

MCIS ZURICH INSURANCE BERHAD
(435318-U)
(Incorporated in Malaysia)

Unaudited Interim Financial Statements
For the six months ended 31 December 2012

MCIS ZURICH INSURANCE BERHAD
(Incorporated in Malaysia)

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Interim financial statements for the six months ended 31 December 2012

Unaudited statements of financial position

	Note	Group			Company		
		As at 31.12.2012 RM'000	As at 30.06.2012 RM'000 (Restated)	As at 1.7.2011 RM'000 (Restated)	As at 31.12.2012 RM'000	As at 30.06.2012 RM'000 (Restated)	As at 1.7.2011 RM'000 (Restated)
Assets							
Property and equipment		120,200	120,616	84,254	120,200	120,616	84,254
Investment properties		1,860	1,860	1,790	1,860	1,860	1,790
Intangible assets		1,192	1,380	1,398	1,192	1,380	1,398
Prepaid land lease payments		260	266	278	260	266	278
Investments	11	4,277,146	4,140,736	3,871,299	4,277,146	4,140,736	3,871,299
Reinsurance assets	13	157,802	167,173	179,510	157,802	167,173	179,510
Insurance receivables		42,452	62,420	58,493	42,452	62,420	58,493
Other receivables		63,926	69,133	46,386	63,926	69,133	46,386
Cash and bank balances		25,026	44,163	19,307	25,026	44,163	19,307
Asset held for sale		-	-	7,305	-	-	7,305
Total assets		4,689,864	4,607,747	4,270,020	4,689,864	4,607,747	4,270,020
Equity							
Share capital		100,284	100,284	100,284	100,284	100,284	100,284
Share premiums		24,740	24,740	24,740	24,740	24,740	24,740
Retained earnings		234,975	226,269	183,911	234,991	226,285	183,923
Merger reserves		40,672	40,672	40,672	40,672	40,672	40,672
Available-for-sale reserves		17,146	16,290	13,831	17,146	16,290	13,831
Revaluation reserves		4,572	4,572	2,311	4,572	4,572	2,311
Total equity		422,389	412,827	365,749	422,405	412,843	365,761
Liabilities							
Insurance contract liabilities	16	4,033,662	3,922,324	3,668,036	4,033,662	3,922,324	3,668,036
Deferred tax liabilities		35,481	33,449	27,073	35,481	33,449	27,073
Insurance payables		132,801	155,582	148,262	132,801	155,582	148,262
Provision for taxation		17,217	15,269	7,277	17,217	15,269	7,277
Other payables		48,314	68,296	53,623	48,298	68,280	53,611
Total liabilities		4,267,475	4,194,920	3,904,271	4,267,459	4,194,904	3,904,259
Total equity and liabilities		4,689,864	4,607,747	4,270,020	4,689,864	4,607,747	4,270,020

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

MCIS ZURICH INSURANCE BERHAD
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Interim financial statements for the six months ended 31 December 2012

Unaudited income statements

	Note	Group		Company	
		6 months ended 31.12.2012 RM'000	6 months ended 31.12.2011 RM'000 (Restated)	6 months ended 31.12.2012 RM'000	6 months ended 31.12.2011 RM'000 (Restated)
Operating revenue		<u>473,648</u>	<u>450,250</u>	<u>473,648</u>	<u>450,250</u>
Gross earned premiums		399,291	371,707	399,291	371,707
Premiums ceded to reinsurers		(58,454)	(60,476)	(58,454)	(60,476)
Net earned premiums		<u>340,837</u>	<u>311,231</u>	<u>340,837</u>	<u>311,231</u>
Investment income		98,992	90,342	98,992	90,342
Realised gains / (losses)		32,043	49,689	32,043	49,689
Fair value gains / (losses)		2,925	1,669	2,925	1,669
Fee and commission income		8,097	10,853	8,097	10,853
Other operating income/(expenses)		4,585	(2,338)	4,585	(2,338)
Other revenue		<u>146,642</u>	<u>150,215</u>	<u>146,642</u>	<u>150,215</u>
Gross benefits and claims paid		(247,930)	(215,038)	(247,930)	(215,038)
Claims ceded to reinsurers		12,266	12,154	12,266	12,154
Gross change in contract liabilities		(130,563)	(134,713)	(130,563)	(134,713)
Change in contract liabilities ceded to reinsurers		7,147	5,891	7,147	5,891
Net benefits and claims		<u>(359,080)</u>	<u>(331,706)</u>	<u>(359,080)</u>	<u>(331,706)</u>
Fee and commission expense		(55,684)	(57,024)	(55,684)	(57,024)
Management expenses		(41,094)	(43,482)	(41,094)	(43,482)
Other expenses		<u>(96,778)</u>	<u>(100,506)</u>	<u>(96,778)</u>	<u>(100,506)</u>
Profit before taxation		<u>31,621</u>	<u>29,234</u>	<u>31,621</u>	<u>29,234</u>
Taxation	10	(15,394)	(14,448)	(15,394)	(14,448)
Net profit for the period		<u><u>16,227</u></u>	<u><u>14,786</u></u>	<u><u>16,227</u></u>	<u><u>14,786</u></u>
Earnings per share (sen)					
Basic and diluted	12	<u>0.16</u>	<u>0.15</u>	<u>0.16</u>	<u>0.15</u>

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

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Interim financial statements for the six months ended 31 December 2012

Unaudited statements of comprehensive income

	Group		Company	
	6 months ended 31.12.2012 RM'000	6 months ended 31.12.2011 RM'000 (Restated)	6 months ended 31.12.2012 RM'000	6 months ended 31.12.2011 RM'000 (Restated)
Net profit for the period	16,227	14,786	16,227	14,786
Other comprehensive income				
Fair value change of available-for-sale financial assets	1,143	226	1,143	226
Deferred tax relating to components of other comprehensive income	(287)	(56)	(287)	(56)
Other comprehensive income for the year, net of taxation	856	170	856	170
Total comprehensive income for the period	17,083	14,956	17,083	14,956

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Unaudited statements of changes in equity

	Non-Distributable					Retained Earnings			Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Merger Reserve RM'000	Available- for-sale Reserves RM'000	Revaluation Reserves RM'000	Non- distributable Non-Par Surplus* RM'000	Distributable Retained Profits RM'000	Sub-total Retained Earnings RM'000	
Group									
At 1 July 2012	100,284	24,740	40,672	8,758	-	-	172,532	172,532	346,986
Effects due to change in accounting policy	-	-	-	7,532	4,572	53,737	-	53,737	65,841
As 1 July 2012 (restated)	100,284	24,740	40,672	16,290	4,572	53,737	172,532	226,269	412,827
Total comprehensive income for the period	-	-	-	856	-	1,852	14,375	16,227	17,083
Dividends paid during the period	-	-	-	-	-	-	(7,521)	(7,521)	(7,521)
At 31 December 2012	100,284	24,740	40,672	17,146	4,572	55,589	179,386	234,975	422,389
At 1 July 2011	100,284	24,740	40,672	7,095	-	-	142,753	142,753	315,544
Effect due to change in accounting policy	-	-	-	6,736	2,311	41,158	-	41,158	50,205
At 1 July 2011 (restated)	100,284	24,740	40,672	13,831	2,311	41,158	142,753	183,911	365,749
Total comprehensive income for the period	-	-	-	170	-	1,852	12,934	14,786	14,956
Dividends paid during the period	-	-	-	-	-	-	(7,521)	(7,521)	(7,521)
At 31 December 2011	100,284	24,740	40,672	14,001	2,311	43,010	148,166	191,176	373,184
Company									
At 1 July 2012	100,284	24,740	40,672	8,758	-	-	172,548	172,548	347,002
Effect due to change in accounting policy	-	-	-	7,532	4,572	53,737	-	53,737	65,841
As 1 July 2012 (restated)	100,284	24,740	40,672	16,290	4,572	53,737	172,548	226,285	412,843
Total comprehensive income for the period	-	-	-	856	-	1,852	14,375	16,227	17,083
Dividends paid during the period	-	-	-	-	-	-	(7,521)	(7,521)	(7,521)
At 31 December 2012	100,284	24,740	40,672	17,146	4,572	55,589	179,402	234,991	422,405
At 1 July 2011	100,284	24,740	40,672	7,095	-	-	142,765	142,765	315,556
Effect due to change in accounting policy	-	-	-	6,736	2,311	41,158	-	41,158	50,205
At 1 July 2011 (restated)	100,284	24,740	40,672	13,831	2,311	41,158	142,765	183,923	365,761
Total comprehensive income for the period	-	-	-	170	-	1,852	12,934	14,786	14,956
Dividends paid during the period	-	-	-	-	-	-	(7,521)	(7,521)	(7,521)
At 31 December 2011	100,284	24,740	40,672	14,001	2,311	43,010	148,178	191,188	373,196

* In accordance with the Insurance Act, 1996, the unallocated surplus is only available for distribution to shareholders upon recommendation by the Appointed Actuary.

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Unaudited statements of cash flow

	Group		Company	
	6 months ended 31.12.2012	6 months ended 31.12.2011	6 months ended 31.12.2012	6 months ended 31.12.2011
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Net profit before tax	16,227	14,786	16,227	14,786
Adjustments for non-cash items	(129,897)	(58,026)	(129,897)	(58,026)
Operating loss before changes in operating assets and liabilities	(113,670)	(43,240)	(113,670)	(43,240)
Net investment income received	97,026	139,933	97,026	139,933
Proceed from disposal of investment	3,769,706	3,359,564	3,769,706	3,359,564
Purchase of investments	(3,825,273)	(3,224,935)	(3,825,273)	(3,224,935)
Proceed from disposal of investment properties	-	7,880	-	7,880
Increase in loan receivables	(4,748)	(379)	(4,748)	(379)
Increase in fixed and call deposits	(41,067)	(173,836)	(41,067)	(173,836)
Decrease in reinsurance assets	7,550	-	7,550	-
Decrease in receivables	14,153	3,944	14,153	3,944
Increase in claims liabilities	39,810	6,544	39,810	6,544
Increase/(decrease) in payables	32,621	(27,209)	32,621	(27,209)
Cash (used in)/generated from operations	(23,892)	48,266	(23,892)	48,266
Income taxes paid (net of recoveries)	14,576	(8,277)	14,576	(8,277)
Net cash (outflow)/inflow from operating activities	(9,316)	39,989	(9,316)	39,989
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment	(2,274)	(6,811)	(2,274)	(6,811)
Purchase of intangibles assets	(31)	-	(31)	-
Proceeds from disposal of property and equipment	5	2	5	2
Net cash outflow from investing activities	(2,300)	(6,809)	(2,300)	(6,809)
CASH FLOW FROM FINANCING ACTIVITIES				
Dividend paid to shareholders	(7,521)	(7,521)	(7,521)	(7,521)
Net cash outflow from financing activities	(7,521)	(7,521)	(7,521)	(7,521)
CASH AND BANK BALANCES				
Net (decrease)/increase in cash and bank balances	(19,137)	25,659	(19,137)	25,659
Cash and cash equivalents at 1 July	44,163	19,307	44,163	19,307
Cash and cash equivalents at 31 December	25,026	44,966	25,026	44,966

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Notes to the interim financial statements

1 Basis of preparation

The interim financial statements of MCIS Zurich Insurance Berhad ("MZIB" or "Company") and its subsidiary Cramson (Malaysia) Bhd. (collectively referred to as the "Group") are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134, "Interim Financial Reporting" in Malaysia and Revised Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia ("BNM").

The Company has adopted the Malaysian Financial Reporting Standards ("MFRS") framework issued by Malaysian Accounting Standards Board ("MASB") and Revised Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia ("BNM") with effect from 1 July 2012.

The interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's audited financial statements for the financial year ended 30 June 2012.

The notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the company since the financial year ended 30 June 2012.

2 Changes in accounting policies

2.1 New and amended standards and interpretation

Standards effective for financial year ending 30 June 2013

The accounting policies adopted are consistent with those adopted in the previous financial year, except for, as disclosed in Note 2.2 below and the following new and amended MFRSs and Interpretation Committee ("IC") Interpretations which became effective for the Company from 1 July 2012:

- i IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments
- ii MFRS 124, Related Party Disclosures
- iii Amendments to MFRS 1, Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
- iv Amendments to MFRS 7, Disclosures - Transfers of Financial Assets
- v Amendments to MFRS 112, Deferred tax : Recovery of Underlying Assets

The adoption of the new and amended MFRSs and IC Interpretations did not have any significant impact on the financial position of the Group and the Company.

2 Changes in accounting policies (cont'd.)

2.2 Financial Effects arising from Adoption of MFRS Framework and changes in Accounting Policies

Unallocated surplus and AFS reserves of non-participating funds

At the last reporting date, the life insurance contract liabilities of the Group and Company were comprised of the policyholders' fund carried forward less estimated liabilities (collectively referred to as "unallocated surplus"), Available-for-Sale reserves and revaluation reserves of all life insurance contracts including those with discretionary participating features (referred to as "Par") and those without (referred to as "Non Par"). In accordance with MFRS 4 Insurance Contracts and the Framework for Preparation and Presentation of Financial Statements (the "FRS Framework"), the Non Par unallocated surplus does not meet the definition of a liability, that is, a present obligation of the company arising from past events, the settlement of which is expected to result in an outflow of economic benefits, as the Non Par unallocated surplus represents the residual interest in the assets of the Non Par funds.

In addition, in accordance with MFRS 139 Financial Instruments: Recognition and Measurement, the Non Par AFS reserves and revaluation reserves should be accounted for as equity of the Group and Company. The classification of the Non Par unallocated surplus, AFS reserves and revaluation reserves of the Group and Company as a liability was made in accordance with the Guidelines issued by Bank Negara Malaysia ("BNM") and is a modification to FRSs which had been approved by BNM under Section 90 of the Insurance Act 1996.

Effective on 1 January 2012, in accordance with the revised Guideline issued by BNM and the adoption of Malaysian Financial Reporting Standards by the Group and Company, the Non Par unallocated surplus, AFS reserves and revaluation reserves are now required to be reclassified from liabilities to equity. This is a change in accounting policy and has hence been adjusted retrospectively against prior year retained profits, AFS reserves and revaluation reserves. The relevant adjustments made to prior year retained profits, AFS reserves and revaluation reserves are as disclosed in Note 17.

3 Seasonality or cyclicity of operations

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

4 Unusual items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the current financial period ended 31 December 2012.

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5 Significant Accounting Judgements, Estimates and Assumptions

There were no change in the basis used for accounting estimates for the interim financial period.

6 Debt and equity securities

There were no issuances, cancellation, repurchases, resale and repayment of debt and equity securities during the current financial period.

7 Dividends

A final dividend of 7.5 sen per share less income tax of 25% tax amounting to RM7.5 million for the financial year ended 30 June 2012 was approved at the last Annual General Meeting on 29 November 2012 and the dividend was paid on 17 December 2012.

8 Material events subsequent to the end of the period

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

9 Contingent liabilities

There were no contingent liabilities as at the date of this report.

10 Taxation

	6 months ended 31.12.2012 RM'000	6 months ended 31.12.2011 RM'000
In respect of current period:		
Current tax	14,030	12,889
Deferred tax	1,364	1,559
	<u>15,394</u>	<u>14,448</u>

The income tax for the Shareholders' and General funds are calculated based on the tax rate of 25% (2012: 25%) of the estimated assessable profit for the financial period. The income tax for the Life fund is calculated based on tax rate of 8% (2012: 8%) on the investment income for the financial period.

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11 Investments

	As at 31.12.2012 RM'000	As at 30.6.2012 RM'000
Malaysian government securities	918,010	1,211,713
Government investment issues	107,610	388,759
Malaysian government guaranteed bonds	879,193	497,700
Unquoted debt securities	1,160,646	873,702
Quoted equity securities	259,872	271,500
Unquoted equity securities	7,339	7,339
Quoted unit and property trust funds	147,250	138,611
Deposits with financial institutions	396,240	355,173
Loans receivable	400,986	396,239
	<u>4,277,146</u>	<u>4,140,736</u>

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

Loans and receivables ("LAR")	797,226	751,412
Available-for-sale financial assets ("AFS")	3,384,626	3,308,869
Designated upon initial recognition ("FVTPL")	95,294	80,455
	<u>4,277,146</u>	<u>4,140,736</u>

	As at 31.12.2012 RM'000	As at 30.6.2012 RM'000
(a) LAR		
At amortised cost:		
Deposits with financial institutions	<u>396,240</u>	<u>355,173</u>
Loans receivable:		
Policy loans	381,644	376,895
Mortgage loans	9,875	10,538
Term loan to related party	10,000	11,000
Other loans	761	821
Accumulated impairment loss	(1,294)	(3,015)
	<u>400,986</u>	<u>396,239</u>
	<u>797,226</u>	<u>751,412</u>

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11 Investments (cont'd.)

	As at 31.12.2012 RM'000	As at 30.6.2012 RM'000
(b) AFS		
At fair value:		
Malaysian government securities	918,010	1,211,713
Government investment issues	107,610	388,759
Malaysian government guaranteed bonds	875,633	494,136
Unquoted debt securities	1,141,161	854,763
Quoted equity securities	190,404	215,531
Quoted unit and property trust funds	144,469	136,628
	<u>3,377,287</u>	<u>3,301,530</u>
At cost less impairment:		
Unquoted equity securities (net of impairment loss of RM59,000 (2012 : RM59,000))	7,339	7,339
	<u>3,384,626</u>	<u>3,308,869</u>

(c) FVTPL

At fair value:		
Malaysian government guaranteed bonds	3,560	3,564
Unquoted debt securities	19,485	18,939
Quoted equity securities	69,468	55,969
Quoted unit and property trust funds	2,781	1,983
	<u>95,294</u>	<u>80,455</u>

(d) Carrying values of financial instruments

	LAR RM'000	AFS RM'000	FVTPL RM'000	Total RM'000
At 1 July 2011	686,103	3,098,513	86,683	3,871,299
Purchases	-	7,789,376	25,496	7,814,872
Disposals	-	(7,654,184)	(35,012)	(7,689,196)
Fair value gains recorded in:				
Other comprehensive income	-	2,217	-	2,217
Insurance contract liabilities:				
Life fund	-	(21,012)	-	(21,012)
Investment-linked fund	-	-	3,626	3,626
Realised gains/(losses) recorded in income statements	-	100,652	(338)	100,314
Decrease in loans	(421)	-	-	(421)

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11 Investments (cont'd.)

	LAR RM'000	AFS RM'000	FVTPL RM'000	Total RM'000
(d) Carrying values of financial instruments (cont'd.)				
Increase in deposits with financial institutions	65,730	-	-	65,730
Net amortisation of premiums	-	(6,693)	-	(6,693)
At 30 June 2012	751,412	3,308,869	80,455	4,140,736
Purchases	-	3,796,628	28,645	3,825,273
Disposals	-	(3,752,005)	(17,699)	(3,769,704)
Fair value gains recorded in:				
Other comprehensive income	-	1,288	-	1,288
Insurance contract liabilities:				
Life fund	-	3,625	-	3,625
Investment-linked fund	-	-	1,021	1,021
Realised gains recorded in income statements	-	31,034	2,925	33,959
Increase in loans	4,748	-	-	4,748
Increase in deposits with financial institutions	41,066	-	-	41,066
Net amortisation of premiums	-	(4,813)	(53)	(4,866)
At 31 December 2012	797,226	3,384,626	95,294	4,277,146

12 Earning per share

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

	6 months ended 31.12.2012	6 months ended 31.12.2011
Profit attributable to ordinary equity holders (RM'000)	16,227	14,786
Weighted average number of shares in issue ('000)	100,284	100,284
Basic and diluted earnings per share (sen)	0.16	0.15

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

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

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13 Reinsurance assets

	As at 31.12.2012 RM'000	As at 30.6.2012 RM'000
Reinsurance of insurance contracts:		
Claims liabilities	121,421	114,275
Premium liabilities	36,381	52,898
	<u>157,802</u>	<u>167,173</u>

The carrying amounts disclosed above in respect of the reinsurance of investment contracts approximate the fair values at the balance sheet date.

14 Capital commitments

	As at 31.12.2012 RM'000	As at 30.6.2012 RM'000
<u>Capital expenditure:</u>		
Approved and contracted for:		
Property, plant and equipment	1,291	-
Intangible assets	1,378	1,732
	<u>2,669</u>	<u>1,732</u>
Approved but not contracted for:		
Property, plant and equipment	5,508	6,999
Intangible assets	60	642
	<u>5,568</u>	<u>7,641</u>
	<u>8,237</u>	<u>9,373</u>

15 Regulatory capital requirements

The capital structure of the Company as at 31 December 2012, as prescribed under the Framework is provided below:

	As at 31.12.2012 RM'000	As at 30.6.2012 RM'000
<u>Eligible Tier 1 Capital</u>		
Share capital (paid-up)	100,284	100,284
Reserves, including retained earnings	1,052,073	997,829
	<u>1,152,357</u>	<u>1,098,113</u>

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15 Regulatory capital requirements (cont'd.)

	As at 31.12.2012 RM'000	As at 30.6.2012 RM'000
<u>Tier 2 Capital</u>		
Eligible reserves	178,294	174,074
Amount deducted from capital	-	-
Total capital available	1,330,651	1,272,187

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16 Insurance contract liabilities

	As at 31.12.2012			As at 30.6.2012 (Restated)			As at 1.7.2011 (Restated)		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Life insurance	3,655,056	(1,649)	3,653,407	3,530,445	(1,649)	3,528,796	3,283,497	(4,150)	3,279,347
General insurance	378,606	(156,153)	222,453	391,879	(165,524)	226,355	384,539	(175,360)	209,179
	<u>4,033,662</u>	<u>(157,802)</u>	<u>3,875,860</u>	<u>3,922,324</u>	<u>(167,173)</u>	<u>3,755,151</u>	<u>3,668,036</u>	<u>(179,510)</u>	<u>3,488,526</u>

(a) Life insurance fund

	As at 31.12.2012			As at 30.6.2012 (Restated)			As at 1.7.2011 (Restated)		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Provision for outstanding claims	34,039	(1,649)	32,390	34,850	(1,649)	33,201	32,064	(4,150)	27,914
Actuarial liabilities	2,961,827	-	2,961,827	2,895,299	-	2,895,299	2,728,716	-	2,728,716
Unallocated surplus	392,705	-	392,705	349,879	-	349,879	280,245	-	280,245
AFS reserves	116,928	-	116,928	113,540	-	113,540	134,561	-	134,561
Asset revaluation reserves	36,929	-	36,929	36,929	-	36,929	13,936	-	13,936
Net asset value attributable to unitholders	112,628	-	112,628	99,948	-	99,948	93,975	-	93,975
	<u>3,655,056</u>	<u>(1,649)</u>	<u>3,653,407</u>	<u>3,530,445</u>	<u>(1,649)</u>	<u>3,528,796</u>	<u>3,283,497</u>	<u>(4,150)</u>	<u>3,279,347</u>

	Gross			Reinsurance			Net RM'000		
	With DPF RM'000	Without DPF RM'000	Total RM'000	With DPF RM'000	Without DPF RM'000	Total RM'000			
At 1 July 2012 (Restated)			3,119,982	496,960	3,616,942	(1,226)	(423)	(1,649)	3,615,293
Effect of adoption of MFRS									
Unallocated surplus	-	(71,650)	(71,650)	-	-	-	-	-	(71,650)
AFS reserves	-	(10,042)	(10,042)	-	-	-	-	-	(10,042)
AFS deferred tax	-	803	803	-	-	-	-	-	803
Revaluation reserve	-	(6,096)	(6,096)	-	-	-	-	-	(6,096)
Revaluation reserve deferred tax	-	488	488	-	-	-	-	-	488
As 1 July 2012 (as restated)	3,119,982	410,463	3,530,445	(1,226)	(423)	(1,649)			3,528,796
Premiums received	203,152	49,872	253,024	(1,802)	(2,705)	(4,507)			248,517
Liabilities paid for death, maturities, surrenders, benefits and claims	(46,967)	(29,207)	(76,174)	19	309	328			(75,846)
Policy movement	65,732	9,337	75,069	-	-	-			75,069
Interest rate	4,795	2,063	6,858	-	-	-			6,858
<i>Adjustments due to changes in assumptions:</i>									
<i>Others</i>	(1,488)	(631)	(2,119)	-	-	-			(2,119)
<i>Model changes</i>	(13,280)	-	(13,280)	-	-	-			(13,280)
Claims benefit experience variation	(2,545)	1,734	(811)	-	-	-			(811)
Net asset value attributable to unitholders	-	4,590	4,590	-	-	-			4,590
Net creation of units	-	29,340	29,340	-	-	-			29,340
Net cancellation of units	-	(21,250)	(21,250)	-	-	-			(21,250)

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16 Insurance contract liabilities (cont'd.)

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

	With DPF RM'000	Gross Without DPF RM'000	Total RM'000	With DPF RM'000	Reinsurance Without DPF RM'000	Total RM'000	Net RM'000
AFS reserves	3,388	-	3,388	-	-	-	3,388
Deferred tax on AFS reserves	-	-	-	-	-	-	-
Asset revaluation reserves	-	-	-	-	-	-	-
Deferred tax on asset revaluation reserves	-	-	-	-	-	-	-
Unallocated surplus available	(113,359)	(20,665)	(134,024)	1,783	2,396	4,179	(129,845)
As at 31 Dec 2012	3,219,410	435,646	3,655,056	(1,226)	(423)	(1,649)	3,653,407
At 1 July 2011 (as previously stated)	2,892,156	457,314	3,349,470	(1,992)	(2,158)	(4,150)	3,345,320
Effect of adoption of MFRS							
Unallocated surplus	-	(54,877)	(54,877)	-	-	-	(54,877)
AFS reserves	-	(8,980)	(8,980)	-	-	-	(8,980)
AFS deferred tax	-	719	719	-	-	-	719
Revaluation reserve	-	(3,082)	(3,082)	-	-	-	(3,082)
Revaluation reserve deferred tax	-	247	247	-	-	-	247
As 1 July 2011 (as restated)	2,892,156	391,341	3,283,497	(1,992)	(2,158)	(4,150)	3,279,347
Premiums received	417,836	85,894	503,730	(3,222)	(3,906)	(7,128)	496,602
Liabilities paid for death, maturities, surrenders, benefits and claims	(262,867)	(46,846)	(309,713)	1,011	540	1,551	(308,162)
Policy movement	144,500	18,743	163,243	-	-	-	163,243
Interest rate	21,969	7,323	29,292	-	-	-	29,292
<i>Adjustments due to changes in assumptions:</i>							
<i>Mortality/morbidity</i>	(4,990)	(10,967)	(15,957)	-	-	-	(15,957)
<i>Expenses</i>	(2,671)	(362)	(3,033)	-	-	-	(3,033)
<i>Lapse</i>	(63,372)	(5,457)	(68,829)	-	-	-	(68,829)
<i>Others</i>	60,870	997	61,867	-	-	-	61,867
Claims benefit experience variation	(88)	2,874	2,786	766	1,735	2,501	5,287
Net asset value attributable to unitholders	-	6,890	6,890	-	-	-	6,890
Net creation of units	-	23,343	23,343	-	-	-	23,343
Net cancellation of units	-	(24,260)	(24,260)	-	-	-	(24,260)
AFS reserves	(22,074)	-	(22,074)	-	-	-	(22,074)
Deferred tax on AFS reserves	1,054	-	1,054	-	-	-	1,054
Asset revaluation reserves	24,992	-	24,992	-	-	-	24,992
Deferred tax on asset revaluation reserves	(1,999)	-	(1,999)	-	-	-	(1,999)
Unallocated surplus available	(85,334)	(39,050)	(124,384)	2,211	3,366	5,577	(118,807)
As at 30 June 2012 (Restated)	3,119,982	410,463	3,530,445	(1,226)	(423)	(1,649)	3,528,796

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16 Insurance contract liabilities (cont'd.)

(b) General insurance fund

	As at 31.12.2012			As at 30.06.2012 (Restated)			As at 1.7.2011 (Restated)		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Provision for claims reported by policyholders	185,357	(88,783)	96,574	182,166	(85,297)	96,869	182,737	(90,042)	92,695
Provision for incurred but not reported claims ("IBNR") and provision for risk margin for adverse deviations ("PRAD")	100,024	(30,990)	69,034	94,686	(27,329)	67,357	76,366	(29,201)	47,165
Claim liabilities (i)	285,381	(119,773)	165,608	276,852	(112,626)	164,226	259,103	(119,243)	139,860
Premiums liabilities (ii)	93,225	(36,380)	56,845	115,027	(52,898)	62,129	125,436	(56,117)	69,319
	378,606	(156,153)	222,453	391,879	(165,524)	226,355	384,539	(175,360)	209,179
(i) Claim liabilities									
At beginning of year	276,852	(112,626)	164,226	259,103	(119,243)	139,860	229,962	(119,476)	110,486
Claims incurred in the current accident year	42,193	(12,406)	29,787	106,626	(37,852)	68,774	102,392	(36,283)	66,109
IBNR incurred	5,338	(3,661)	1,677	18,320	1,872	20,192	12,810	4,548	17,358
Other movements in claims incurred in prior accident years	13,719	(3,018)	10,701	(8,800)	19,834	11,034	17,148	(4,502)	12,646
Claims paid during the year	(52,721)	11,938	(40,783)	(98,397)	22,763	(75,634)	(103,209)	36,470	(66,739)
At end of year	285,381	(119,773)	165,608	276,852	(112,626)	164,226	259,103	(119,243)	139,860
(ii) Premiums liabilities									
At beginning of year	115,027	(52,898)	62,129	125,436	(56,117)	69,319	114,673	(52,975)	61,698
Premiums written in the year	95,125	(37,428)	57,697	259,549	(115,325)	144,224	258,189	(114,977)	143,212
Premiums earned during the year	(116,927)	53,946	(62,981)	(269,958)	118,544	(151,414)	(247,426)	111,835	(135,591)
At end of year	93,225	(36,380)	56,845	115,027	(52,898)	62,129	125,436	(56,117)	69,319

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17 Comparative figures

Certain comparative figures have been restated following the adoption of MFRS Framework and changes in accounting policies as stated in Note2.

Reconciliation of statement of financial position for comparative period and previously reported balances are as follows:-

Statement of financial position as at 1.7.2011

	FRS as at 1.7.2011 RM'000	Reclassification RM'000	Restated MFRS as at 1.7.2011 RM'000
<u>Equity</u>			
AFS reserve	7,095	6,736	13,831
Revaluation reserves	-	2,311	2,311
Retained earnings	142,765	41,158	183,923
<u>Liabilities</u>			
Insurance contract liabilities	3,734,009	(65,973)	3,668,036
Deferred tax liabilities	11,305	15,768	27,073

Statement of financial position as at 30.6.2012

	FRS as at 30.6.2012 RM'000	Reclassification RM'000	Restated MFRS as at 30.6.2012 RM'000
<u>Equity</u>			
AFS reserves	8,758	7,532	16,290
Revaluation reserves	-	4,572	4,572
Retained earnings	172,548	53,737	226,285
<u>Liabilities</u>			
Insurance contract liabilities	4,008,821	(86,497)	3,922,324
Deferred tax liabilities	12,793	20,656	33,449

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17 Comparative figures (cont'd.)

Statement of comprehensive income for the six months ended 31.12.2011

	FRS as at 31.12.2011 RM'000	Reclassification RM'000	Restated MFRS as at 31.12.2011 RM'000
Net profit for the period	12,934	1,852	14,786
Gross change in contract liabilities			
Fair value change of available-for-sale financial assets	243	(17)	226
Taxation			
Fair value change of available-for-sale	(61)	5	(56)
	<u>13,116</u>	<u>1,840</u>	<u>14,956</u>

MCIS ZURICH INSURANCE BERHAD
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Interim financial statements for the six months ended 31 December 2012

Notes to the interim financial statements

18 Insurance funds

The Company's activities are organised by funds and segregated into Shareholders' & General Fund, Life Fund and Investment Linked Fund in accordance with the Insurance Act, 1996 and Insurance Regulations, 1996.

The condensed statement of financial position have been further analysed by funds as follows:

	Shareholders' & General Fund			Life Fund			Investment Link Fund			Elimination			Total		
	As at 31.12.2012 RM'000	As at 30.06.2012 RM'000 (Restated)	As at 1.7.2011 RM'000 (Restated)	As at 31.12.2012 RM'000 (Restated)	As at 30.06.2012 RM'000 (Restated)	As at 1.7.2011 RM'000 (Restated)	As at 31.12.2012 RM'000 (Restated)	As at 30.06.2012 RM'000 (Restated)	As at 1.7.2011 RM'000 (Restated)	As at 31.12.2012 RM'000 (Restated)	As at 30.06.2012 RM'000 (Restated)	As at 1.7.2011 RM'000 (Restated)	As at 31.12.2012 RM'000 (Restated)	As at 30.06.2012 RM'000 (Restated)	As at 1.7.2011 RM'000 (Restated)
ASSETS															
Property and equipment	341	367	798	119,859	120,249	83,456	-	-	-	-	-	-	120,200	120,616	84,254
Investment properties	-	-	-	1,860	1,860	1,790	-	-	-	-	-	-	1,860	1,860	1,790
Intangible assets	1	1	1	1,191	1,379	1,397	-	-	-	-	-	-	1,192	1,380	1,398
Prepaid land lease payments	-	-	-	260	266	278	-	-	-	-	-	-	260	266	278
Investments	592,847	593,168	540,095	3,575,028	3,447,605	3,236,516	109,271	99,963	94,688	-	-	-	4,277,146	4,140,736	3,871,299
Reinsurance assets	156,153	165,524	175,360	1,649	1,649	4,150	-	-	-	-	-	-	157,802	167,173	179,510
Insurance receivables	16,760	27,811	32,532	25,692	34,609	25,961	-	-	-	-	-	-	42,452	62,420	58,493
Other receivables	23,809	33,787	11,410	39,618	34,887	34,204	499	459	772	-	-	-	63,926	69,133	46,386
Cash and bank balances	10,767	7,268	7,512	14,205	34,976	9,407	54	1,919	2,388	-	-	-	25,026	44,163	19,307
Asset held for sale	-	-	-	-	-	7,305	-	-	-	-	-	-	-	-	7,305
Interfund balances	90,113	87,788	66,939	-	-	-	-	-	-	(90,113)	(87,788)	(66,939)	-	-	-
TOTAL ASSETS	890,791	915,714	834,647	3,779,362	3,677,480	3,404,464	109,824	102,341	97,848	(90,113)	(87,788)	(66,939)	4,689,864	4,607,747	4,270,020
Total Equity	422,405	412,843	365,761	-	-	-	-	-	-	-	-	-	422,405	412,843	365,761
Insurance contract liabilities	378,606	391,879	384,539	3,542,428	3,430,497	3,189,522	112,628	99,948	93,975	-	-	-	4,033,662	3,922,324	3,668,036
Deferred tax liabilities	24,991	23,745	17,128	9,144	8,439	8,950	1,346	1,265	995	-	-	-	35,481	33,449	27,073
Insurance payables	55,852	69,961	66,961	76,949	85,621	81,301	-	-	-	-	-	-	132,801	155,582	148,262
Provision for taxation	6,894	8,659	4,970	9,940	6,439	2,202	383	171	105	-	-	-	17,217	15,269	7,277
Other payables	2,043	8,627	(4,712)	50,788	58,696	55,550	(4,533)	957	2,773	-	-	-	48,298	68,280	53,611
Interfund balances	-	-	-	90,113	87,788	66,939	-	-	-	(90,113)	(87,788)	(66,939)	-	-	-
Total Liabilities	468,386	502,871	468,886	3,779,362	3,677,480	3,404,464	109,824	102,341	97,848	(90,113)	(87,788)	(66,939)	4,267,459	4,194,904	3,904,259
TOTAL EQUITY, POLICYHOLDERS' FUND AND LIABILITIES	890,791	915,714	834,647	3,779,362	3,677,480	3,404,464	109,824	102,341	97,848	(90,113)	(87,788)	(66,939)	4,689,864	4,607,747	4,270,020

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Interim income statement/revenue accounts by funds
For the six months ended 31 December 2012

	Shareholders' & General Fund		Life Fund		Investment Link Fund		Total	
	6 months ended	6 months ended	6 months ended	6 months ended	6 months ended	6 months ended	6 months ended	6 months ended
	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011
	RM'000	RM'000 (Restated)	RM'000	RM'000 (Restated)	RM'000	RM'000 (Restated)	RM'000	RM'000 (Restated)
Operating revenue	107,085	125,701	337,223	316,112	29,340	8,437	473,648	450,250
Gross earned premiums	116,927	125,745	253,024	237,525	29,340	8,437	399,291	371,707
Premiums ceded to reinsurers	(53,946)	(56,244)	(4,508)	(4,232)	-	-	(58,454)	(60,476)
Net earned Premiums	62,981	69,501	248,516	233,293	29,340	8,437	340,837	311,231
Investment income	11,960	9,693	84,199	78,587	2,833	2,062	98,992	90,342
Realised gains / (losses)	2,430	3,872	29,613	45,817	-	-	32,043	49,689
Fair value gains / (losses)	-	-	-	-	2,925	1,669	2,925	1,669
Fee and commission income	7,457	10,294	640	559	-	-	8,097	10,853
Other operating income/(expenses)	5,665	3,417	(1,080)	(2,130)	-	(3,625)	4,585	(2,338)
Other revenue	27,512	27,276	113,372	122,833	5,758	106	146,642	150,215
Gross benefits and claims paid	(52,721)	(49,957)	(173,952)	(156,072)	(21,257)	(9,009)	(247,930)	(215,038)
Claims ceded to reinsurers	11,938	11,210	328	944	-	-	12,266	12,154
Gross change to contract liabilities	(8,529)	(15,412)	(109,354)	(119,834)	(12,680)	533	(130,563)	(134,713)
Change in contract liabilities ceded to reinsurers	7,147	5,891	-	-	-	-	7,147	5,891
Net benefits and claims	(42,165)	(48,268)	(282,978)	(274,962)	(33,937)	(8,476)	(359,080)	(331,706)
Fee and commission expense	(10,950)	(12,426)	(44,046)	(44,598)	(688)	-	(55,684)	(57,024)
Management expenses	(14,441)	(15,672)	(26,644)	(27,802)	(9)	(8)	(41,094)	(43,482)
Other expenses	(25,391)	(28,098)	(70,690)	(72,400)	(697)	(8)	(96,778)	(100,506)
Profit/surplus before tax	22,937	20,411	8,220	8,764	464	59	31,621	29,234
Taxation	(6,710)	(5,625)	(8,220)	(8,764)	(464)	(59)	(15,394)	(14,448)
Net Profit/Surplus after tax	16,227	14,786	-	-	-	-	16,227	14,786