates and assumptions (cont'd.)

(b) Key sources of estimation uncertainty and assumptions (cont'd.)

(iv) Valuation of unitised insurance contract liabilities (cont'd.)

For unitised contracts, fair value is calculated as the number of units allocated to the policyholder in each unit linked fund multiplied by the unit-price of those funds at the reporting date. The fund assets and fund liabilities used to determine the unit-prices at the reporting date are valued on a basis consistent with their measurement basis in the Company's statement of financial position adjusted to take account of the effect on the liabilities of the deferred tax on unrealised gains or losses on assets in the fund.

(v) Amortisation of intangible assets (Note 5 and 28)

Computer applications software

The Company recognises the costs of significant development of knowledge based software and computer applications as intangible assets with finite useful lives. Such software and applications are unique to the requirements of the insurance business and the Company establishes that these development costs will generate economic benefits beyond one period.

The Company estimates the useful lives of these software costs to be between 5 to 10 years.

The Company expects that amortisation on software under development will only commence after the software and computer applications are available to be used and generate future economic benefits.

(vi) Income taxes (Note 29)

The Company is subject to income tax and other taxes and significant judgment is required in estimating the provision for income taxes. There are many transactions and interpretations of tax law for which the final outcome will not be established until some-time later. Liabilities for taxation are recognised based on estimates of whether additional taxes will be payable. The estimation process includes seeking advice on the tax treatments where appropriate.

Where the final liability for taxation is different from the amounts that were initially recorded, the differences will affect the income tax and deferred tax provisions in the period in which the estimate is revised or the final liability is established.

MCIS Insurance Berhad
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(Incorporated in Malaysia)

3. Property and equipment

	At valuation					At cost				
	Properties									
	Freehold land RM'000	Leasehold land 50 years or more RM'000	Buildings on freehold land RM'000	Buildings on leasehold land 50 years or more RM'000	Buildings on leasehold land less than 50 years RM'000	Motor vehicles RM'000	Furniture, fixtures and fittings RM'000	Office and computer equipment RM'000	Office renovation RM'000	Total RM'000
31 December 2014										
Cost/Valuation										
At 1 July 2014	13,990	34,179	12,480	42,131	560	1,315	13,079	27,974	5,526	151,234
Additions	-	-	-	-	-	-	37	454	-	491
Revaluations surplus	8,835	10,900	1,094	26,517	300	-	-	-	-	47,646
Elimination of accumulated depreciation on revaluation	-	(1,409)	(1,641)	(5,648)	(60)	-	-	-	-	(8,758)
Transfer to investment properties (Note 4)	(9,540)	(130)	(4,020)	(250)	-	-	-	-	-	(13,940)
Write-offs	-	-	-	-	-	-	(2)	(18)	-	(20)
Assets classified as held for sale	-	-	-	-	-	(242)	(1,234)	(3,477)	(68)	(5,021)
At 31 December 2014	13,285	43,540	7,913	62,750	800	1,073	11,880	24,933	5,458	171,632

MCIS Insurance Berhad
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3. Property and equipment (cont'd.)

	At valuation					At cost				
	Properties									
	Freehold land RM'000	Leasehold land 50 years or more RM'000	Buildings on freehold land RM'000	Buildings on leasehold land 50 years or more RM'000	Buildings on leasehold land less than 50 years RM'000	Motor vehicles RM'000	Furniture, fixtures and fittings RM'000	Office and computer equipment RM'000	Office renovation RM'000	Total RM'000
31 December 2014 (cont'd.)										
Accumulated depreciation										
At 1 July 2014	-	1,136	1,323	4,555	49	1,290	10,626	23,430	5,526	47,935
Charge for the period										
- Continued operation	-	273	318	1,093	11	8	173	658	-	2,534
- Discontinued operation	-	-	-	-	-	3	19	133	-	155
	-	273	318	1,093	11	11	192	791	-	2,689
Elimination of accumulated depreciation on revaluation	-	(1,409)	(1,641)	(5,648)	(60)	-	-	-	-	(8,758)
Write-offs	-	-	-	-	-	-	(2)	(17)	-	(19)
Assets classified as held for sale	-	-	-	-	-	(242)	(1,114)	(3,282)	(68)	(4,706)
At 31 December 2014	-	-	-	-	-	1,059	9,702	20,922	5,458	37,141
Net carrying amount										
At 31 December 2014	13,285	43,540	7,913	62,750	800	14	2,178	4,011	-	134,491

During the current financial period, the Company reclassified certain assets with a net carrying amount of RM315,000 to assets held for sale, as disclosed in Note 11.

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3. Property and equipment (cont'd.)

	At valuation					At cost				
	Properties									
	Freehold land RM'000	Leasehold land 50 years or more RM'000	Buildings on freehold land RM'000	Buildings on leasehold land 50 years or more RM'000	Buildings on leasehold land less than 50 years RM'000	Motor vehicles RM'000	Furniture, fixtures and fittings RM'000	Office and computer equipment RM'000	Office renovation RM'000	Total RM'000
30 June 2014										
Cost/Valuation										
At 1 July 2013	13,990	34,179	12,480	42,131	560	1,315	12,966	25,952	5,657	149,230
Additions	-	-	-	-	-	-	185	2,035	-	2,220
Write-offs	-	-	-	-	-	-	(72)	(13)	(131)	(216)
At 30 June 2014	13,990	34,179	12,480	42,131	560	1,315	13,079	27,974	5,526	151,234
Accumulated depreciation										
At 1 July 2013	-	591	688	2,369	25	1,251	10,200	21,907	5,649	42,680
Charge for the year	-	545	635	2,186	24	39	495	1,536	7	5,467
Write-offs	-	-	-	-	-	-	(69)	(13)	(130)	(212)
At 30 June 2014	-	1,136	1,323	4,555	49	1,290	10,626	23,430	5,526	47,935
Net carrying amount										
At 30 June 2014	13,990	33,043	11,157	37,576	511	25	2,453	4,544	-	103,299

Included in the cost of property and equipment of the Company are cost of fully depreciated assets which are still in use amounting to RM47,997,000 (30.06.2014: RM34,306,000).

3. Property and equipment (cont'd.)

Properties

The revalued land and buildings consist of office properties in Malaysia. Management determined that these properties constitute one class of asset under MFRS 13, based on the nature, characteristics and risks of the property.

Fair value of the properties was determined by using market and sales comparable method. This means that valuations performed by the valuer are based on active market prices, adjusted for difference in the nature, location or condition of the specific property. As at the date of revaluation in November and December 2014, the properties' fair values are based on valuations performed by PPC International Sdn. Bhd., an accredited independent valuer.

Details of the freehold and leasehold land and buildings stated at revalued amounts are as follows:

Year of valuation	Location of property	Valuation by professional valuer RM'000
(i) Freehold land and buildings:		
2014	Sungai Petani, Kedah	750
2014	Kulim, Kedah	330
2014	Seremban, Negeri Sembilan	480
2014	Bentong, Pahang	800
2014	Kuantan, Pahang	1,300
2014	Butterworth, Penang	850
2014	Taiping, Perak	760
2014	Ipoh, Perak	4,200
2014	Sitiawan, Perak	58
2014	Kuching, Sarawak	2,700
2014	Kuala Lumpur	8,000
2014	Port Dickson, Negeri Sembilan	330
2014	Teluk Intan, Perak	640
		21,198
(ii) Leasehold land and buildings:		
2014	Kluang, Johor	1,100
2014	Melaka	790
2014	Port Dickson, Negeri Sembilan	300

3. Property and equipment (cont'd.)

Properties (cont'd.)

Year of valuation	Location of property	Valuation by professional valuer RM'000
(ii) Leasehold land and buildings (cont'd.):		
2014	Kangar, Perlis	700
2014	Kota Bahru, Kelantan	800
2014	Kota Kinabalu, Sabah	5,800
2014	Petaling Jaya, Selangor	97,600
		107,090
		128,288

Significant increases (decreases) in estimated price per square feet in isolation would result in a significantly higher (lower) fair value.

The Company has determined that the highest and best use of the properties is their current use.

If land and buildings were measured using the cost model, the carrying amounts would be as follows:

	31.12.2014 RM'000	30.06.2014 RM'000
Cost	26,535	26,535
Accumulated depreciation	(13,659)	(13,391)
Net carrying amount	12,876	13,144

4. Investment properties

Company	31.12.2014 RM'000	30.06.2014 RM'000
At 1 July 2014/2013	1,770	1,770
Transfer from property and equipment (Note 3)	13,940	-
Fair value gains (Note 23)	630	-
At 31 December 2014/30 June2014	16,340	1,770

4. Investment properties (cont'd.)

As at 31 December 2014, the fair values of the properties are based on valuations performed by PPC International Sdn. Bhd. The valuation model applied is in accordance with that recommended by the International Valuation Standards Committee and meets the requirements of MFRS 13.

Description of valuation techniques used and key inputs to valuation on investment properties are stated below:

	Valuation technique	Key input	Range
Agriculture land	Comparison method	Sales evidence (per hectares)	RM257,000 - RM346,554
Shophouse	Comparison method	Estimated rental value per month	RM5,000
		Sales evidence (per square feet)	RM953 - RM1,706
Five storey Shopoffice	Comparison method	Estimated rental value per month	RM21,500
		Sales evidence (per square feet)	RM3,392 - RM3,953
Three storey Shopoffice	Comparison method	Estimated rental value per month	RM2,000
		Sales evidence (per square feet)	RM250 - RM286
Eight storey Office Building	Comparison method	Estimated rental value per month	RM60,000
		Sales evidence (per square feet)	RM1,457 - RM2,936

Significant increases (decreases) in estimated rental value in isolation would result in a significantly higher (lower) fair value of the properties.

Fair value hierarchy disclosures for investment properties have been provided in Note 41.

The Company has determined that the highest and best use of the properties is their current use.

4. Investment properties (cont'd.)

The amount of income and expenses recorded in the income statement are as follows:

	31.12.2014 RM'000	30.06.2014 RM'000
Rental income	67	121
Direct operating expenses (including repairs and maintenance) generating rental income	(49)	(105)
Loss arising from investment properties	18	16

The Company has no restrictions on the realisability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

5. Intangible assets

Computer software	31.12.2014 RM'000	30.6.2014 RM'000
Cost		
At 1 July 2014/2013	23,019	30,867
Additions	830	75
Assets classified as held for sale	(432)	(7,923)
At 31 December 2014/30 June 2014	23,417	23,019
Accumulated amortisation		
At 1 July 2014/2013	9,065	14,994
Charge for the period/year:		
- Continuing operations	985	1,970
- Discontinued operations	-	6
	985	1,976
Assets classified as held for sale	-	(7,905)
At 31 December 2014/30 June 2014	10,050	9,065
Net carrying amount		
At 31 December 2014/30 June 2014	13,367	13,954

The company reclassified certain computer software with a net carrying amount of RM450,000 (30.06.2014: RM18,000) to assets held for sale, as disclosed in Note 11.

6. Prepaid land lease payments

	Leasehold land less than 50 years RM'000
31 December 2014	
Cost/Valuation	
At 1 July 2014/31 December 2014	350
Accumulated amortisation	
At 1 July 2014	108
Charge for the year	5
At 31 December 2014	113
Net carrying amount	
At 31 December 2014	237
30 June 2014	
Cost/Valuation	
At 1 July 2013/30 June 2014	350
Accumulated amortisation	
At 1 July 2013	95
Charge for the year	13
At 30 June 2014	108
Net carrying amount	
At 30 June 2014	242

7. Investments

	31.12.2014 RM'000	30.06.2014 RM'000
Malaysian Government securities	1,505,336	1,397,431
Government investment issues	94,870	137,627
Malaysian Government guaranteed bonds	539,354	649,903
Unquoted debt securities	1,032,689	837,145
Quoted equity securities	289,415	302,279
Quoted exchange traded funds	20,371	21,399
Unquoted equity securities	7,336	7,336
Quoted unit and property trust funds	134,482	126,013
Deposits with financial institutions	239,940	365,563
Loans receivable	335,920	343,668
Total	4,199,713	4,188,364

7. Investments (cont'd.)

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

	31.12.2014 RM'000	30.06.2014 RM'000
LAR	575,860	709,231
AFS	3,502,756	3,364,956
FVTPL	121,097	114,177
	4,199,713	4,188,364

(a) LAR

	31.12.2014 RM'000	30.06.2014 RM'000
At amortised cost:		
Deposits with financial institutions	239,940	365,563
Loans receivable:		
Policy loans	324,481	330,766
Mortgage loans	8,977	10,218
Term loan to related party	6,000	7,000
Other loans	803	976
Accumulated impairment loss	(4,341)	(5,292)
	335,920	343,668
	575,860	709,231

Included in deposits with financial institutions of the Company are short term deposits with maturity periods of less than 3 months amounting to RM239,158,000 (30.06.2014: RM364,801,000), which have been classified as cash and cash equivalents for the purpose of the statement of cash flows.

The carrying value of the deposits with financial institutions approximates fair value due to the relatively short term maturities. The carrying value of the policy loans, term loan and other loans are reasonable approximations of fair value due to the insignificant impact of discounting.

The fair values of the mortgage loans have been established by comparing current market interest rates for similar financial instruments to the rates offered when the mortgage loans were first recognised together with appropriate market credit adjustments. As there are no significant differences between these rates, the carrying value of mortgage loans approximates fair value as at 31 December 2014 and 30 June 2014.

7. Investments (cont'd.)

Company (cont'd)	31.12.2014 RM'000	30.06.2014 RM'000
(b) AFS		
At fair value:		
Malaysian Government securities	1,491,699	1,385,478
Government investment issues	92,914	135,675
Malaysian Government guaranteed bonds	539,354	647,439
Unquoted debt securities	1,026,329	832,393
Quoted equity securities	228,702	242,343
Quoted unit and property trust funds	116,422	114,292
	3,495,420	3,357,620
At cost less impairment:		
Unquoted equity securities (net of impairment loss of RM62,000 (30.06.2014: RM62,000)	7,336	7,336
	3,502,756	3,364,956
(c) FVTPL		
Financial assets designated upon initial recognition at FVTPL:		
Malaysian Government securities	13,637	11,953
Government investment issues	1,956	1,952
Malaysian Government guaranteed bonds	-	2,464
Unquoted debt securities	6,360	4,752
Quoted equity securities	60,713	59,936
Quoted exchange traded funds	20,371	21,399
Quoted unit and property trust funds	18,060	11,721
	121,097	114,177

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7. Investments (cont'd.)

(d) Carrying values of financial instruments

Company	LAR RM'000	AFS RM'000	FVTPL RM'000	Total RM'000
At 1 July 2013	692,978	3,505,387	102,739	4,301,104
Purchases	-	5,140,355	50,803	5,191,158
Disposals	-	(5,042,391)	(43,193)	(5,085,584)
Fair value losses recorded in:				
Other comprehensive income	-	(25,354)	-	(25,354)
Insurance contract liabilities:				
Life funds	-	(129,037)	-	(129,037)
Investment linked funds	-	-	2,402	2,402
Realised gains recorded in the income statement:				
- continuing operations	-	56,310	1,426	57,736
- discontinued operations	-	3,571	-	3,571
	-	59,881	1,426	61,307
Decrease in loans	(37,998)	-	-	(37,998)
Increase in impairment loss on loans receivable	(2,318)	-	-	(2,318)
Increase in deposits with financial institutions	121,886	-	-	121,886
Net amortisation of				-
premiums:				-
- continuing operations	-	(5,523)	-	(5,523)
- discontinued operations	-	359	-	359
	-	(5,164)	-	(5,164)
Assets classified as held for sale	(65,317)	(138,721)	-	(204,038)
At 30 June 2014	709,231	3,364,956	114,177	4,188,364
Purchases	-	3,083,867	42,665	3,126,532
Disposals	-	(2,944,147)	(32,605)	(2,976,752)
Fair value losses recorded in:				
Other comprehensive income	-	(400)	-	(400)
Insurance contract liabilities:				
Life funds	-	(9,994)	-	(9,994)
Investment linked funds	-	-	(3,058)	(3,058)
Realised gain/(loss) recorded in the income statement:				
- continuing operations	-	16,469	(82)	16,387
- discontinued operations	-	410	-	410
	-	16,879	(82)	16,797

7. Investments (cont'd.)

(d) Carrying values of financial instruments (cont'd.)

Company	LAR RM'000	AFS RM'000	FVTPL RM'000	Total RM'000
Decrease in loans	(8,699)	-	-	(8,699)
Decrease in deposits with financial institutions	(135,266)	-	-	(135,266)
Write back of impairment loss on loans receivable (Note 39(d))	951	-	-	951
Increase in impairment loss on quoted equity securities (Note 25)				
- continuing operations	-	(5,135)	-	(5,135)
- discontinued operations	-	(230)	-	(230)
	-	(5,365)	-	(5,365)
Net amortisation of premiums:				
- continuing operations	-	(3,551)	-	(3,551)
- discontinued operations	-	225	-	225
	-	(3,326)	-	(3,326)
Assets classified as held for sale	9,643	286	-	9,929
At 31 December 2014	575,860	3,502,756	121,097	4,199,713

(e) Fair values of financial instruments

The following tables show financial investments recorded at fair value analysed by the different bases as follows:

	AFS RM'000	FVTPL RM'000	Total RM'000
31 December 2014			
Quoted market bid price	345,124	99,144	444,268
Valuation techniques - market observable inputs	3,150,296	21,953	3,172,249
	3,495,420	121,097	3,616,517
30 June 2014			
Quoted market bid price	356,635	93,056	449,691
Valuation techniques - market observable inputs	3,000,985	21,121	3,022,106
	3,357,620	114,177	3,471,797

7. Investments (cont'd.)

(e) Fair values of financial instruments (cont'd.)

Included in the quoted category are financial instruments that are measured in whole or in part by reference to quoted market bid prices. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, secondary market via dealer and broker, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Financial instruments measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are instruments for which pricing is obtained via pricing services but where prices have not been determined in an active market, instruments with fair values based on broker quotes, investment in unit and property trusts with fair values obtained via fund managers and instruments that are valued using the Company's own models whereby the majority of assumptions are market observable.

For the Company's unquoted equity securities, fair value cannot be measured reliably. These financial instruments are measured at cost less impairment, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

(f) Range of effective interest rates

The range of effective interest rates for each class of interest-bearing investment and placements with licensed financial institutions, at net carrying amounts of the Company are as below:

	31.12.2014 %	30.06.2014 %
Malaysian Government securities	3.56 - 4.81	3.39 - 4.76
Government investment issues	3.89 - 4.35	3.81 - 4.72
Malaysian Government guaranteed bonds	3.68 - 5.58	3.78 - 5.62
Unquoted debt securities	2.72 - 12.40	2.49 - 12.37
Deposits with financial institutions	0.15 - 4.00	0.15 - 3.50
Loans receivable	4.00 - 9.00	4.00 - 9.50

7. Investments (cont'd.)

(g) Interest-bearing contractual re-pricing or maturity dates

The earlier of the contractual re-pricing or maturity dates for each class of interest-bearing investment and placements with licensed financial institutions, at net carrying amounts of the Company are as below:

	Interest-bearing contractual re-pricing or maturity dates (whichever is earlier)			
	1 year or less RM'000	1 year to 5 years RM'000	More than 5 years RM'000	Total RM'000
31 December 2014				
Malaysian Government securities	-	253,594	1,251,742	1,505,336
Government investment issues	-	24,600	70,270	94,870
Malaysian Government guaranteed bonds	10,268	-	529,086	539,354
Unquoted debt securities	169,161	471,588	391,940	1,032,689
Deposits with financial institutions	239,940	-	-	239,940
Loans receivable*	320	7,157	5,470	12,947
	419,689	756,939	2,248,508	3,425,136
30 June 2014				
Malaysian Government securities	-	264,900	1,132,531	1,397,431
Government investment issues	-	19,698	117,929	137,627
Malaysian Government guaranteed bonds	-	32,631	617,272	649,903
Unquoted debt securities	53,247	441,821	342,077	837,145
Deposits with financial institutions	365,563	-	-	365,563
Loans receivable*	1,259	1,157	12,350	14,766
	420,069	760,207	2,222,159	3,402,435

* The Company's policy loan portfolio of RM322,973,000 (30.06.2014: RM328,902,000) (net of impairment loss of RM1,508,000 (30.06.2014: RM1,864,000) is not included in the above loans receivable as there are no specific maturity dates.

8. Reinsurance assets

	31.12.2014 RM'000	30.06.2014 RM'000
Claim liabilities (Note 16)	2,559	3,291

9. Insurance receivables

	31.12.2014 RM'000	30.06.2014 RM'000
Due premiums including agents/brokers and coinsurers balances	36,663	47,187
Due from reinsurers and cedants	2,936	1,846
	39,599	49,033

The carrying amounts of financial assets above approximate fair values due to the relatively short-term maturity of these balances.

10. Other receivables

	31.12.2014 RM'000	30.06.2014 RM'000
Financial assets:		
Income due and accrued	42,398	35,816
Other receivables	1,553	1,703
	43,951	37,519
Non-financial assets:		
Prepayments	2,093	1,584
Tax recoverable	20	20
	2,113	1,604
	46,064	39,123

The carrying amounts of financial assets above approximate fair values due to the relatively short-term maturity of these balances.

11. Discontinued operations and disposal group classified as held for sale

On 1 December 2014, Fairfax Financial Holdings Limited ("Fairfax") through its wholly-owned subsidiary, The Pacific Insurance Berhad ("Pacific Insurance"), entered into a business transfer agreement with the Company and Koperasi MCIS Berhad ("Koperasi") to acquire the general insurance ("GI") business of MCIS. The transaction has been granted approval by BNM. The Business Transfer Agreement was signed on 1 December 2014. Subsequently in January 2015, court approval was obtained for the transfer to take place on 1 March 2015.

As a result, assets and liabilities of the GI business as at 31 December 2014 that will form part of this sale and/or transfer were classified as held for sale under the definition stated in MFRS 5 *Non-current assets held for sale and discontinued operations.*

The discontinued operations includes balances and transactions relating to MMIP. These balances and transactions are closely related to the GI business and was therefore reclassified as part of discontinued operations.

The major class of assets and liabilities of GI Business classified as held for sale as at 31 December 2014 and 30 June 2014 are as follows:

	MMIP RM'000	Other GI business RM'000	Total RM'000
31 December 2014			
Assets			
Property and equipment	-	315	315
Intangible assets	-	450	450
Investments	-	194,109	194,109
Reinsurance assets*	-	143,572	143,572
Insurance receivables	-	17,309	17,309
Deferred tax assets	-	831	831
Other receivables	63,046	10,263	73,309
Assets classified as held for sale	63,046	366,849	429,895
Liabilities			
Insurance contract liabilities	70,840	336,480	407,320
Insurance payables	-	26,552	26,552
Other payables	-	2,986	2,986
Liabilities directly associated with assets classified as held for sale	70,840	366,018	436,858
Net (liabilities)/assets directly associated with disposal group	(7,794)	831	(6,963)
Reserves of disposal group classified as held for sale			
AFS reserves	-	(4,344)	(4,344)
Deferred tax effects on AFS reserves	-	1,086	1,086
	-	(3,258)	(3,258)

11. Discontinued operations and disposal group classified as held for sale (cont'd.)

The major class of assets and liabilities of GI Business classified as held for sale as at 31 December 2014 and 30 June 2014 are as follows (cont'd.):

31 December 2014 (cont'd.)	MMIP RM'000	Other GI business RM'000	Total RM'000
Fair value measurement:			
Assets			
Assets measured at fair value (Note 41)	-	138,435	138,435
Assets measured at cost/amortised cost	63,046	228,414	291,460
	63,046	366,849	429,895
Liabilities			
Assets measured at cost/amortised cost	70,840	366,018	436,858
30 June 2014			
Assets			
Intangible assets	-	18	18
Investments	-	204,038	204,038
Reinsurance assets*	-	146,602	146,602
Insurance receivables	-	18,298	18,298
Deferred tax assets	-	1,029	1,029
Other receivables	53,358	4,238	57,596
Assets classified as held for sale	53,358	374,223	427,581
Liabilities			
Insurance contract liabilities	67,352	332,416	399,768
Insurance payables	-	37,818	37,818
Other payables	-	2,960	2,960
Liabilities directly associated with assets classified as held for sale	67,352	373,194	440,546
Net (liabilities)/assets directly associated with disposal group	(13,994)	1,029	(12,965)
Reserves of disposal group classified as held for sale			
AFS reserves	-	(3,656)	(3,656)
Deferred tax effects on AFS reserves	-	914	914
	-	(2,742)	(2,742)

* Net of impairment loss of RM1,684,000 (30.06.2014: RM925,000).

11. Discontinued operations and disposal group classified as held for sale (cont'd.)

	MMIP RM'000	Other GI business RM'000	Total RM'000
Fair value measurement:			
Assets			
Assets measured at fair value (Note 41)	-	138,721	138,721
Assets measured at cost/amortised cost	53,358	235,502	288,860
	53,358	374,223	427,581
Liabilities			
Assets measured at cost/amortised cost	67,352	373,194	440,546

The results of GI Business for the period/year are presented below:

For the financial period ended 31 December 2014

	MMIP RM'000	Other GI business RM'000	Total RM'000
Gross earned premiums	7,068	78,515	85,583
Premiums ceded to reinsurers	(253)	(26,446)	(26,699)
Net earned premiums	6,815	52,069	58,884
Investment income	1,255	4,056	5,311
Realised gains and losses	-	410	410
Fee and commission income	19	5,704	5,723
Other operating income	35	2,174	2,209
Other revenue	1,309	12,344	13,653
Gross benefits and claims paid	(5,632)	(45,042)	(50,674)
Claims ceded to reinsurers	-	10,182	10,182
Gross change in contract liabilities	(4,761)	(8,713)	(13,474)
Change in contract liabilities ceded to reinsurers	-	(1,770)	(1,770)
Net benefits and claims	(10,393)	(45,343)	(55,736)
Fee and commission expenses	(830)	(10,394)	(11,224)
Management expenses	(25)	(13,079)	(13,104)
Other expenses	(855)	(23,473)	(24,328)
Loss before taxation	(3,124)	(4,403)	(7,527)
Taxation	1,835	601	2,436
Net loss for the period	(1,289)	(3,802)	(5,091)

11. Discontinued operations and disposal group classified as held for sale (cont'd.)

The results of GI Business for the period/year are presented below (cont'd.):

	MMIP RM'000	Other GI business RM'000	Total RM'000
Other comprehensive income:			
AFS reserves:			
Gain on fair value changes of AFS investments	-	1,278	1,278
Realised gain transferred to the income statement	-	(1,967)	(1,967)
Deferred tax effects on AFS reserves	-	172	172
Other comprehensive loss for the period, net of tax	-	(517)	(517)
For the financial year ended 30 June 2014			
Gross earned premiums	12,152	181,241	193,393
Premiums ceded to reinsurers	(641)	(76,607)	(77,248)
Net earned premiums	11,511	104,634	116,145
Investment income	1,245	9,384	10,629
Realised gains and losses	-	3,571	3,571
Fee and commission income	40	18,477	18,517
Other operating income	2,389	2,231	4,620
Other revenue	3,674	33,663	37,337
Gross benefits and claims paid	(8,490)	(94,846)	(103,336)
Claims ceded to reinsurers	-	31,173	31,173
Gross change in contract liabilities	(13,722)	(20,333)	(34,055)
Change in contract liabilities ceded to reinsurers	-	19,351	19,351
Net benefits and claims	(22,212)	(64,655)	(86,867)
Fee and commission expenses	(2,124)	(21,842)	(23,966)
Other operating expenses	-	(926)	(926)
Management expenses	(104)	(28,750)	(28,854)
Other expenses	(2,228)	(51,518)	(53,746)
(Loss)/profit before taxation	(9,255)	22,124	12,869
Taxation	6,812	(6,874)	(62)
Net (loss)/profit for the year	(2,443)	15,250	12,807

11. Discontinued operations and disposal group classified as held for sale (cont'd.)

The results of GI Business for the period/year are presented below (cont'd.):

	MMIP RM'000	Other GI business RM'000	Total RM'000
For the financial year ended 30 June 2014 (cont'd.)			
Other comprehensive income:			
AFS reserves:			
Gain on fair value changes of AFS investments	-	6,708	6,708
Realised gain transferred to the income statement	-	(8,602)	(8,602)
Deferred tax effects on AFS reserves	-	473	473
Other comprehensive loss for the year, net of tax	-	(1,421)	(1,421)

The net cash flows for GI Business are as follows:

	01.07.2014 to 31.12.2014 RM'000	01.07.2013 to 30.06.2014 RM'000
Cash flows from:		
Operating activities	789	(7,041)
Investing activities	(789)	-
Net decrease in cash and bank balances	-	(7,041)

Included in deposits with financial institutions of GI business are short term deposits with maturity periods of less than 3 months amounting to RM55,674,000 (30.06.2014: RM65,317,000), which have been classified as cash and cash equivalents for the purpose of the statement of cash flows.

12. Subsidiary

	31.12.2014 RM'000	30.06.2014 RM'000
Unquoted shares, at cost	-	100
Less: Allowance for impairment loss	-	(100)
	-	-

Details of subsidiary:

Name	Country of incorporation	Proportion of equity interest 31.12.2014 %	Proportion of equity interest 30.06.2014 %	Principal activity
Cramson (Malaysia) Bhd.#	Malaysia	-	100	Dormant

\# The subsidiary was struck off in accordance with Section 308(2) of the Companies Act, 1965 under the Government Gazette Order dated 15 August 2014. Consequently, it has ceased as a dormant company and is no longer form part of the Group since then.

13. Share capital

	31.12.2014		30.06.2014	
	No. of Shares ('000)	RM'000	No. of Shares ('000)	RM'000
Authorised:				
Ordinary share of RM1.00 each				
At 1 July 2014/2013 and 31 December 2014/ 30 June 2014	200,000	200,000	200,000	200,000
Issued and paid-up:				
Ordinary share of RM1.00 each				
At 1 July 2014/2013 and 31 December 2014/ 30 June 2014	100,284	100,284	100,284	100,284

14. Retained profits

The non-distributable retained earnings represent the unallocated surplus from the Non-Par funds. In accordance with Section 83 of the Financial Services Act, 2013, the unallocated surplus is only available for distribution to the shareholders upon approval/recommendation by the Appointed Actuary.

Under the single tier tax system which came into effect from the year of assessment 2008, companies are not required to have tax credits under Section 108 of the Income Tax Act, 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of the shareholders. Companies with Section 108 credits as at 31 December 2007 may continue to pay franked dividends until the Section 108 credits are exhausted or on 31 December 2013, whichever is earlier, unless they opt to disregard the Section 108 credits to pay single-tier dividends under the special transitional provisions of the Finance Act, 2007.

Upon expiry of the transitional period as at 31 December 2013, the accumulated tax credit under Section 108 of the Income Tax Act, 1967 will be disregarded. Any future dividend payment made by the Company will be governed under the single-tier system.

Pursuant to the single tier system, any dividends distributed by the Company will be exempted from tax in the hand of shareholders. The Company shall not be entitled to deduct tax on dividend paid, credited or distributed to shareholders.

The Company may distribute single tier exempt dividend to its shareholders out of its retained earnings. Pursuant to Section 51(1) of the FSA, the Company is required to obtain BNM's written approval prior to declaring or paying any dividend with effect from financial year beginning 1 January 2014. Pursuant to the RBC Framework for Insurers, the Company shall not pay dividends if its Capital Adequacy Ratio position is less than its internal target capital level or if the payment of dividend would impair its Capital Adequacy Ratio position to below its internal target.

15. Merger reserves

In June 2002, the Company acquired the entire equity interest in the subsidiary for a purchase consideration amounting to RM123,349,408 via the issuance of 30,085,221 new ordinary shares of RM1.00 each to the vendors of the subsidiary at an issue price of RM4.10 per ordinary share.

As a result of using merger relief provisions, under Section 60(4) of the Companies Act, 1965, the merger reserve was created in place of a share premium account and this reserve has been utilised to write-off the goodwill arising from the business combination in the Group financial statements and impairment in value of the investment in subsidiary at the effective date of acquisition, in the Company's financial statements.

The merger reserve was arrived at after considering the fair value of the subsidiary acquired, the nominal value of ordinary shares issued as consideration for the acquisition and the write-off of goodwill on consolidation in June 2002 as follows:

	RM'000
Fair value of subsidiary acquired	123,349
Nominal value of shares issued as consideration	(30,085)
Merger reserve on acquisition	93,264
Write-off of goodwill on consolidation	(52,592)
	40,672

16. Insurance contract liabilities

	<---- 31.12.2014		---->	<---- 30.06.2014		---->
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Life insurance (Note A)	3,797,578	(2,559)	3,795,019	3,750,078	(3,291)	3,746,787
Discontinued operations						
General insurance (Note B)	407,320	(145,257)	262,063	399,768	(147,527)	252,241
Less: Impairment loss	-	1,685	1,685	-	925	925
	407,320	(143,572)	263,748	399,768	(146,602)	253,166
	4,204,898	(146,131)	4,058,767	4,149,846	(149,893)	3,999,953

(A) Life insurance

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

(i) Life insurance contract liabilities

	<---- 31.12.2014		---->	<---- 30.06.2014		---->
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Provision for outstanding claims	59,408	(2,559)	56,849	59,685	(3,291)	56,394
Actuarial liabilities	3,076,625	-	3,076,625	3,099,697	-	3,099,697
Participating fund unallocated surplus	487,852	-	487,852	450,938	-	450,938
Participating fund AFS reserves	(38,457)	-	(38,457)	(29,141)	-	(29,141)
Participating fund asset revaluation reserves	78,004	-	78,004	36,929	-	36,929
NAV attributable to unitholders (Note 42)	134,146	-	134,146	131,970	-	131,970
	3,797,578	(2,559)	3,795,019	3,750,078	(3,291)	3,746,787

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(Formerly known as MCIS ZURICH Insurance Berhad)
(Incorporated in Malaysia)

16. Insurance contract liabilities (cont'd.)

(A) Life insurance (cont'd.)

(ii) Movements of life insurance contract liabilities

31 December 2014	Provision for outstanding claims RM'000	Actuarial liabilities RM'000	Participating fund unallocated surplus RM'000	Participating fund AFS reserve RM'000	Participating fund asset revaluation reserve RM'000	NAV attributable to unitholders RM'000	Gross liabilities RM'000	Reinsurance RM'000	Net liabilities RM'000
As at 1 July 2014	59,685	3,099,697	450,938	(29,141)	36,929	131,970	3,750,078	(3,291)	3,746,787
Net earned premiums	-	-	194,796	-	-	15,616	210,412	-	210,412
Other revenue	-	-	92,988	-	-	23	93,011	-	93,011
Net benefits and claims	(277)	-	(196,147)	-	-	(13,449)	(209,873)	732	(209,141)
Other expenses	-	-	(56,030)	-	-	(14)	(56,044)	-	(56,044)
Policy movement	-	24,088	(17,605)	-	-	-	6,483	-	6,483
Interest rate	-	(8,687)	6,518	-	-	-	(2,169)	-	(2,169)
Adjustments due to changes							-		
in assumptions:							-		
- Model change	-	(11,206)	8,562	-	-	-	(2,644)	-	(2,644)
- Others	-	(27,267)	18,821	-	-	-	(8,446)	-	(8,446)
Changes in AFS reserve	-	-	-	(9,994)	-	-	(9,994)	-	(9,994)
Taxation on AFS reserve (Note 17)	-	-	-	678	-	-	678	-	678
Changes in asset revaluation reserve	-	-	-	-	44,657	-	44,657	-	44,657
Taxation on asset revaluation							-		
reserve (Note 17)	-	-	-	-	(3,582)	-	(3,582)	-	(3,582)
Taxation on taxable investment income	-	-	(7,143)	-	-	-	(7,143)	-	(7,143)
Participating fund surplus							-		
transferred to shareholders' fund	-	-	(7,846)	-	-	-	(7,846)	-	(7,846)
As at 31 December 2014	59,408	3,076,625	487,852	(38,457)	78,004	134,146	3,797,578	(2,559)	3,795,019

16. Insurance contract liabilities (cont'd.)

(A) Life insurance (cont'd.)

(ii) Movements of life insurance contract liabilities (cont'd.)

30 June 2014	Provision for outstanding claims RM'000	Actuarial liabilities RM'000	Participating fund unallocated surplus RM'000	Participating fund AFS reserve RM'000	Participating fund asset revaluation reserve RM'000	NAV attributable to unitholders RM'000	Gross liabilities RM'000	Reinsurance RM'000	Net liabilities RM'000
As at 1 July 2013	41,147	3,026,377	441,295	91,735	36,929	121,330	3,758,813	(919)	3,757,894
Net earned premiums	-	-	424,243	-	-	36,724	460,967	-	460,967
Other revenue	-	-	207,067	-	-	5,875	212,942	-	212,942
Net benefits and claims	18,538	-	(393,173)	-	-	(31,341)	(405,976)	(2,372)	(408,348)
Other expenses	-	-	(117,661)	-	-	(618)	(118,279)	-	(118,279)
Policy movement	-	53,804	(48,721)	-	-	-	5,083	-	5,083
Interest rate	-	(44,781)	33,978	-	-	-	(10,803)	-	(10,803)
Adjustments due to changes							-		
in assumptions:							-		
- Mortality/morbidity	-	(12,551)	9,971	-	-	-	(2,580)	-	(2,580)
- Expenses	-	6,937	(5,501)	-	-	-	1,436	-	1,436
- Lapse	-	47,537	(44,062)	-	-	-	3,475	-	3,475
- Others	-	22,374	(23,867)	-	-	-	(1,493)	-	(1,493)
Changes in AFS reserve	-	-	-	(129,037)	-	-	(129,037)	-	(129,037)
Taxation on AFS reserve (Note 17)	-	-	-	8,161	-	-	8,161	-	8,161
Taxation on taxable investment income	-	-	(17,209)	-	-	-	(17,209)	-	(17,209)
Participating fund surplus							-		
transferred to shareholders' fund	-	-	(15,422)	-	-	-	(15,422)	-	(15,422)
As at 30 June 2014	59,685	3,099,697	450,938	(29,141)	36,929	131,970	3,750,078	(3,291)	3,746,787

MCIS Insurance Berhad
(Formerly known as MCIS ZURICH Insurance Berhad)
(Incorporated in Malaysia)

16. Insurance contract liabilities (cont'd.)

(B) General insurance (Discontinued operations)

	31.12.2014 Gross RM'000	31.12.2014 Reinsurance RM'000	31.12.2014 Net RM'000	30.06.2014 Gross RM'000	30.06.2014 Reinsurance RM'000	30.06.2014 Net RM'000
Provision for claims reported by policyholders	200,842	(91,764)	109,078	195,670	(93,945)	101,725
Provision for incurred but not reported ("IBNR") claims and provision for risk margin for adverse deviations ("PRAD")	129,373	(33,909)	95,464	121,071	(33,498)	87,573
	330,215	(125,673)	204,542	316,741	(127,443)	189,298
Less: Impairment loss on reinsurance assets	-	1,685	1,685	-	925	925
Claim liabilities (i)	330,215	(123,988)	206,227	316,741	(126,518)	190,223
Premium liabilities (ii)	77,105	(19,584)	57,521	83,027	(20,084)	62,943
	407,320	(143,572)	263,748	399,768	(146,602)	253,166

	31.12.2014 Gross RM'000	31.12.2014 Reinsurance RM'000	31.12.2014 Net RM'000	30.06.2014 Gross RM'000	30.06.2014 Reinsurance RM'000	30.06.2014 Net RM'000
(i) Claim liabilities						
At 1 July 2014/2013	316,741	(126,518)	190,223	282,686	(108,092)	174,594
Claims incurred in the current accident period/year	33,586	(6,307)	27,279	74,270	(18,828)	55,442
IBNR and PRAD incurred	8,302	(411)	7,891	15,315	(4,358)	10,957
Claims incurred in prior accident years	22,260	(2,619)	19,641	47,806	(27,338)	20,468
Claims paid during the period/year	(50,674)	10,182	(40,492)	(103,336)	31,173	(72,163)
	330,215	(125,673)	204,542	316,741	(127,443)	189,298
Less: Impairment loss on reinsurance assets	-	1,685	1,685	-	925	925
At 31 December 2014/30 June 2014	330,215	(123,988)	206,227	316,741	(126,518)	190,223
(ii) Premium liabilities						
At 1 July 2014/2013	83,027	(20,084)	62,943	91,086	(30,950)	60,136
Premiums written in the period/year	79,661	(26,199)	53,462	185,334	(66,382)	118,952
Premiums earned during the period/year (Note 11)	(85,583)	26,699	(58,884)	(193,393)	77,248	(116,145)
At 31 December 2014/30 June 2014	77,105	(19,584)	57,521	83,027	(20,084)	62,943

17. Deferred taxation

	Note	31.12.2014 RM'000	30.06.2014 RM'000
At 1 July 2014/2013		24,060	37,816
Recognised in:			
Income statement			
Taxation life insurance business	29(a)	(540)	660
Taxation of the Company			
- Continuing operations		(12,698)	(339)
- Discontinued operations		370	422
	29(b)	(12,328)	83
Other comprehensive income			
- Continuing operations		818	(5,865)
- Discontinued operations		(172)	(473)
		646	(6,338)
Insurance contract liabilities	16(a)	2,904	(8,161)
At 31 December 2014/30 June 2014		14,742	24,060

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

	Note	31.12.2014 RM'000	30.06.2014 RM'000
Presented after appropriate offsetting as follows:			
Continuing operations:			
Deferred tax liabilities		18,393	26,770
Deferred tax assets		(2,820)	(1,681)
		15,573	25,089
Discontinued operations:			
Deferred tax liabilities		255	-
Deferred tax assets		(1,086)	(1,029)
	11	(831)	(1,029)
		14,742	24,060

MCIS Insurance Berhad
(Formerly known as MCIS ZURICH Insurance Berhad)
(Incorporated in Malaysia)

17. Deferred taxation (cont'd.)

The components and movements of deferred tax liabilities and assets during the financial period/year prior to offsetting are as follows:

Deferred tax liabilities	Accretion and amortisation on investment assets RM'000	Provisions RM'000	Assets revaluation reserves RM'000	Fair value of investments assets RM'000	Unallocated surplus RM'000	Total RM'000
1 July 2013	-	1,122	4,734	11,789	21,078	38,723
Recognised in:						
Income statement	594	(654)	-	-	(104)	(164)
Other comprehensive income	-	-	-	(3,628)	-	(3,628)
Insurance contract liabilities	-	-	-	(8,161)	-	(8,161)
At 30 June 2014/1 July 2014 (restated)	594	468	4,734	-	20,974	26,770
Recognised in:						
Income statement	(594)	426	-	-	(12,283)	(12,451)
Other comprehensive income	-	-	747	-	-	747
Insurance contract liabilities	-	-	3,582	-	-	3,582
At 31 December 2014	-	894	9,063	-	8,691	18,648
Comprising of:						
- Continuing operations	-	639	9,063	-	8,691	18,393
- Discontinued operations	-	255	-	-	-	255
	-	894	9,063	-	8,691	18,648

17. Deferred taxation (cont'd.)

The components and movements of deferred tax liabilities and assets during the financial period/year prior to offsetting are as follows (cont'd.):

	Accretion and amortisation on investment assets RM'000	Fair value of investments assets RM'000	Total RM'000
Deferred tax assets			
At 1 July 2013	(907)	-	(907)
Recognised in:			
Income statement	907	-	907
Other comprehensive income	-	(2,710)	(2,710)
At 30 June 2014/1 July 2014	-	(2,710)	(2,710)
Recognised in:			
Income statement	(417)	-	(417)
Other comprehensive income	-	(101)	(101)
Insurance contract liabilities	-	(678)	(678)
At 31 December 2014	(417)	(3,489)	(3,906)
Comprising of:			
- Continuing operations	(417)	(2,403)	(2,820)
- Discontinued operations	-	(1,086)	(1,086)
	(417)	(3,489)	(3,906)

18. Insurance payables

	31.12.2014 RM'000	30.06.2014 RM'000
Due to agents and intermediaries	9,078	13,100
Due to reinsurers and cedants	3,700	2,030
Due to policyholders	33,607	35,369
Accrual for agency related expenses	9,723	12,197
	56,108	62,696

The carrying amounts disclosed above approximate fair value at the reporting date. All amounts are payable within one year.

19. Other payables

	31.12.2014 RM'000	30.06.2014 RM'000
Financial liabilities:		
Dividend payable to policyholders	23,097	19,127
Others	57,670	50,207
	80,767	69,334
Non-financial liabilities:		
Provision for compensation to participating funds*	34,792	25,400
Accrued expenses	2,204	2,247
Other payables	1,575	1,031
	38,571	28,678
	119,338	98,012

* Bank Negara Malaysia ("BNM") via its letter dated 28 March 2014 has requested for the Company to compensate the participating funds for the loss of rental income and unrelated rental expenses the participating funds has historically incurred. The loss of rental income is in relation to discounted rental rates charged to tenants of properties held by the participating funds, whereas the unrelated rental expenses incurred is in relation to the cost of leasing space charged to the participating funds which is not directly attributable to the business of the participating funds.

In this regard, the Company appointed an independent actuary to calculate the appropriate amount of compensation and recommend any adjustments that are necessary to the asset shares and bonus rates, and assess whether additional compensation should to be paid to past policyholders who have already left the participating funds. The increase in the total estimated compensation provided for to RM34.8 million at 31 December 2014 (30.06.2014: RM25.4 million) is due to additional work performed by the independent actuary to include properties that had been disposed and to incorporate the tax impact. Although a range of fair compensation amounts were provided by the independent actuary, and the final compensation will be confirmed only after feedback from BNM, the Company has provided for the high end of the range provided in order to ensure prudence is applied in the financial statements. The compensation exercise will be carried out upon receiving the approval of BNM.

The carrying amounts of financial liabilities disclosed above approximate fair value at the reporting date. All amounts are payable within one year.

20. Net earned premiums

	01.07.2014 to 31.12.2014 RM'000	01.07.2013 to 30.06.2014 RM'000
(a) Gross premiums		
Life insurance contracts	266,823	564,185
(b) Premiums ceded		
Life insurance contracts	(4,614)	(6,005)
Net earned premiums	262,209	558,180

21. Investment income

	01.07.2014 to 31.12.2014 RM'000	01.07.2013 to 30.06.2014 RM'000
Rental income related to properties	1,673	2,179
Expenses related to properties	(1,516)	(2,867)
AFS financial assets:		
Interest/profit income	71,284	136,031
Dividend income:		
- Quoted equity securities in Malaysia	7,122	10,383
- Unquoted equity securities in Malaysia	-	292
- Quoted unit and property trust funds	3,563	9,194
LAR interest/profit income	20,027	40,330
Other investment income	39	2,184
Sundry investment expenses	(929)	(2,962)
	101,263	194,764
Net amortisation of premiums on investment	(3,551)	(5,523)
	97,712	189,241

MCIS Insurance Berhad
(Formerly known as MCIS ZURICH Insurance Berhad)
(Incorporated in Malaysia)

22. Realised gains and losses

	01.07.2014 to 31.12.2014 RM'000	01.07.2013 to 30.06.2014 RM'000
AFS financial assets:		
Realised gains:		
Quoted equity securities in Malaysia	3,444	28,905
Unquoted debt securities in Malaysia	15,414	35,463
Realised losses:		
Quoted equity securities in Malaysia	(9)	(4)
Unquoted debt securities in Malaysia	(2,380)	(8,054)
Total realised gains for AFS financial assets	16,469	56,310
FVTPL:		
Realised gains:		
Quoted equity securities in Malaysia	75	1,375
Unquoted debt securities in Malaysia	106	229
Realised losses:		
Quoted equity securities in Malaysia	(250)	(147)
Unquoted debt securities in Malaysia	(13)	(31)
	(82)	1,426
	16,387	57,736

Total realised gains of AFS financial assets transferred from other comprehensive income amounts to RM1,967,000 (30.06.2014: RM8,839,000).

23. Fair value gains and losses

	01.07.2014 to 31.12.2014 RM'000	01.07.2013 to 30.06.2014 RM'000
Investment properties	630	-
Quoted equity securities	(4,005)	2,348
Quoted unit and property trust funds	339	239
Quoted exchange traded funds	595	643
Unquoted debts securities	13	(829)
	(2,428)	2,401

MCIS Insurance Berhad
(Formerly known as MCIS ZURICH Insurance Berhad)
(Incorporated in Malaysia)

24. Fee and commission income

	01.07.2014 to 31.12.2014 RM'000	01.07.2013 to 30.06.2014 RM'000
Policyholder administration and investment management services	-	489
Reinsurance commission income	-	135
	-	624

25. Net other operating revenue/(expenses)

	01.07.2014 to 31.12.2014 RM'000	01.07.2013 to 30.06.2014 RM'000
Other operating revenue:		
Other miscellaneous income	494	726
Write back of impairment loss on loans receivable	967	-
	1,461	726
Other operating expenses:		
Provision for compensation to participating funds (Note 19)	(9,392)	(25,400)
Impairment loss on loans receivable	-	(2,318)
Impairment loss on quoted equity securities	(5,135)	-
Mortgage loans and other loans written off	(830)	-
Agency special benefit	(2,500)	-
Property and equipment written-off	(1)	(4)
Other miscellaneous expenses	(1,130)	(1,696)
	(18,988)	(29,418)

MCIS Insurance Berhad
(Formerly known as MCIS ZURICH Insurance Berhad)
(Incorporated in Malaysia)

26. Net benefits and claims

	01.07.2014 to RM'000	01.07.2013 to RM'000 (Restated)
(a) Gross benefits and claims paid		
Life insurance contracts	(244,229)	(476,052)
(b) Claims ceded to reinsurers		
Life insurance contracts	2,722	4,128
(c) Gross change in contract liabilities		
Life insurance contracts	(15,741)	(112,140)
(d) Change in contract liabilities ceded to reinsurers		
Life insurance contracts	(731)	2,372

27. Fee and commission expenses

	01.07.2014 to 31.12.2014 RM'000	01.07.2013 to 30.06.2014 RM'000
Agency commission expenses	37,485	81,009

28. Management expenses

	Note	01.07.2014 to 31.12.2014 RM'000	01.07.2013 to 30.06.2014 RM'000
Employee benefits expenses	(a)	18,628	35,344
Directors' remuneration	(b)	827	911
Auditors' remuneration:			
- statutory audits		415	416
- regulatory related services		74	74
- other services		79	167
Office rental		659	1,681
Equipment rental		68	120
Depreciation of property and equipment	3	2,534	5,467
Amortisation of intangible assets	5	985	1,970
Amortisation of prepaid land lease payments	6	5	13

28. Management expenses (cont'd.)

	01.07.2014 to 31.12.2014 RM'000	01.07.2013 to 30.06.2014 RM'000
Entertainment	49	111
Electronic data processing expenses	1,978	3,696
Advertising and promotion	796	1,306
Repair and maintenance	765	1,520
Agency training	415	1,115
Printing and stationery	703	1,492
Electricity and water	716	1,284
Telephone and postages	461	1,152
Legal and consultancy fees	1,714	4,986
Finance charges	2,079	4,269
Fund management fees	-	644
Other expenses	3,310	5,459
	37,260	73,197

(a) Employee benefits expenses

	01.07.2014 to 31.12.2014 RM'000	01.07.2013 to 30.06.2014 RM'000
Wages and salaries	12,124	21,506
Social security contributions	100	195
Contributions to defined contribution plan, EPF	1,709	3,300
Other benefits	4,695	10,343
	18,628	35,344

(b) Directors' remuneration

The details of directors' remuneration for the financial period/year are as follows:

	01.07.2014 to 31.12.2014 RM'000	01.07.2013 to 30.06.2014 RM'000
Fees	478	244
Allowances and other emoluments	349	667
	827	911

28. Management expenses (cont'd.)

(b) Directors' remuneration (cont'd.)

The details of directors' remuneration for the financial period/year are as follows: (cont'd.)

Director fees

	Relating to period 01.07.2014 to 31.12.2014 RM'000	Relating to period 01.07.2013 to 30.06.2014 RM'000	Total RM'000
For the financial period 31 December 2014			
Tan Sri Mohamed Al Amin bin Abdul Majid	23	46	69
Dato' Balaram a/l Petha Naidu	21	42	63
Dato' Hj Mustapha @ Mustapa bin Md Nasir	21	42	63
Kirupalani a/l Chelliah	21	42	63
Eva Ip Yee Kwan	-	40	40
Murugiah M N Singham	21	42	63
Dato' Dr Mohd. Khir Abdul Rahman	21	40	61
Cornelius Karel Foord*	21	7	28
Philippus Rudolph Van Rooijen*	21	7	28
	(i) 170	(ii) 308	478

For the financial year ended 30 June 2014

	RM'000
Tan Sri Mohamed Al Amin bin Abdul Majid	44
Dato' Balaram a/l Petha Naidu	42
Dato' Hj Mustapha @ Mustapa bin Md Nasir	42
Kirupalani a/l Chelliah	42
Eva Ip Yee Kwan	42
Murugiah M N Singham	32
	(iii) 244

(i) Relating to directors' fees accrued for the six-month period ended 31 December 2014 to be proposed at the upcoming Annual General Meeting ("AGM").

(ii) Relating to directors' fees for the financial year ended 30 June 2014 approved at the AGM held in November 2014, paid and expensed during the six-month period ended 31 December 2014.

(iii) Relating to directors' fees for the financial year ended 30 June 2013 approved at the AGM held in November 2013, paid and expensed during the financial year ended 30 June 2014.

28. Management expenses (cont'd.)

(b) Directors' remuneration (cont'd.)

	01.07.2014 to 31.12.2014 RM'000	01.07.2013 to 30.06.2014 RM'000
Director allowances and other emoluments		
Tan Sri Mohamed Al Amin bin Abdul Majid	89	186
Dato' Balaram a/l Petha Naidu	38	79
Dato' Hj Mustapha @ Mustapa bin Md Nasir	41	82
Kirupalani a/l Chelliah	42	84
Eva Ip Yee Kwan	-	70
Murugiah M N Singham	37	83
Dato' Dr Mohd. Khir Abdul Rahman	35	69
Cornelius Karel Foord*	34	7
Philippus Rudolph Van Rooijen*	33	7
	349	667

* Fees and allowances for the Directors are paid to Sanlam Emerging Market Proprietary Limited ("SEM") (Note 35(a)(iv)).

The number of directors of the Company whose remuneration during the financial period/year fell within the following bands is analysed below:

	Number of directors 31.12.2014	Number of directors 30.06.2014
Below RM50,000	1	2
RM50,001 - RM100,000	3	1
RM100,001 - RM150,000	4	5
RM150,001 - RM200,000	1	-
RM200,001 - RM250,000	-	1

(c) Chief Executive Officer ("CEO")'s remuneration

The remuneration including benefit-in-kind, attributable to the CEO of the Company during the financial period amounted to RM429,000 (01.07.2013 to 30.06.2014: RM1,126,000). The details of the remuneration have been provided in Note 35(b).

MCIS Insurance Berhad
(Formerly known as MCIS ZURICH Insurance Berhad)
(Incorporated in Malaysia)

29. Taxation

	Note	01.07.2014 to 31.12.2014 RM'000	01.07.2013 to 30.06.2014 RM'000
Taxation of life insurance business	(a)	7,958	19,506
Taxation of the Company:			
- continuing operations		2,263	5,519
- discontinued operations		(2,436)	62
	(b)	(173)	5,581
		7,785	25,087

(a) Taxation of life insurance business

	01.07.2014 to 31.12.2014 RM'000	01.07.2013 to 30.06.2014 RM'000
Tax expenses/(income):		
Current tax	8,498	18,846
Deferred tax	(540)	660
	7,958	19,506
Current income tax:		
Malaysian income tax	7,977	15,792
Under provision of income tax expense in prior years	521	3,054
	8,498	18,846
Deferred tax:		
Relating to origination and reversal of temporary differences (Note 17)	(540)	660
	7,958	19,506

(b) Taxation of the Company

	01.07.2014 to 31.12.2014 RM'000	01.07.2013 to 30.06.2014 RM'000
Tax expenses:		
Current tax	12,155	5,498
Deferred tax	(12,328)	83
	(173)	5,581

29. Taxation (cont'd.)

(b) Taxation of the Company (cont'd.)

	01.07.2014 to 31.12.2014 RM'000	01.07.2013 to 30.06.2014 RM'000
Current income tax:		
Malaysian income tax	11,021	12,474
Under/(Over) provision of income tax expense in prior years	1,134	(6,976)
	12,155	5,498
Deferred tax:		
Relating to origination and reversal of temporary differences (Note 17)	(12,328)	83
	(173)	5,581

The income tax for the Company is calculated based on the tax rate of 25% (30.06.2014: 25%) of the estimated assessable profit for the financial period/year.

(c) Reconciliation of income tax expense

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate is as follows:

	01.07.2014 to 31.12.2014 RM'000	01.07.2013 to 30.06.2014 RM'000
Profit before taxation:		
Continued operations	15,671	24,086
Discontinued operations	(7,527)	12,869
	8,144	36,955

29. Taxation (cont'd.)

(c) Reconciliation of income tax expense (cont'd.)

	01.07.2014 to 31.12.2014 RM'000	01.07.2013 to 30.06.2014 RM'000
Taxation at Malaysian statutory tax rate of 25% (30.06.2014: 25%)	2,036	9,239
Utilisation of Section 110B credit	(5,614)	(3,225)
Additional tax deduction in respect of contribution to MMIP	(2,340)	(1,791)
Expenses not deductible for tax purposes	4,611	8,334
Overprovision of income tax expense in prior years	1,134	(6,976)
Tax expense for the period/year	(173)	5,581

* In accordance with the P.U.(A) 419 Income Tax (Deduction for Contribution by Licensed Insurers to the Malaysian Motor Insurance Pool) Rule 2012, cash contributions made to MMIP via cash calls is allowed for as a deduction in the year when such cash is paid to the MMIP. The Company has recognised this benefit as an additional tax deduction in the current financial period.

The income tax for the life business is calculated based on the tax rate of 8% (30.06.2014: 8%) of the assessable investment income for the financial period. The taxes of the respective funds are disclosed in Note 42 - Insurance Funds.

30. Earnings/(Loss) per share

Earnings/(Loss) per share is calculated by dividing profit/(loss) for the financial period/year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial period/year.

	01.07.2014 to 31.12.2014	01.07.2013 to 30.06.2014 (Restated)
Profit/(Loss) attributable to ordinary equity holders:		
Continuing operations (RM'000)	13,408	18,567
Discontinued operations (RM'000)	(5,091)	12,807
	8,317	31,374
Weighted average number of shares in issue ('000)	100,284	100,284
Basic and diluted earnings/(loss) per share:		
Continuing operations (sen)	13.4	18.5
Discontinued operations (sen)	(5.1)	12.8
	8.3	31.3

30. Earnings/(Loss) per share (cont'd.)

There were no dilutive potential 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.

31. Dividends

	Amount		Net dividend per share	
	01.07.2014 to 31.12.2014 RM'000	01.07.2013 to 30.06.2014 RM'000	01.07.2014 to 31.12.2014 Sen	01.07.2013 to 30.06.2014 Sen
Approved and paid:				
Dividend paid in respect of the financial year ended 30 June 2013:				
Final dividend of 10% less 25% tax paid on 16 December 2013	-	7,521	-	7.50
Dividend paid in respect of the financial year ended 30 June 2014:				
Interim dividend of 5% paid on 21 November 2014	5,014	-	5.00	-
Final dividend of 10% paid on 16 December 2014	10,028	-	10.00	-
	15,042	7,521	15.00	7.50

MCIS Insurance Berhad
(Formerly known as MCIS ZURICH Insurance Berhad)
(Incorporated in Malaysia)

32. Cash flows

	Note	01.07.2014 to 31.12.2014 RM'000	01.07.2013 to 30.06.2014 RM'000 (Restated)
Profit/(Loss) before taxation:			
Continuing operations		15,671	24,086
Discontinued operations	11	(7,527)	12,869
		8,144	36,955
Taxation of life insurance business	29(a)	7,958	19,506
Investment income	21	(101,263)	(194,764)
Realised gains recorded in income statement	7(d)	(16,797)	(61,307)
Purchases of FVTPL financial assets	7(d)	(42,665)	(51,039)
Purchases of AFS investments	7(d)	(3,083,867)	(5,140,119)
Proceeds from sale of AFS investments	7(d)	2,944,147	5,042,391
Proceeds from sale of FVTPL financial assets	7(d)	32,605	43,193
Decrease in LAR		8,679	37,974
Investment income received		94,681	198,078
Non-cash items:			
Depreciation of property and equipment	3	2,689	5,467
Amortisation of intangible assets	5	985	1,976
Amortisation of prepaid land lease payments	6	5	13
Property and equipment written-off	25	1	4
Revaluation surplus on investment properties	4	(630)	-
Net amortisation of investments	7(d)	3,326	5,164
Impairment loss/(write-back) on:			
- AFS investments		5,365	-

32. Cash flows (cont'd.)

	Note	01.07.2014 to 31.12.2014 RM'000	01.07.2013 to 30.06.2014 RM'000 (Restated)
Non-cash items: (cont'd.)			
Impairment loss/(write-back) on: (cont'd.)			
- Insurance receivables	39(d)	(1,750)	44
- Loans receivable	39(d)	(951)	2,318
- Reinsurance assets	39(d)	760	925
Changes in working capital:			
Decrease/(increase) in assets:			
Reinsurance assets		3,002	(10,857)
Insurance receivables		12,173	6,087
Other receivables		(16,071)	(12,361)
Increase/(decrease) in liabilities:			
Insurance contract liabilities		26,350	135,735
Insurance payables		(17,854)	(28,322)
Other payables		21,352	28,069
Cash (used in)/generated from operating activities		(109,626)	65,130

The Company classifies the cash flows from the acquisition and disposal of financial assets as operating cash flows, as the purchases are funded from the cash flows associated with the origination of insurance contracts, net of the cash flows for payments of benefits and claims incurred for insurance contracts, which are respectively treated under operating activities.

33. Operating lease arrangements

(a) The Company as lessee

The Company has entered into a lease agreement for rental of equipment, software and services and office premises.

The future aggregate minimum lease payments under operating lease contracted for as at the reporting date but not recognised as liabilities are as follows:

Future minimum rental payments:

	31.12.2014 RM'000	30.06.2014 RM'000
Rental of equipment, software and services:		
Payable within one year	125	93
Payable after one year	306	231
	431	324
Rental of office premises:		
Payable within one year	1,590	1,214
Payable after one year	1,715	1,024
	3,305	2,238

(b) The Company as lessor

The Company has entered into non-cancellable operating lease arrangements on its portfolio of investment properties. The leases have remaining non-cancellable lease terms of between 1 and 3 years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

The future minimum lease payments receivable under non-cancellable operating leases contracted for as at the reporting date but not recognised as receivables, are as follows:

	31.12.2014 RM'000	30.06.2014 RM'000
Receivable within one year	967	1,102
Receivable after one year	656	1,069
	1,623	2,171

34. Capital commitments

The commitments of the Company as at the reporting date are as follows:

	31.12.2014 RM'000	30.06.2014 RM'000
Approved but not contracted for:		
Property and equipment	4,137	4,291
Intangible assets	882	1,321
	5,019	5,612

35. Significant related party disclosures

(a) Related parties

The related parties and their relationship with the Company as at 31 December 2014 are as follows:

Name	Relationship
Sanlam Emerging Market Proprietary Limited ("SEM")	Corporate shareholder
Koperasi MCIS Berhad	Corporate shareholder
Sanlam Life Insurance Limited	Related company of SEM
National Land Finance Co-operative Society Limited	A Co-operative in which Dato' Balaram a/l Petha Naidu is also a director

The Directors are of the opinion that the related party transactions were carried out on terms and conditions no more favourable than those available on similar transactions with unrelated parties, unless otherwise stated.

	01.07.2014 to 31.12.2014 RM’000	01.07.2013 to 30.06.2014 RM’000
Transactions with related parties:		
(i) Interest income received from:		
National Land Finance Co-operative Society Limited	168	416
(ii) Rental income received from:		
Koperasi MCIS Berhad	53	107
(iii) Reimbursable costs to:		
Koperasi MCIS Berhad	20	20
Sanlam Life Insurance Limited	100	-
	120	20

35. Significant related party disclosures (cont'd.)

(a) Related parties (cont'd.)

	31.12.2014 RM'000	30.06.2014 RM'000
Transactions with related parties: (cont'd.)		
(iv) Directors' fees and allowances to:		
SEM	123	14
Balances with related parties:		
(i) Term loan granted to (Note 7(a)):		
National Land Finance Co-operative Society Limited	6,000	7,000

In the previous financial year, the significant related party transactions held with the related parties of the former corporate shareholder of the Company, Zurich Asia Holdings Limited ("ZAHL"), were as follows:

	01.07.2013 to 30.06.2014 RM'000
Transactions with related parties:	
(i) Reinsurance premium income from:	
Zurich Insurance Malaysia Berhad	(16)
(ii) Claims paid to:	
Zurich Insurance Malaysia Berhad	8
(iii) Reinsurance premium ceded to:	
Zurich American Insurance Company	61
Zurich International (Deutschland)	177
Zurich International (Netherland)	6
Zurich International (Bermuda)	54
Zurich Insurance Plc, UK	1,388
Zurich Forsakring (Sweden)	219
Zurich Insurance Company (Switzerland)	2,423
Zurich Australian Insurance	166
Zurich International France	498
Zurich Insurance (Belgium)	432
Zurich Insurance Company, Canada	50
	5,474

35. Significant related party disclosures (cont'd.)

(a) Related parties (cont'd.)

	01.07.2013 to 30.06.2014 RM'000
Transactions with related parties: (cont'd.)	
(iv) Claims recovered from:	
Zurich American Insurance Company	953
Zurich International (Deutschland)	273
Zurich International (Netherland)	1,658
Zurich Insurance Plc, UK	546
Zurich Forsakring (Sweden)	17
Zurich Insurance Company (Switzerland)	2,005
Zurich Australian Insurance	101
Zurich Insurance Company Hong Kong	1
Zurich International France	89
Zurich Insurance (Finland)	3
	5,646
(v) Coinsurance premium ceded to:	
Zurich Insurance Malaysia Berhad	449
(vi) Coinsurance claims recovered from:	
Zurich Insurance Malaysia Berhad	197
(vii) Reimbursable costs to:	
Zurich Insurance Plc, UK	90
(viii) Reimbursable costs from:	
Zurich Services (Hong Kong) Limited	136

35. Significant related party disclosures (cont'd.)

(a) Related parties (cont'd.)

Balances with related parties:

	01.07.2013 to 30.06.2014 RM'000
(i) Included in reinsurance assets (Note 11) (Discontinued operations):	
Zurich Australian Insurance	581
Zurich Insurance Company, Canada	674
Zurich Insurance (Finland)	72
Zurich International France	947
Zurich International (Deutschland)	455
Zurich Insurance Company Hong Kong	52
Zurich International (Netherland)	1,092
Zurich Forsakring (Sweden)	1,824
Zurich Insurance Company (Switzerland)	19,175
Zurich International (UK) Limited	3,549
Zurich American Insurance Company	15
	28,436
(ii) Included in insurance receivables (Note 11) (Discontinued operations):	
Zurich Global Corporate UK	110
Zurich Insurance Company Singapore	15
Zurich Australian Insurance	70
Zurich Insurance Japan	11
Zurich Insurance Malaysia Berhad	274
	480

MCIS Insurance Berhad
(Formerly known as MCIS ZURICH Insurance Berhad)
(Incorporated in Malaysia)

35. Significant related party disclosures (cont'd.)

(a) Related parties (cont'd.)

	01.07.2013 to 30.06.2014 RM'000
Balances with related parties: (cont'd.)	
(iii) Included in insurance payables (Note 11) (Discontinued operations):	
Zurich American Insurance Company	271
Zurich International (Deutschland)	172
Zurich International (Netherland)	3
Zurich International (UK) Limited	815
Zurich Forsakring (Sweden)	85
Zurich Insurance Company (Switzerland)	2,120
Zurich Australia Insurance	53
Zurich International (Bermuda)	62
Zurich Insurance (Belgium)	154
Zurich Insurance Company, Canada	97
Zurich International (France)	289
Zurich Insurance Company Hong Kong	1
Zurich Forsakring Denmark	23
Zurich Forsikring Norway	6
Zurich Insurance Malaysia Berhad	236
	4,387

(b) Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. In line with this classification, the key management personnel of the Company includes Directors and the Chief Executive Officer ("CEO').

Compensation of key management personnel

The remuneration of key management personnel during the period/year was as follows:

	01.07.2014 to 31.12.2014 RM'000	01.07.2013 to 30.06.2014 RM'000
Directors' remuneration:		
Directors' fees	478	244
Directors' allowances and other emoluments	349	667
	827	911
CEO's remuneration:		
Salaries and bonuses	413	1,033
Benefits-in-kind	16	93
	429	1,126

36. Regulatory capital requirement

The capital structure of the Company as at 31 December 2014 as prescribed under RBC Framework is provided as below:

	31.12.2014 RM'000	30.06.2014 RM'000
Eligible Tier 1 capital		
Share capital (paid-up)	100,284	100,284
Reserve, including retained earnings	1,262,884	1,234,310
	1,363,168	1,334,594
Tier 2 capital		
Eligible reserves	41,039	8,484
Amount deducted from capital	(15,472)	-
Total capital available	1,388,735	1,343,078

37. Risk management framework

(a) Overview of risk management framework

The Company has an integrated risk management framework and processes for identifying, measuring, monitoring and controlling risks which may impact both earnings and capital.

The responsibility for risk management and control is embedded into the respective business lines management to ensure that risk management processes are functioning effectively. The Risk Management and Compliance Department ("RMCD") functions independently for assessing and reporting the potential risk impact and probability across the organization and the adequacy of risk management actions. This includes assessing and reporting risks related to financial, insurance and operational aspects of the business.

The RMCD also provides support in complying with rules and regulations.

The Internal Audit function which is independent of the business functions also provides support in identifying and highlighting key risk areas for improvement.

The risk profiles, risk exposure, emerging risks and compliance with risk appetite and regulatory requirements as well as the adequacy of the mitigating actions are reviewed by the Governance, Risk and Compliance Committee ("GRCC") and reported to the Board Risk Management Committee ("BRMC") on a regular basis.

37. Risk management framework (cont'd.)

(a) Overview of risk management framework (cont'd.)

The Management Investment Committee ("MIC") provides oversight on all aspects of investment management to safeguard the interests of policyholders and shareholders, or reduces return of capital. All significant investment activities are reported to the Board directly by the MIC.

(b) Capital management objectives, policies and approach

Capital management risk is the risk of having insufficient capital or inefficient levels of surplus, which may impact the implementation of strategic objectives, reduces the Company’s ability to manage losses that are not anticipated, and reduces confidence of the market, policyholders and creditors, or reduces return on capital for shareholders.

The Company’s capital management objectives are to maintain effective capital management processes and a level of capital resources consistent with the risk profiles approved by the Board to support business development, at the same time meeting the shareholders’ requirements, as well as the capital adequacy requirement set by BNM.

The Company's capital management objectives are governed under the Internal Capital Adequacy Assessment Process ("ICAAP") Framework, and sets out the framework for planning, managing, monitoring and optimizing the Company’s capital position.

(c) Governance and regulatory framework

The Risk Management Policies identify the inherent risks and set out how the risks are to be managed. The policies include risk appetite in relation to each of the inherent risks and minimum standards of control that the Company is expected to maintain.

The risk management governance process operates through delegation of authority from the Board to the CEO and oversight committees, Executive Management Committee (“EMC”), GRCC, RMCD, Capital Management Committee, MIC and Product Development Committee.

MCIS Insurance Berhad
(Formerly known as MCIS ZURICH Insurance Berhad)
(Incorporated in Malaysia)

37. Risk management framework (cont'd.)

(d) Financial instrument by category

	FVTPL RM'000	AFS RM'000	LAR RM'000	Sub-total RM'000	Assets not in scope of MFRS 139 RM'000	Total RM'000
31 December 2014						
Assets						
Property and equipment	-	-	-	-	134,491	134,491
Investment properties	-	-	-	-	16,340	16,340
Intangible assets	-	-	-	-	13,367	13,367
Prepaid land lease payments	-	-	-	-	237	237
Investments	121,097	3,502,756	575,860	4,199,713	-	4,199,713
Reinsurance assets	-	-	-	-	2,559	2,559
Insurance receivables	-	-	39,599	39,599	-	39,599
Other receivables	-	-	43,951	43,951	2,113	46,064
Cash and bank balances	-	-	7,424	7,424	-	7,424
Assets classified as held for sale	-	-	-	-	429,895	429,895
Total assets	121,097	3,502,756	666,834	4,290,687	599,002	4,889,689

	FVTPL RM'000	Other financial liabilities RM'000	Sub-total RM'000	Assets not in scope of MFRS 139 RM'000	Total RM'000
Liabilities					
Insurance contract liabilities	-	-	-	3,797,578	3,797,578
Deferred tax liabilities	-	-	-	15,573	15,573
Insurance payables	-	-	-	56,108	56,108
Provision for taxation	-	-	-	17,545	17,545
Other payables	-	80,767	80,767	38,571	119,338
Liabilities directly associated with the assets classified as held for sale	-	-	-	436,858	436,858
Total liabilities	-	80,767	80,767	4,362,233	4,443,000

MCIS Insurance Berhad
(Formerly known as MCIS ZURICH Insurance Berhad)
(Incorporated in Malaysia)

37. Risk management framework (cont'd.)

(d) Financial instrument by category (cont'd.)

	FVTPL RM'000	AFS RM'000	LAR RM'000	Sub-total RM'000	Assets not in scope of MFRS 139 RM'000	Total RM'000
30 June 2014 (Restated)						
Assets						
Property and equipment	-	-	-	-	103,299	103,299
Investment properties	-	-	-	-	1,770	1,770
Intangible assets	-	-	-	-	13,954	13,954
Prepaid land lease payments	-	-	-	-	242	242
Investments	114,177	3,364,956	709,231	4,188,364	-	4,188,364
Reinsurance assets	-	-	-	-	3,291	3,291
Insurance receivables	-	-	49,033	49,033	-	49,033
Other receivables	-	-	37,519	37,519	1,604	39,123
Cash and bank balances	-	-	5,977	5,977	-	5,977
Assets classified as held for sale	-	-	-	-	427,581	427,581
Total assets	114,177	3,364,956	801,760	4,280,893	551,741	4,832,634

	FVTPL RM'000	Other financial liabilities RM'000	Sub-total RM'000	Assets not in scope of MFRS 139 RM'000	Total RM'000
Liabilities					
Insurance contract liabilities	-	-	-	3,750,078	3,750,078
Deferred tax liabilities	-	-	-	25,089	25,089
Insurance payables	-	-	-	62,696	62,696
Provision for taxation	-	-	-	4,742	4,742
Other payables	-	69,334	69,334	28,678	98,012
Liabilities directly associated with the assets classified as held for sale	-	-	-	440,546	440,546
Total liabilities	-	69,334	69,334	4,311,829	4,381,163

38. Insurance risk

Insurance risk is the risk that inadequate or inappropriate underwriting, claims management, product design and pricing will expose the Company to financial loss and may result in the inability to meet its liabilities.

Life insurance risk

The Company's life insurance businesses are exposed to a range of life insurance risks from various products. In providing insurance protection, the Company has to manage risks such as mortality (the death of policyholder), morbidity (ill health), longevity (annuity), product design and pricing.

The mortality and morbidity risks are managed through the use of reinsurance to transfer risks in excess of the Company's risk appetite, appropriate actuarial methodologies/techniques for reserving as well as other risk mitigating measures.

Persistency (or lapsation) risk is managed through monitoring of experience. Where possible, the potential financial impact of lapses is reduced by persistency management, product design requirements, experience monitoring and management actions.

Poorly designed or inadequately priced products may lead to both financial loss and reputation risk to the Company. Policies have been developed to support the Company through complete product development processes, financial analysis and pricing.

The table below shows the concentration of life insurance contract liabilities by type of contract as at the reporting date:

Life insurance contract liabilities	**Gross RM'000**	**Reinsurance RM'000**	**Net RM'000**
31 December 2014			
Whole life	538,148	(97)	538,051
Endowment	2,337,081	(272)	2,336,809
Term assurance	144,772	(2,106)	142,666
Medical and Health	7,806	-	7,806
Annuity	527,510	-	527,510
Others	242,261	(84)	242,177
	3,797,578	(2,559)	3,795,019

38. Insurance risk (cont'd.)

Life insurance risk (cont'd.)

Life insurance contract liabilities (cont'd.)	**Gross RM'000**	**Reinsurance RM'000**	**Net RM'000**
30 June 2014 (Restated)			
Whole life	493,484	-	493,484
Endowment	2,332,173	(917)	2,331,256
Term assurance	150,200	(1,785)	148,415
Medical and Health	9,932	-	9,932
Annuity	525,533	-	525,533
Others	238,756	(589)	238,167
	3,750,078	(3,291)	3,746,787

As all of the business is derived from Malaysia, the entire life insurance contract liabilities are in Malaysia.

Key assumptions

Material judgment is required in the choice of assumptions to determine the value of life insurance liabilities. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

The sensitivity analysis below shows the impact of changes in key assumptions on the value of life insurance liabilities. The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on liabilities. The correlation of assumptions will have a significant effect in determining the liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis.

There are no material change to the methods used to derive assumptions from the previous year.

The analysis which follows is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit after taxation and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non–linear. Sensitivity information will also vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options and guarantees. When options and guarantees exist, they are the main reason for the asymmetry of sensitivities.

38. Insurance risk (cont'd.)

Life insurance risk (cont'd.)

Key assumptions (cont'd.)

Life insurance contracts

	Change in assumptions %	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before taxation RM'000	Impact on equity* RM'000
31 December 2014					
Fund yield (par fund)	+1%	(207,562)	(207,562)	-	-
Risk free yield	+1%	(19,795)	(19,795)	(17,212)	(12,909)
Mortality and morbidity	+25%	19,322	19,322	15,189	11,392
Lapse and surrenders	+25%	(37,628)	(37,628)	(130)	(98)
Expenses	+25%	41,664	41,664	5,437	4,078
30 June 2014					
Fund yield (par fund)	+1%	(209,200)	(209,200)	-	-
Risk free yield	+1%	(26,876)	(26,876)	(17,693)	(13,270)
Mortality and morbidity	+25%	19,367	19,367	14,569	10,927
Lapse and surrenders	+25%	(38,652)	(38,652)	26	20
Expenses	+25%	42,536	42,536	5,775	4,331

* Impact on equity reflects adjustments for tax, when applicable.

The method used and significant assumptions made for deriving sensitivity information did not change from the previous year.

General insurance risk (Discontinued operations)

The Company's general insurance businesses are exposed to the possibility of occurrence of an insured event and uncertainty of the amount and timing of the resultant claim. The principal risk that the Company faces is that the actual claims exceed the carrying amount of insurance liabilities.

The probability and severity of risk events are managed through a diversification of insurance portfolio and careful selection of risks, together with the implementation of underwriting strategy and guidelines, limiting the Company's exposure to large claims and catastrophes by placing risk with reinsurers as well as regular claims management and claims review to minimize the uncertainty of claims development as well as to mitigate dubious or fraudulent claims whilst ensuring fair claims settlement on a timely basis.

38. Insurance risk (cont'd.)

General Insurance risk (Discontinued operations) (cont'd.)

The table below sets out the concentration of general insurance risk by contract type as at the reporting date:

	<------31.12.2014		------>	<------30.06.2014		------>
Claim liabilities	**Gross claim liabilities RM'000**	**Reinsurance claim liabilities RM'000**	**Net claim liabilities RM'000**	**Gross claim liabilities RM'000**	**Reinsurance claim liabilities RM'000**	**Net claim liabilities RM'000**
Marine, aviation and transit	31,454	(25,839)	5,615	39,736	(33,195)	6,541
Contractors all risks and engineering	45,403	(40,909)	4,494	44,576	(40,331)	4,245
Fire	39,605	(27,511)	12,094	34,164	(23,513)	10,651
Liabilities	26,735	(21,967)	4,768	26,422	(21,672)	4,750
Medical and health	779	(436)	343	586	(303)	283
Motor	169,495	(6,426)	163,069	156,771	(5,995)	150,776
Personal accident	6,469	(991)	5,478	6,240	(910)	5,330
Workmen compensation	233	(20)	213	206	(15)	191
Others	10,042	(1,574)	8,468	8,040	(1,509)	6,531
	330,215	(125,673)	204,542	316,741	(127,443)	189,298
Impairment loss on reinsurance assets	-	1,685	1,685	-	925	925
	330,215	(123,988)	206,227	316,741	(126,518)	190,223

	<------31.12.2014		------>	<------30.06.2014		------>
Premium liabilities	**Gross premium liabilities RM'000**	**Reinsurance premium liabilities RM'000**	**Net premium liabilities RM'000**	**Gross premium liabilities RM'000**	**Reinsurance premium liabilities RM'000**	**Net premium liabilities RM'000**
Marine, aviation and transit	6,197	(4,751)	1,446	6,649	(5,114)	1,535
Contractors all risks and engineering	2,806	(1,794)	1,012	2,434	(1,473)	961
Fire	8,999	(5,997)	3,002	10,530	(6,868)	3,662
Liabilities	550	64	614	1,463	788	2,251
Medical and health	373	(214)	159	787	(462)	325
Motor	52,342	(6,692)	45,650	54,295	(6,574)	47,721
Personal accident	2,036	35	2,071	2,418	28	2,446
Workmen compensation	69	7	76	85	8	93
Others	3,733	(242)	3,491	4,366	(417)	3,949
	77,105	(19,584)	57,521	83,027	(20,084)	62,943

38. Insurance risk (cont'd.)

General Insurance risk (Discontinued operations) (cont'd.)

Key assumptions (cont'd.)

General insurance contract liabilities are determined based on previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Of particular relevance is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions, economic conditions and claims handling procedures. The estimates of the general insurance contract liabilities are therefore sensitive to various factors and uncertainties. The actual future premium and claims liabilities may not develop exactly as projected and may vary from initial estimates.

The principal assumptions underlying the estimation of liabilities is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and average number of claims for each accident year.

Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example, isolated occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors, such as, portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation, affect the probability and incidence of claims.

Other key circumstances affecting the reliability of assumptions include variation in interest rates and delays in settlement and changes in foreign currency rates.

Sensitivities

The general insurance claim liabilities are sensitive to the key assumptions shown below. It is not possible to quantify the sensitivity of certain assumptions, such as, legislative changes or uncertainty in the estimation process.

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before taxation and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

8. Insurance risk (cont'd.)

General Insurance risk (Discontinued operations) (cont'd.)

Key assumptions (cont'd.)

Sensitivities (cont'd.)

	Change in assumptions %	Increase/(Decrease): Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before taxation RM'000	Impact on equity* RM'000
31 December 2014					
Average claim cost	+10%	29,100	18,400	(18,400)	(13,800)
Average number of claims	+10%	20,900	15,900	(15,900)	(11,925)
Average claim settlement period	+6 months	3,100	2,400	(2,400)	(1,800)
30 June 2014					
Average claim cost	+10%	26,800	16,500	(16,500)	(12,375)
Average number of claims	+10%	18,800	13,000	(13,000)	(9,750)
Average claim settlement period	+6 months	3,100	2,200	(2,200)	(1,650)

* *Impact on equity reflects adjustments for tax, when applicable*

The above assumptions do not have impact to continuing operations.

An equivalent decrease in the assumptions shown above would have resulted in an equivalent, but opposite, impact.

The method used for deriving sensitivity information and significant assumptions did not change from the previous year.

MCIS Insurance Berhad
(Formerly known as MCIS ZURICH Insurance Berhad)
(Incorporated in Malaysia)

38. Insurance risk (cont'd.)

General Insurance risk (Discontinued operations) (cont'd.)

Claims development table

The following tables show the estimate of cumulative incurred claims, including both claims notified and Incurred But Not Report ("IBNR") for each successive accident year at each reporting date, together with cumulative payments to-date.

In setting provisions for claims, the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves when there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in adequacy of provision is relatively at its highest. As claims develop and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

Data pertaining to the gross general insurance liabilities prior to underwriting year 2009 was not available and hence only post underwriting year 2010 developments in gross general reinsurance liabilities are disclosed.

Gross general insurance contract liabilities for December 2014:

Accident year	PRAD	Inward treaty	Prior to 2008 RM'000	2009 RM'000	2010 RM'000	2,011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	Dec'2014 RM'000	Total RM'000
At end of accident year				138,812	122,509	135,798	135,990	145,104	105,396	57,245	
One year later				118,533	127,268	116,750	130,732	156,394	103,992		
Two years later			83,631	114,085	123,668	109,532	127,229	157,690			
Three years later			84,405	109,060	117,223	109,960	126,832				
Four years later			82,187	102,590	114,735	109,402					
Five years later			79,585	100,579	115,569						
Six years later			81,983	99,939							
Seven years later			86,361								
Claims incurred			86,361	99,939	115,569	109,402	126,832	157,690	103,992	57,245	857,030

MCIS Insurance Berhad
(Formerly known as MCIS ZURICH Insurance Berhad)
(Incorporated in Malaysia)

38. Insurance risk (cont'd.)

General Insurance risk (Discontinued operations) (cont'd.)

Claims development table (cont'd.)

Gross general insurance contract liabilities for December 2014 (cont'd.):

Accident year	PRAD	Inward treaty	Prior to 2008 RM'000	2009 RM'000	2010 RM'000	2,011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	Dec'2014 RM'000	Total RM'000
At end of accident year						(34,987)	(31,393)	(35,455)	(58,384)	(7,189)	
One year later					(77,002)	(76,116)	(69,436)	(78,893)	(44,915)		
Two years later				(66,396)	(92,098)	(89,000)	(83,145)	(103,787)			
Three years later			(64,764)	(72,201)	(94,973)	(93,789)	(104,978)				
Four years later			(69,831)	(74,946)	(96,242)	(91,654)					
Five years later			(71,500)	(75,937)	(98,590)						
Six years later			(71,033)	(97,454)							
Seven years later			(77,170)								
Payments to date			(77,170)	(97,454)	(98,590)	(91,654)	(104,978)	(103,787)	(44,915)	(7,189)	(625,737)
Gross general insurance contract liabilities per statement of financial position (Note 16(B)(i))	36,023	62,899	9,191	2,485	16,979	17,748	21,854	53,903	59,077	50,056	330,215

MCIS Insurance Berhad
(Formerly known as MCIS ZURICH Insurance Berhad)
(Incorporated in Malaysia)

38. Insurance risk (cont'd.)

General Insurance risk (Discontinued operations) (cont'd.)

Claims development table (cont'd.)

Net general insurance contract liabilities for December 2014:

Accident year	PRAD	Inward treaty	Prior to 2008 RM'000	2009 RM'000	2010 RM'000	2,011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	Dec'2014 RM'000	Total RM'000
At end of accident year			58,368	66,491	80,223	89,390	89,931	83,506	76,525	42,831	
One year later			56,254	65,385	79,415	81,447	88,989	80,843	79,229		
Two years later			54,077	65,439	80,399	78,013	85,328	82,298			
Three years later			54,949	63,640	76,891	75,968	85,617				
Four years later			53,874	62,353	75,066	75,010					
Five years later			52,288	60,384	75,120						
Six years later			51,883	59,927							
Seven years later			52,602								
Claims incurred			52,602	59,927	75,120	75,010	85,617	82,298	79,229	42,831	552,634
At end of accident year			(25,247)	(25,589)	(28,934)	(26,001)	(29,454)	(29,844)	(22,034)	(6,753)	
One year later			(41,418)	(49,414)	(55,416)	(53,896)	(60,732)	(55,720)	(37,508)		
Two years later			(44,933)	(55,312)	(64,751)	(64,040)	(69,609)	(61,520)			
Three years later			(48,026)	(57,120)	(68,803)	(67,437)	(73,723)				
Four years later			(49,924)	(57,655)	(70,931)	(68,960)					
Five years later			(50,839)	(58,175)	(71,554)						
Six years later			(50,883)	(58,245)							
Seven years later			(51,151)								
Payments to date			(51,151)	(58,245)	(71,554)	(68,960)	(73,723)	(61,520)	(37,508)	(6,753)	(429,414)
Net general insurance contract liabilities per statement of financial position (Note 16(B)(ii))	18,423	62,899	1,451	1,682	3,566	6,050	11,894	20,778	41,721	36,078	204,542

MCIS Insurance Berhad
(Formerly known as MCIS ZURICH Insurance Berhad)
(Incorporated in Malaysia)

38. Insurance risk (cont'd.)

General Insurance risk (Discontinued operations) (cont'd.)

Claims development table (cont'd.)

Gross general insurance contract liabilities for June 2014:

Accident year	PRAD	Inward treaty	Prior to 2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	Total RM'000
At end of accident year					138,812	122,509	135,798	135,990	145,104	105,396	
One year later					118,533	127,268	116,750	130,732	156,394		
Two years later				83,631	114,085	123,668	109,532	127,229			
Three years later			82,146	84,405	109,060	117,223	109,960				
Four years later			82,292	82,187	102,590	114,735					
Five years later			79,439	79,585	100,579						
Six years later			75,384	81,983							
Seven years later			77,494								
Claims incurred			77,494	81,983	100,579	114,735	109,960	127,229	156,394	105,396	873,770
At end of accident year					(35,867)	(34,987)	(31,393)	(35,455)	(58,384)	(26,581)	
One year later					(77,002)	(76,116)	(69,436)	(78,893)	(94,233)		
Two years later				(66,396)	(92,098)	(89,000)	(83,145)	(99,559)			
Three years later			(64,764)	(72,201)	(94,973)	(93,789)	(89,471)				
Four years later			(69,831)	(74,946)	(96,242)	(97,837)					
Five years later			(71,500)	(75,937)	(97,298)						
Six years later			(71,033)	(75,949)							
Seven years later			(70,670)								
Payments to date			(70,670)	(75,949)	(97,298)	(97,837)	(89,471)	(99,559)	(94,233)	(26,581)	(651,598)
Gross general insurance contract liabilities per statement of financial position (Note 16(B)(ii))	34,999	59,570	6,824	6,034	3,281	16,898	20,489	27,670	62,161	78,815	316,741

MCIS Insurance Berhad
(Formerly known as MCIS ZURICH Insurance Berhad)
(Incorporated in Malaysia)

38. Insurance risk (cont'd.)

General Insurance risk (Discontinued operations) (cont'd.)

Claims development table (cont'd.)

Net general insurance contract liabilities for June 2014:

Accident year	PRAD	Inward treaty	Prior to 2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	Total RM'000
At end of accident year			59,025	58,368	66,491	80,223	89,390	89,931	83,506	76,525	
One year later			55,160	56,254	65,385	79,415	81,447	88,989	80,843		
Two years later			52,402	54,077	65,439	80,399	78,013	85,328			
Three years later			50,733	54,949	63,640	76,891	75,968				
Four years later			50,966	53,874	62,353	75,066					
Five years later			50,132	52,288	60,384						
Six years later			48,832	51,883							
Seven years later			49,279								
Claims incurred			49,279	51,883	60,384	75,066	75,968	85,328	80,843	76,525	555,276
At end of accident year			(24,166)	(25,247)	(25,589)	(28,934)	(26,001)	(29,454)	(29,844)	(22,034)	
One year later			(41,105)	(41,418)	(49,414)	(55,416)	(53,896)	(60,732)	(55,720)		
Two years later			(42,906)	(44,933)	(55,312)	(64,751)	(64,040)	(69,609)			
Three years later			(44,080)	(48,026)	(57,120)	(68,803)	(67,437)				
Four years later			(47,214)	(49,924)	(57,655)	(70,931)					
Five years later			(47,820)	(50,839)	(58,175)						
Six years later			(47,866)	(50,883)							
Seven years later			(47,994)								
Payments to date			(47,994)	(50,883)	(58,175)	(70,931)	(67,437)	(69,609)	(55,720)	(22,034)	(442,783)
Net general insurance contract liabilities per statement of financial position (Note 16(B)(ii))	17,235	59,570	1,285	1,000	2,209	4,135	8,531	15,719	25,123	54,491	189,298

39. Financial risk

Market and credit risk

Market risk is the risk of asset or liability values being adversely affected by movement in the market prices or rates. This includes currency risk, interest rate risk and market price risk.

The Company manages market risk by setting polices on asset allocation, investment limits and diversification benchmarks. The Company adopts the asset liability matching criteria to minimize the impact of mismatches between the values of assets and liabilities from market movements.

Exposure to fixed income securities provides the Company's largest market risk exposure. The Company monitors its exposure levels through regular stress/sensitivity testing and constant market supervision of the asset prices. The Company has not transacted in any derivatives.

(a) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Company to cash flow interest rate risk, whereas fixed rate instrument expose the Company to fair value interest rate risk. The Company's exposure to interest rate risk arises primarily from investment in fixed income securities and deposits with licensed institutions.

The carrying amount, by maturity, of the Company's financial instruments that are exposed to interest rate risk is as disclosed in Note 7(g).

Sensitivity analysis:

The analysis that follows is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before taxation (due to changes in fair value of floating rate financial assets and liabilities) and equity (that reflects adjustments to profit after taxation and revaluing fixed rate available–for–sale financial assets). The correlation of variables will have a significant effect in determining the ultimate impact on interest rate risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non–linear.

39. Financial risk (cont'd.)

Market and credit risk (cont'd.)

(a) Interest rate risk (cont'd.)

	<--------------- Increase/(Decrease)	----------->	
	Changes in basis points	Impact on profit before taxation RM'000	Impact on equity* RM'000
31 December 2014			
Interest rates	+ 100 bps	-	(34,990)
Interest rates	- 100 bps	-	38,764
30 June 2014			
Interest rates	+ 100 bps	-	(39,004)
Interest rates	- 100 bps	-	43,431

* Impact on equity reflects adjustments for tax, when applicable.

The method used for deriving sensitivity information and significant variables did not change from the previous year.

The impact from change in interest rate to the insurance contract liabilities have been disclosed in Note 38.

(b) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company’s primary transactions are carried out in Ringgit Malaysia (RM) with minimal exposure to foreign currency risks.

(c) Equity price risk

Equity price risk is the risk that the fair value of equity assets will be adversely affected by movement in market prices (other than those arising from interest risk or currency risk), whether those changes are caused by factors specific to the individual financial instruments or its issuer or factors affecting similar financial instruments traded in the market.

39. Financial risk (cont'd.)

Market and credit risk (cont'd.)

(c) Equity price risk (cont'd.)

The Company's exposure to equity price risk arises from its investment in quoted equities traded in the Bursa Malaysia. The Company manages its exposure to equity price risk by setting policies and investment parameters governing asset allocation and investments limits, having regard to such limits stipulated by BNM as well as specific assessment for equity investments falling below 30% of its average historical cost or a prolonged decline in value for 12 consecutive months.

Sensitivity analysis:

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before taxation (due to changes in fair value of financial assets and liabilities whose fair values are recorded in the income statements) and equity (that reflects adjustments to profit after taxation and changes in fair value of available–for–sale financial assets). The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non–linear.

	<--------------- Increase/(Decrease) -------------		
	Changes in FBMKLCI %	Impact on profit before taxation RM'000	Impact on equity* RM'000
31 December 2014			
Market indices:			
Market value	+10%	-	4,855
Market value	-10%	-	(4,855)
30 June 2014			
Market indices:			
Market value	+10%	-	5,064
Market value	-10%	-	(5,064)

* Impact on equity reflects adjustments for tax, when applicable.

The method used for deriving sensitivity information and significant variables did not change from the previous year.

39. Financial risk (cont'd.)

(d) Credit risk

Credit risk is the risk of a financial loss resulting from the failure of an intermediary or counterparty to settle its financial and contractual obligations to the Company as and when they fall due.

The Company's primary exposure to credit risk arises through its investment in fixed income securities and deposits, obligations of reinsurers through reinsurance contracts and receivables from sales of insurance policies. The Company has in place a credit control policy and investment policy to manage its credit risk.

The Company manages the exposure to individual counterparties pertaining to its investment in fixed income securities, by measuring the exposure against internal limits, taking into consideration the credit ratings issued by the authorized rating agencies.

The Company actively monitors and considers the risk of a fall in value of the fixed income securities from changes in the credit worthiness of the issuer by managing individual exposures as well as the concentration of credit risks in its fixed income portfolio through asset allocation, observing minimum credit rating requirements, maximum limits for corporate debt, maximum duration as well as setting maximum permitted exposures to individual counterparties or group of counterparties.

Cash and deposits are placed with financial institutions licensed under the Financial Services Act, 2013 which are regulated by BNM, guided by the Company's approved exposure limits and minimum credit rating requirements.

Reinsurance arrangements are only placed with providers who meet the Company's counterparty credit standards and satisfy the minimum credit rating requirements of the Company. The Company reviews the credit condition of its reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically. The Company cedes business to reinsurers that satisfy the minimum credit rating requirements of the Company.

In the unit-linked business, the policyholder bears the investment risk on the assets held in the unit-linked funds, as the policy benefits are directly linked to the value of the assets in the fund. Therefore, the Company has no material credit risk on unit-linked financial assets.

39. Financial risk (cont'd.)

(d) Credit risk (cont'd.)

Credit exposure

At the reporting date, the Company's maximum exposure to credit risk is represented by the amount of each class of financial assets recognised in the statement of financial position as shown in the table below:

	31.12.2014 RM'000	30.06.2014 RM'000
LAR		
Deposits with financial institutions	239,940	365,563
Loans receivables	335,920	343,668
AFS		
Malaysian Government securities	1,491,699	1,385,478
Government investment issues	92,914	135,675
Malaysian Government guaranteed bonds	539,354	647,439
Unquoted debt securities	1,026,329	832,393
FVTPL		
Malaysian Government securities	13,637	11,953
Government investment issues	1,956	1,952
Malaysian Government guaranteed bonds	-	2,464
Unquoted debt securities	6,360	4,752
Reinsurance assets	2,559	3,291
Insurance receivables	39,599	49,033
Other receivables	43,951	37,519
Cash and bank balances	7,424	5,977
Total credit risk exposure	3,841,642	3,827,157

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to Rating Agency of Malaysia, Malaysian Rating Corporation Berhad, AM-Best Company and Standards and Poor's credit ratings of counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade.

MCIS Insurance Berhad
(Formerly known as MCIS ZURICH Insurance Berhad)
(Incorporated in Malaysia)

39. Financial risk (cont'd.)

(d) Credit risk (cont'd.)

Credit exposure (cont'd.)

Credit exposure by credit rating (cont'd.)

	Neither past-due nor impaired					
31 December 2014	**Investment grade (BBB to AAA) RM'000**	**Non-investment grade (C to BB) RM'000**	**Not-rated RM'000**	**Unit linked RM'000**	**Past-due but not impaired RM'000**	**Total RM'000**
LAR						
Deposits with financial institutions	224,576	-	-	15,364	-	239,940
Loans	-	-	335,920	-	-	335,920
AFS						
Malaysian Government securities	-	-	1,491,699	-	-	1,491,699
Government investment issues	-	-	92,914	-	-	92,914
Malaysian Government guaranteed bonds	-	-	539,354	-	-	539,354
Unquoted debt securities	1,026,329	-	-	-	-	1,026,329
FVTPL						
Malaysian Government securities	-	-	-	13,637	-	13,637
Government investment issues	-	-	-	1,956	-	1,956
Unquoted debt securities	-	-	-	6,360	-	6,360
Reinsurance assets	2,559	-	-	-	-	2,559
Insurance receivables	2,936	-	36,663	-	-	39,599
Other receivables	12,978	-	30,498	475	-	43,951
Cash and bank balances	7,168	-	-	256	-	7,424
Total credit risk exposure	1,276,546	-	2,527,048	38,048	-	3,841,642

MCIS Insurance Berhad
(Formerly known as MCIS ZURICH Insurance Berhad)
(Incorporated in Malaysia)

39. Financial risk (cont'd.)

(d) Credit risk (cont'd.)

Credit exposure (cont'd.)

Credit exposure by credit rating (cont'd.)

	Neither past-due nor impaired					
30 June 2014	**Investment grade (BBB to AAA) RM'000**	**Non-investment grade (C to BB) RM'000**	**Not-rated RM'000**	**Unit linked RM'000**	**Past-due but not impaired RM'000**	**Total RM'000**
LAR						
Deposits with financial institutions	346,148	-	-	19,415	-	365,563
Loans	-	-	343,668	-	-	343,668
AFS						
Malaysian Government securities	-	-	1,385,478	-	-	1,385,478
Government investment issues	-	-	135,675	-	-	135,675
Malaysian Government guaranteed bonds	-	-	647,439	-	-	647,439
Unquoted debt securities	832,393	-	-	-	-	832,393
FVTPL						
Malaysian Government securities	-	-	-	11,953	-	11,953
Government investment issues	-	-	-	1,952	-	1,952
Malaysian Government guaranteed bonds	-	-	-	2,464	-	2,464
Unquoted debt securities	-	-	-	4,752	-	4,752
Reinsurance assets	3,291	-	-	-	-	3,291
Insurance receivables	1,846	-	47,187	-	-	49,033
Other receivables	30,720	-	6,332	467	-	37,519
Cash and bank balances	5,754	-	-	223	-	5,977
Total credit risk exposure	1,220,152	-	2,565,779	41,226	-	3,827,157

39. Financial risk (cont'd.)

(d) Credit risk (cont'd.)

Credit exposure (cont'd.)

It is the Company’s policy to maintain accurate and consistent risk ratings across its credit portfolio. This enables management to focus on the applicable risks and the comparison of credit exposures across all lines of business and products. The rating system is supported by a variety of financial analytics combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Company’s rating policy. The attributable risk ratings are assessed and updated regularly.

The Company has not provided the credit risk analysis for the financial assets of the unit linked business where the liability to policyholders is linked to the performance and value of the assets that back those liabilities. The shareholders do not have direct exposure to any credit risk in those assets.

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

Company	< 30 days RM'000	31 to 60 days RM'000	61 to 90 days RM'000	91 to 180 days RM'000	> 180 days RM'000	Total RM'000
Discontinued operations						
31 December 2014						
Insurance receivables	1,933	1,542	996	3,703	4,470	12,644
30 June 2014						
Insurance receivables	3,167	1,665	822	7,449	1,206	14,309

MCIS Insurance Berhad
(Formerly known as MCIS ZURICH Insurance Berhad)
(Incorporated in Malaysia)

39. Financial risk (cont'd.)

(d) Credit risk (cont'd.)

Reconciliation of allowance account

Movement in allowances for impairment for financial assets are as follows:

	<---------------- Individual impairment			-------------------->	<------- Collective impairment		---------->	
	Loans receivable RM'000 (Note 7(a))	Insurance receivables* RM'000	Reinsurance assets* RM'000 (Note 16)	Total RM'000	Loans receivable RM'000 (Note 7(a))	Insurance receivables* RM'000	Total RM'000	Total RM'000
At 1 July 2013	2,974	1,772	-	4,746	-	4,549	4,549	9,295
Allowance made during the year	2,318	44	925	3,287	-	-	-	3,287
Amount written back in respect of recoveries	-	-	-	-	-	(1,012)	(1,012)	(1,012)
At 30 June 2014	5,292	1,816	925	8,033	-	3,537	3,537	11,570
At 1 July 2014	5,292	1,816	925	8,033	-	3,537	3,537	11,570
Allowance made during the period	-	27	760	787	-	-	-	787
Amount written back in respect of recoveries	(951)	-	-	(951)	-	(1,777)	(1,777)	(2,728)
At 31 December 2014	4,341	1,843	1,685	7,869	-	1,760	1,760	9,629

* Relating to assets classified as held for sale.

39. Financial risk (cont'd.)

(e) Cash flow and liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations due to insufficient liquid resources, or would have to incur excessive cost in meeting the obligations. In respect of catastrophic events, there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries.

The Company manages the liquidity risk by monitoring daily cash inflows and outflows and by ensuring a reasonable amount of financial assets are kept in liquid instruments at all times. The Company also practices asset-liability management and ensures that the average investment duration and maturity profiles match the Company's liabilities.

Maturity profiles

The table below summarises the maturity profile of the financial and insurance assets and financial and insurance liabilities of the Company based on remaining undiscounted contractual obligations, including interest payable and receivable.

For insurance contract liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities.

Unearned premiums and the reinsurers' share of unearned premiums have been excluded from the analysis as they are not contractual obligations.

Unit linked liabilities are repayable or transferable on demand and are included in the "up to a year" column. Repayments which are subject to notice are treated as if notice were to be given immediately.

MCIS Insurance Berhad
(Formerly known as MCIS ZURICH Insurance Berhad)
(Incorporated in Malaysia)

39. Financial risk (cont'd.)

(e) Cash flow and liquidity risk (cont'd.)

Maturity profiles (cont'd.)

	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	5-15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
31 December 2014							
Financial investments:							
LAR	575,860	243,390	7,148	4,392	4,771	322,973	582,674
AFS	3,502,756	186,196	871,827	2,465,307	1,113,685	352,460	4,989,475
FVTPL	121,097	-	5,091	26,090	84	99,144	130,409
	4,199,713	429,586	884,066	2,495,789	1,118,540	774,577	5,702,558
Reinsurance assets	2,559	2,559	-	-	-	-	2,559
Insurance receivables	39,599	39,599	-	-	-	-	39,599
Other receivables	43,951	43,951	-	-	-	-	43,951
Cash and bank balances	7,424	7,424	-	-	-	-	7,424
Total financial and insurance assets	4,293,246	523,119	884,066	2,495,789	1,118,540	774,577	5,796,091
Insurance contract liabilities	3,797,578	415,925	845,242	1,379,411	1,439,013	527,399	4,606,990
Insurance payables	56,108	56,108	-	-	-	-	56,108
Other payables	80,767	80,767	-	-	-	-	80,767
Total financial and insurance liabilities	3,934,453	552,800	845,242	1,379,411	1,439,013	527,399	4,743,865
Total liquidity surplus/(gap)	358,793	(29,681)	38,824	1,116,378	(320,473)	247,178	1,052,226

MCIS Insurance Berhad
(Formerly known as MCIS ZURICH Insurance Berhad)
(Incorporated in Malaysia)

39. Financial risk (cont'd.)

(e) Cash flow and liquidity risk (cont'd.)

Maturity profiles (cont'd.)

	Carrying value RM'000	Up to a year RM'000	1 - 5 years RM'000	5-15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
30 June 2014 (Restated)							
Financial investments:							
LAR	709,231	370,688	9,281	9,120	664	328,902	718,655
AFS	3,364,956	55,127	861,677	2,188,389	1,480,413	363,971	4,949,577
FVTPL	114,177	-	5,388	23,538	85	93,056	122,067
	4,188,364	425,815	876,346	2,221,047	1,481,162	785,929	5,790,299
Reinsurance assets	3,291	3,291	-	-	-	-	3,291
Insurance receivables	49,033	49,033	-	-	-	-	49,033
Other receivables	37,519	37,519	-	-	-	-	37,519
Cash and bank balances	5,977	5,977	-	-	-	-	5,977
Total financial and insurance assets	4,284,184	521,635	876,346	2,221,047	1,481,162	785,929	5,886,119
Insurance contract liabilities	3,750,078	433,055	822,430	1,445,987	1,464,620	458,726	4,624,818
Insurance payables	62,696	62,696	-	-	-	-	62,696
Other payables	69,334	69,334	-	-	-	-	69,334
Total financial and insurance liabilities	3,882,108	565,085	822,430	1,445,987	1,464,620	458,726	4,756,848
Total liquidity surplus/(gap)	402,076	(43,450)	53,916	775,060	16,542	327,203	1,129,271

39. Financial risk (cont'd.)

(e) Cash flow and liquidity risk (cont'd.)

Maturity profiles (cont'd.)

The table below summarises the expected utilisation or settlement of assets and liabilities:

31 December 2014	Current* RM'000	Non-current RM'000	Unit linked RM'000	Total RM'000
Assets				
Property and equipment	-	134,491	-	134,491
Investment properties	-	16,340	-	16,340
Intangible assets	-	13,367	-	13,367
Prepaid land lease payments	-	237	-	237
Investments:				
LAR	547,869	12,627	15,364	575,860
AFS	531,889	2,970,867	-	3,502,756
FVTPL	-	-	121,097	121,097
Reinsurance assets	2,559	-	-	2,559
Insurance receivables	39,599	-	-	39,599
Other receivables	45,589	-	475	46,064
Cash and bank balances	7,168	-	256	7,424
Assets classified as held for sale	429,895	-	-	429,895
Total assets	1,604,568	3,147,929	137,192	4,889,689
Liabilities				
Insurance contract liabilities	403,145	3,260,287	134,146	3,797,578
Deferred tax liabilities	14,075	-	1,498	15,573
Insurance payables	56,108	-	-	56,108
Provision for taxation	16,611	-	934	17,545
Other payables	118,724	-	614	119,338
Liabilities directly associated with the assets classified as held for sale	436,858	-	-	436,858
Total liabilities	1,045,521	3,260,287	137,192	4,443,000

* Expected utilisation or settlement within 12 months from the reporting date.

39. Financial risk (cont'd.)

(e) Cash flow and liquidity risk (cont'd.)

Maturity profiles (cont'd.)

The table below summarises the expected utilisation or settlement of assets and liabilities (cont'd.):

30 June 2014 (Restated)	Current* RM'000	Non-current RM'000	Unit linked RM'000	Total RM'000
Assets				
Property and equipment	-	103,299	-	103,299
Investment properties	-	1,770	-	1,770
Intangible assets	-	13,954	-	13,954
Prepaid land lease payments	-	242	-	242
Investments:				
LAR	676,309	13,507	19,415	709,231
AFS	409,883	2,955,073	-	3,364,956
FVTPL	-	-	114,177	114,177
Reinsurance assets	3,291	-	-	3,291
Insurance receivables	49,033	-	-	49,033
Other receivables	38,365	-	758	39,123
Cash and bank balances	5,754	-	223	5,977
Assets classified as held for sale	427,581	-	-	427,581
Total assets	1,610,216	3,087,845	134,573	4,832,634
Liabilities				
Insurance contract liabilities	318,152	3,299,956	131,970	3,750,078
Deferred tax liabilities	25,089	-	1,746	26,835
Insurance payables	62,696	-	-	62,696
Provision for taxation	4,742	-	708	5,450
Other payables	98,012	-	149	98,161
Liabilities directly associated with the assets classified as held for sale	440,546	-	-	440,546
Total liabilities	949,237	3,299,956	134,573	4,383,766

* Expected utilisation or settlement within 12 months from the reporting date.

40. Operational risks

Operational risk is the risk of loss arising from inadequate or failed internal processes, people and systems, or from external events.

The Company mitigates operational risks by establishing a proper framework for controls and procedures, which includes total risk profiling, documented procedures, proper segregation of duties, access controls, authorization and reconciliation procedures and staff training.

The RMCD assesses the effectiveness of the operational compliance and report to the GRCC and BRMC.

41. Fair value measurement

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities:

		Fair value measurement using		
	Date of valuation	Level 1 - Quoted market price	Level 2 - Valuation Techniques - Market observable inputs	Total fair value
		RM'000	RM'000	RM'000
31 December 2014				
Assets measured at fair value:				
Investment properties (Note 4)	November / December 2014	-	16,340	16,340
AFS financial assets (Note 7(b)):				
Malaysian Government securities	31 December 2014	-	1,491,699	1,491,699
Government investment issues	31 December 2014	-	92,914	92,914
Malaysian Government guaranteed bonds	31 December 2014	-	539,354	539,354
Unquoted debt securities	31 December 2014	-	1,026,329	1,026,329
Quoted equity securities	31 December 2014	228,702	-	228,702
Quoted unit and property trust funds	31 December 2014	116,422	-	116,422
		345,124	3,150,296	3,495,420

MCIS Insurance Berhad
(Formerly known as MCIS ZURICH Insurance Berhad)
(Incorporated in Malaysia)

41. Fair value measurement (cont'd.)

31 December 2014 (cont'd.)	Date of valuation	Level 1 - Quoted market price	Level 2 - Valuation Techniques - Market observable inputs	Total fair value
		Fair value measurement using		
		RM'000	RM'000	RM'000
Assets measured at fair value (cont'd.):				
Financial assets designated at FVTPL (Note 7(c)):				
Malaysian Government securities	31 December 2014	-	13,637	13,637
Government investment issues	31 December 2014	-	1,956	1,956
Unquoted debt securities	31 December 2014	-	6,360	6,360
Quoted equity securities	31 December 2014	60,713	-	60,713
Quoted exchange traded funds	31 December 2014	20,371	-	20,371
Quoted unit and property trust funds	31 December 2014	18,060	-	18,060
		99,144	21,953	121,097
Revalued property and equipment (Note 3)	November / December 2014	-	128,288	128,288
Discontinued operations (Note 11)	31 December 2014	-	138,435	138,435
		444,268	3,455,312	3,899,580

41. Fair value measurement (cont'd.)

30 June 2014	Date of valuation	Fair value measurement using: Level 1 - Quoted market price	Level 2 - Valuation Techniques - Market observable inputs	Total fair value
		RM'000	RM'000	RM'000
Assets measured at fair value:				
Investment properties (Note 4)	12 May 2014	-	1,770	1,770
AFS financial assets (Note 7(b)):				
Malaysian Government securities	30 June 2014	-	1,385,478	1,385,478
Government investment issues	30 June 2014	-	135,675	135,675
Malaysian Government guaranteed bonds	30 June 2014	-	647,439	647,439
Unquoted debt securities	30 June 2014	-	832,393	832,393
Quoted equity securities	30 June 2014	242,343	-	242,343
Quoted unit and property trust funds	30 June 2014	114,292	-	114,292
		356,635	3,000,985	3,357,620
Financial assets designated at FVTPL (Note 7(c)):				
Malaysian Government securities	30 June 2014	-	11,953	11,953
Government investment issues	30 June 2014	-	1,952	1,952
Malaysian Government guaranteed bonds	30 June 2014	-	2,464	2,464
Unquoted debt securities	30 June 2014	-	4,752	4,752
Quoted equity securities	30 June 2014	59,936	-	59,936
Quoted exchange traded funds	30 June 2014	21,399	-	21,399
Quoted unit and property trust funds	30 June 2014	11,721	-	11,721
		93,056	21,121	114,177
Revalued property and equipment (Note 3)	May 2012	-	103,340	103,340
Discontinued operations (Note 11)	30 June 2014	-	138,721	138,721
		449,691	3,265,937	3,715,628

41. Fair value measurement (cont'd.)

The Company categorises its fair value measurements in accordance to the fair value hierarchy which is based on the priority of inputs to the valuation. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets, a lower priority to valuation techniques based on observable inputs and the lowest priority to valuation techniques based on unobservable inputs. An active market for the asset is a market in which transactions for the asset occur with sufficient frequency and volume to provide reliable pricing information on an ongoing basis.

A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The three-level hierarchy is defined as follows:

The three level hierarchy is defined as follows:

Level 1 - Quoted prices in active markets

Fair value measurements that reflect unadjusted, quoted prices in active markets for identical assets that the Company has the ability to access at the measurement date. Valuations are based on quoted prices reflecting market transactions involving assets or liabilities identical to those being measured.

Level 2 - Valuation technique supported by observable inputs

Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the financial asset or financial liabilities, either directly or indirectly. These include quoted prices for similar financial assets and financial liabilities in active markets, quoted prices for identical or similar financial assets and financial liabilities in inactive markets, inputs that are observable that are no prices (such as interest rates, credit risks, etc.) and inputs that are derived from or corroborated by observable market data.

Level 3 - Valuation technique supported by unobservable inputs

Fair value measurements using significant non market observable inputs. These include valuations for financial assets and financial liabilities that are derived using data, some or all of which is not market observable, including assumptions about risks.

There has been no transfers of financial assets between Level 1 and Level 2 during the financial period/year ended 31 December 2014 and 30 June 2014.

MCIS Insurance Berhad
(Formerly known as MCIS ZURICH Insurance Berhad)
(Incorporated in Malaysia)

42. Insurance funds

The Company's activities are organised by funds and segregated into the Shareholders' and General, Life and Investment linked funds in accordance with the Financial Services Act, 2013. The statements of financial position, income statements and condensed statements of cash flows by funds are presented as follows:

Statements of financial position by funds
As at 31 December 2014

	Shareholders' and General funds		Life funds		Investment linked funds		Total	
	31.12.2014	30.06.2014	31.12.2014	30.06.2014	31.12.2014	30.06.2014	31.12.2014	30.06.2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000 (Restated)
Assets								
Property and equipment	16	350	134,475	102,949	-	-	134,491	103,299
Investment properties	-	-	16,340	1,770	-	-	16,340	1,770
Intangible assets	-	-	13,367	13,954	-	-	13,367	13,954
Prepaid land lease payments	-	-	237	242	-	-	237	242
Investments	380,398	391,528	3,682,854	3,663,244	136,461	133,592	4,199,713	4,188,364
Reinsurance assets	-	-	2,559	3,291	-	-	2,559	3,291
Insurance receivables	-	-	39,599	49,033	-	-	39,599	49,033
Other receivables*	340,602	341,967	44,615	60,248	475	758	46,064	39,123
Cash and bank balances	4,141	4,647	3,027	1,107	256	223	7,424	5,977
Assets classified as held for sale	429,895	427,581	-	-	-	-	429,895	427,581
Total assets	1,155,052	1,166,073	3,937,073	3,895,838	137,192	134,573	4,889,689	4,832,634

MCIS Insurance Berhad
(Formerly known as MCIS ZURICH Insurance Berhad)
(Incorporated in Malaysia)

42. Insurance funds (cont'd.)

Statements of financial position by funds (cont'd.)
As at 31 December 2014

	Shareholders' and General funds		Life funds		Investment linked funds		Total	
	31.12.2014 RM'000	30.06.2014 RM'000	31.12.2014 RM'000	30.06.2014 RM'000	31.12.2014 RM'000	30.06.2014 RM'000	31.12.2014 RM'000	30.06.2014 RM'000 (Restated)
Total equity	446,689	451,471	-	-	-	-	446,689	451,471
Liabilities								
Insurance contract liabilities	-	-	3,663,432	3,618,108	134,146	131,970	3,797,578	3,750,078
Deferred tax liabilities	10,846	22,726	3,229	617	1,498	1,746	15,573	25,089
Insurance payables	-	-	56,108	62,696	-	-	56,108	62,696
Provision for taxation**	14,447	4,187	2,164	13,976	934	708	17,545	4,742
Other payables*	246,212	247,143	212,140	200,441	614	149	119,338	98,012
Liabilities directly associated with assets classified as held for sale	436,858	440,546	-	-	-	-	436,858	440,546
Total liabilities	708,363	714,602	3,937,073	3,895,838	137,192	134,573	4,443,000	4,381,163
Total equity and liabilities	1,155,052	1,166,073	3,937,073	3,895,838	137,192	134,573	4,889,689	4,832,634

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

** Tax recoverable in other receivables and provision for taxation are eliminated in presenting the Company's net results.

42. Insurance funds (cont'd.)

Income statement by funds
For the financial period ended 31 December 2014

	Shareholders' and General funds		Life funds		Total	
	01.07.2014 to 31.12.2014 RM'000	01.07.2013 to 30.06.2014 RM'000 (Restated)	01.07.2014 to 31.12.2014 RM'000	01.07.2013 to 30.06.2014 RM'000 (Restated)	01.07.2014 to 31.12.2014 RM'000	01.07.2013 to 30.06.2014 RM'000 (Restated)
Continuing operations:						
Gross earned premiums	-	-	266,823	564,185	266,823	564,185
Earned premiums ceded to reinsurers	-	-	(4,614)	(6,005)	(4,614)	(6,005)
Net earned premiums	-	-	262,209	558,180	262,209	558,180
Investment income	7,308	13,489	90,404	175,752	97,712	189,241
Realised gains and losses	68	1,202	16,319	56,534	16,387	57,736
Fair value gains and losses	-	-	(2,428)	2,401	(2,428)	2,401
Fee and commission income	-	-	-	624	-	624
Other operating income*	-	-	1,461	26,126	1,461	726
Other revenue	7,376	14,691	105,756	261,437	113,132	250,728
Gross benefits and claims paid	-	-	(244,229)	(476,052)	(244,229)	(476,052)
Claims ceded to reinsurers	-	-	2,722	4,128	2,722	4,128
Gross change in contract liabilities	-	-	(15,741)	(112,140)	(15,741)	(112,140)
Change in contract liabilities ceded to reinsurers	-	-	(731)	2,372	(731)	2,372
Net benefits and claims	-	-	(257,979)	(581,692)	(257,979)	(581,692)
Fee and commission expenses	-	-	(37,485)	(81,009)	(37,485)	(81,009)
Other operating expenses*	(12,475)	(25,961)	(6,513)	(28,857)	(18,988)	(29,418)
Management expenses	(4,949)	(3,878)	(32,311)	(69,319)	(37,260)	(73,197)
Taxation of life insurance business	-	-	(7,958)	(19,506)	(7,958)	(19,506)
Other expenses	(17,424)	(29,839)	(84,267)	(198,691)	(101,691)	(203,130)
(Loss)/Profit from operations	(10,048)	(15,148)	25,719	39,234	15,671	24,086
Transferred from Life funds:						
- Participating fund	7,846	15,422	(7,846)	(15,422)	-	-
- Non-participating fund	67,000	24,230	(67,000)	(24,230)	-	-
	74,846	39,652	(74,846)	(39,652)	-	-

42. Insurance funds (cont'd.)

Income statement by funds (cont'd.)
For the financial period ended 31 December 2014

	Shareholders' and General Funds		Life Funds		Total	
	01.07.2014 to 31.12.2014 RM'000	01.07.2013 to 30.06.2014 RM'000 (Restated)	01.07.2014 to 31.12.2014 RM'000	01.07.2013 to 30.06.2014 RM'000 (Restated)	01.07.2014 to 31.12.2014 RM'000	01.07.2013 to 30.06.2014 RM'000 (Restated)
Reclassification of unallocated surplus of non-participating funds to shareholders' fund	(49,127)	(418)	49,127	418	-	-
Profit before taxation from continuing operations	15,671	24,086	-	-	15,671	24,086
Taxation	(2,263)	(5,519)	-	-	(2,263)	(5,519)
Net profit for the period/year from continuing operations	13,408	18,567	-	-	13,408	18,567
Discontinued operations:						
Net (loss)/profit for the period/year from discontinued operations	(5,091)	12,807	-	-	(5,091)	12,807
Net profit for the period/year	8,317	31,374	-	-	8,317	31,374

* Included in other operating income and expenses are inter-fund transactions which are eliminated in presenting the Company's total results.

Statements of cash flows by funds
For the financial period ended 31 December 2014

	Shareholders' and General Funds		Life Funds		Total	
	01.07.2014 to 31.12.2014 RM'000	01.07.2013 to 30.06.2014 RM'000	01.07.2014 to 31.12.2014 RM'000	01.07.2013 to 30.06.2014 RM'000	01.07.2014 to 31.12.2014 RM'000	01.07.2013 to 30.06.2014 RM'000
Cash flows from:						
Operating activities	14,268	35,240	(131,744)	10,908	(117,476)	46,148
Investing activities	(456)	(296)	(865)	(1,999)	(1,321)	(2,295)
Financing activities	(15,042)	(7,521)	-	-	(15,042)	(7,521)
Net (decrease)/increase in cash and cash equivalents	(1,230)	27,423	(132,609)	8,909	(133,839)	36,332
At beginning of period/year	89,290	61,867	346,805	337,896	436,095	399,763
At end of period/year	88,060	89,290	214,196	346,805	302,256	436,095
Cash and cash equivalents comprise of:						
Cash and bank balances	4,141	4,647	3,283	1,330	7,424	5,977
Short term deposits with maturity periods of less than 3 months	83,919	84,643	210,913	345,475	294,832	430,118
	88,060	89,290	214,196	346,805	302,256	436,095

42. Insurance funds (cont'd.)

Investment linked funds
Statement of financial position
As at 31 December 2014

	31.12.2014 RM'000	30.06.2014 RM'000
Assets		
Investments	136,461	133,592
Other receivables*	475	758
Cash and bank balances	256	223
Total assets	137,192	134,573
Liabilities		
Deferred tax liabilities	1,498	1,746
Provision for taxation	934	708
Other payables*	614	149
Total liabilities	3,046	2,603
Net asset value of funds	134,146	131,970

* After elimination of inter fund balances of RM1,017,000 (30.06.2014: RM941,000).

Income statement
For the financial period ended 31 December 2014

	01.07.2014 to 31.12.2014 RM'000	01.07.2013 to 30.06.2014 RM'000
Investment income	3,923	3,724
Realised gains and losses	(82)	1,190
Fair value gains and losses	(3,058)	2,401
	783	7,315
Management fees	(760)	(1,441)
Other expenses	(36)	(23)
(Loss)/profit before taxation	(13)	5,851
Taxation	22	(595)
Net profit for the period/year	9	5,256

42. Insurance funds (cont'd.)

Investment linked funds (cont'd.)
Statement of changes in equity
For the financial period ended 31 December 2014

	01.07.2014 to 31.12.2014 RM'000	01.07.2013 to 30.06.2014 RM'000
At beginning of period/year	131,970	121,330
Net profit for the period/year	9	5,256
Creation of units	15,616	36,725
Cancellation of units	(13,449)	(31,341)
At end of period/year	134,146	131,970

43. Significant and subsequent events

On 1 December 2014, Fairfax Financial Holdings Limited ("Fairfax") through its wholly-owned subsidiary, The Pacific Insurance Berhad ("Pacific Insurance"), entered into a business transfer agreement with the Company and Koperasi MCIS Berhad ("Koperasi") to acquire the general insurance ("GI") business of the Company. The transaction has been granted approval by BNM. The Business Transfer Agreement was signed on 1 December 2014. Subsequently in January 2015 court approval was obtained for the transfer to take place on 1 March 2015. The assets and liabilities and the results during the financial period for GI business are disclosed in Note 11.