

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

**Unaudited Interim Financial Statements**  
**For the six months ended 31 December 2011**

**MCIS ZURICH INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

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**MCIS ZURICH INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**Interim financial statements for the six months ended 31 December 2011**

**Unaudited statements of financial position**

	Note	Group		Company	
		As at 31.12.2011 RM'000	As at 30.06.2011 RM'000	As at 31.12.2011 RM'000	As at 30.06.2011 RM'000
<b>ASSETS</b>					
Property and equipment		88,318	84,254	88,318	84,254
Investment properties		1,790	1,790	1,790	1,790
Intangible asset		1,468	1,398	1,468	1,398
Prepaid land lease payments		272	278	272	278
Investment	13	3,950,749	3,871,299	3,950,749	3,871,299
Reinsurance assets	15	181,000	179,510	181,000	179,510
Insurance receivables		51,168	58,493	51,168	58,493
Other receivables		48,600	59,259	48,600	59,259
Cash and bank balances	16	44,966	19,307	44,966	19,307
Asset held for sale		-	7,305	-	7,305
<b>TOTAL ASSETS</b>		<b>4,368,331</b>	<b>4,282,893</b>	<b>4,368,331</b>	<b>4,282,893</b>
<b>Equity, policyholders' funds and liabilities</b>					
Share capital		100,284	100,284	100,284	100,284
Share premiums		24,740	24,740	24,740	24,740
Retained earnings		148,168	142,753	148,180	142,765
Merger reserves		40,672	40,672	40,672	40,672
Available-for-sale reserves		7,277	7,095	7,277	7,095
<b>Total equity</b>		<b>321,141</b>	<b>315,544</b>	<b>321,153</b>	<b>315,556</b>
Insurance contract liabilities	19	3,853,381	3,734,009	3,853,381	3,734,009
Deferred tax liabilities		12,197	11,305	12,197	11,305
Insurance payables		128,561	148,262	128,549	148,262
Tax payable		7,817	7,277	7,817	7,277
Other payable		45,234	66,496	45,234	66,484
<b>Total liabilities</b>		<b>4,047,190</b>	<b>3,967,349</b>	<b>4,047,178</b>	<b>3,967,337</b>
<b>TOTAL EQUITY, POLICYHOLDERS' FUND AND LIABILITIES</b>		<b>4,368,331</b>	<b>4,282,893</b>	<b>4,368,331</b>	<b>4,282,893</b>

**MCIS ZURICH INSURANCE BERHAD**  
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**Interim financial statements for the six months ended 31 December 2011**

**Unaudited statements of income**

	Note	Group		Company	
		6 months ended 31.12.2011 RM'000	6 months ended 31.12.2010 RM'000	6 months ended 31.12.2011 RM'000	6 months ended 31.12.2010 RM'000
<b>Operating revenue</b>		<u>450,250</u>	<u>445,290</u>	<u>450,250</u>	<u>445,290</u>
Gross earned premiums		371,707	362,614	371,707	362,614
Premiums ceded to reinsurers		(60,476)	(54,676)	(60,476)	(54,676)
<b>Net earned premiums</b>		<u>311,231</u>	<u>307,938</u>	<u>311,231</u>	<u>307,938</u>
Fee and commission income		10,853	8,495	10,853	8,495
Investment income		90,342	89,234	90,342	89,234
Realised gains		49,689	26,140	49,689	26,140
Fair value gains		-	5,118	-	5,118
Other operating (expenses) / income		(669)	1,233	(669)	1,233
<b>Other revenue</b>		<u>150,215</u>	<u>130,220</u>	<u>150,215</u>	<u>130,220</u>
Gross benefits and claims paid		(215,038)	(228,666)	(215,038)	(228,666)
Claims ceded to reinsurers		12,154	22,882	12,154	22,882
Gross change to contract liabilities		(137,182)	(111,254)	(137,182)	(111,254)
Change in contract liabilities ceded to reinsurers		5,891	6,434	5,891	6,434
<b>Net benefits and claims</b>		<u>(334,175)</u>	<u>(310,604)</u>	<u>(334,175)</u>	<u>(310,604)</u>
Fee and commission expense		(57,024)	(60,391)	(57,024)	(60,391)
Management expenses		(43,482)	(42,432)	(43,482)	(42,432)
<b>Other expenses</b>		<u>(100,506)</u>	<u>(102,823)</u>	<u>(100,506)</u>	<u>(102,823)</u>
<b>Profit/surplus before taxation</b>		26,765	24,731	26,765	24,731
Taxation	11	(13,831)	(14,718)	(13,831)	(14,718)
<b>Net Profit for the period</b>		<u>12,934</u>	<u>10,013</u>	<u>12,934</u>	<u>10,013</u>
<b>Basic earnings per share (sen)</b>					
Basic and diluted	14	<u>0.13</u>	<u>0.10</u>	<u>0.13</u>	<u>0.10</u>

**MCIS ZURICH INSURANCE BERHAD**  
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**Interim financial statements for the six months ended 31 December 2011**

**Unaudited statements of comprehensive income**

	<b>Group</b>		<b>Company</b>	
	<b>6 months ended 31.12.2011 RM'000</b>	<b>6 months ended 31.12.2010 RM'000</b>	<b>6 months ended 31.12.2011 RM'000</b>	<b>6 months ended 31.12.2010 RM'000</b>
<b>Net profit for the period</b>	12,934	10,013	12,934	10,013
<b>Other comprehensive income</b>				
Fair value change of available-for-sale financial assets	243	3,789	243	3,789
Deferred tax relating to components of other comprehensive income	(61)	(947)	(61)	(947)
Other comprehensive for the year, net of taxation	<u>182</u>	<u>2,842</u>	<u>182</u>	<u>2,842</u>
<b>Total comprehensive income for the period</b>	<u><u>13,116</u></u>	<u><u>12,855</u></u>	<u><u>13,116</u></u>	<u><u>12,855</u></u>

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**Interim financial statements for the six months ended 31 December 2011**

**Unaudited statements of changes in equity**

	Share capital RM'000	Share premium RM'000	Merger reserve RM'000	Available- for-sale reserves RM'000	Retained profits RM'000	Total RM'000
<b>Group</b>						
At 1 July 2011	100,284	24,740	40,672	7,095	142,753	315,544
Total comprehensive income for the period	-	-	-	182	12,936	13,118
Dividends paid during the year	-	-	-	-	(7,521)	(7,521)
At 31 December 2011	<u>100,284</u>	<u>24,740</u>	<u>40,672</u>	<u>7,277</u>	<u>148,168</u>	<u>321,141</u>
At 1 July 2010	100,284	24,740	40,672	4,355	121,524	291,575
Effects due to adoption of RBC framework	-	-	-	-	(155)	(155)
At 1 July 2010 (restated)	<u>100,284</u>	<u>24,740</u>	<u>40,672</u>	<u>4,355</u>	<u>121,369</u>	<u>291,420</u>
Total comprehensive income for the period	-	-	-	2,842	10,013	12,855
Dividends paid for the financial year ended	-	-	-	-	(7,521)	(7,521)
At 31 December 2010	<u>100,284</u>	<u>24,740</u>	<u>40,672</u>	<u>7,197</u>	<u>123,861</u>	<u>296,754</u>
<b>Company</b>						
At 1 July 2011	100,284	24,740	40,672	7,095	142,765	315,556
Total comprehensive income for the period	-	-	-	182	12,936	13,118
Dividends paid during the year	-	-	-	-	(7,521)	(7,521)
At 31 December 2011	<u>100,284</u>	<u>24,740</u>	<u>40,672</u>	<u>7,277</u>	<u>148,180</u>	<u>321,153</u>
At 1 July 2010	100,284	24,740	40,672	4,355	121,532	291,583
Effects due to adoption of RBC framework	-	-	-	-	(155)	(155)
At 1 July 2010 (restated)	<u>100,284</u>	<u>24,740</u>	<u>40,672</u>	<u>4,355</u>	<u>121,377</u>	<u>291,428</u>
Total comprehensive income for the period	-	-	-	2,842	10,013	12,855
Dividends paid for the financial year ended	-	-	-	-	(7,521)	(7,521)
At 31 December 2010	<u>100,284</u>	<u>24,740</u>	<u>40,672</u>	<u>7,197</u>	<u>123,869</u>	<u>296,762</u>

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**Unaudited statements of cash flow**

	<b>Group</b>		<b>Company</b>	
	<b>6 months ended 31.12.2011</b>	<b>6 months ended 31.12.2010</b>	<b>6 months ended 31.12.2011</b>	<b>6 months ended 31.12.2010</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net profit attributable to shareholders	12,934	10,013	12,934	10,013
Adjustments for non-cash items	(56,174)	(91,765)	(56,174)	(91,765)
Operating loss before changes in operating assets and liabilities	(43,240)	(81,752)	(43,240)	(81,752)
Net investment income received	139,933	173,447	139,933	173,447
Proceed from disposal of investment	3,359,564	934,522	3,359,564	934,522
Purchase of investments	(3,224,935)	(954,712)	(3,224,935)	(954,712)
Proceed from disposal of investment properties	7,880	6,865	7,880	6,865
(Increase)/ decrease in loan receivables	(379)	7,290	(379)	7,290
Increase in fixed and call deposits	(173,836)	(65,391)	(173,836)	(65,391)
Decrease in receivables	3,944	6,727	3,944	6,727
Increase in claims liabilities	6,544	8,830	6,544	8,830
Decrease in payables	(27,209)	(26,411)	(27,209)	(26,411)
<b>Cash generated from operations</b>	<b>48,266</b>	<b>9,415</b>	<b>48,266</b>	<b>9,415</b>
Income taxes paid (net of recoveries)	(8,277)	(4,767)	(8,277)	(4,767)
Net cash inflow from operating activities	39,989	4,648	39,989	4,648
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of property and equipment	(6,811)	(6,280)	(6,811)	(6,280)
Proceeds from disposal of property and equipment	2	76	2	76
Net cash outflow from operating activities	(6,809)	(6,204)	(6,809)	(6,204)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Dividend paid to shareholders	(7,521)	(7,521)	(7,521)	(7,521)
<b>Net cash outflow from financing activities</b>	<b>(7,521)</b>	<b>(7,521)</b>	<b>(7,521)</b>	<b>(7,521)</b>
<b>CASH AND CASH EQUIVALENTS</b>				
	25,659	(9,077)	25,659	(9,077)
Cash and cash equivalents at 1 July	19,307	18,942	19,307	18,942
<b>Cash and cash equivalents at 31 December</b>	<b>44,966</b>	<b>9,865</b>	<b>44,966</b>	<b>9,865</b>

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**Interim financial statements for the six months ended 31 December 2011**

**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 Financial Reporting Standards ("FRS") as modified by Bank Negara Malaysia ("BNM") Guidelines in Malaysia and the provisions of the companies Act, 1965, the Insurance Act, 1996 and Guidelines/Circulars issued by Bank Negara Malaysia ("BNM").

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 2011.

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 2011.

**2 Changes in accounting policies**

The accounting policies and presentation adopted by the Group and the Company for the interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 30 June 2011, except for the adoption of the following revised FRSs, Amendments to FRSs, Issues Committee ("IC") Interpretations and Technical Release ("TR"):

- Amendment to FRS 1: First-time Adoption of Financial Reporting Standards, Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters, Additional Exemptions for First-time Adopters
- Amendments to FRS 2: Group Cash-settled Share-based Payment Transactions
- Amendments to FRS 3: Business Combinations
- Amendments to FRS 7: Financial Instruments: Disclosures, Improving Disclosures about Financial Instruments
- Amendments to FRS 101: Presentation of Financial Statements
- Amendments to FRS 121: The Effects of Changes in Foreign Exchange Rates
- Amendments to FRS 128: Investments in Associates
- Amendments to FRS 131: Interests in Joint Ventures
- Amendments to FRS 132: Financial Instruments: Presentation
- Amendments to FRS 134: Interim Financial Reporting
- Amendments to FRS 139: Financial Instruments: Recognition and Measurement
- IC Interpretation 4: Determining Whether an Arrangement contains a Lease
- IC Interpretation 18: Transfers of Assets from Customers



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**2 Changes in accounting policies (cont'd.)**

- IC Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments
- Amendments to IC Interpretation 13: Customer Loyalty Programmes
- Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirement
- TR 3: Guidance on Disclosures of Transition to IFRSs
- TR i-4: Shariah Compliant Sale Contracts

The adoption of the above new/amendments to FRSs, IC Interpretations and TR did not have any material impact on the accounting policies, financial position or performance of the Group and the Company.

**Transition to Malaysian Financial Reporting Standards Framework ("MFRS Framework")**

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting (MFRS) Framework.

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012.

The Group and the Company will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 30 June 2013.

The Directors of the Company are of the opinion that the financial performance and financial position as disclosed in these interim financial statements for the period ended 31 December 2011 would not be significantly different if prepared under the MFRS Framework.

**3 Seasonality or cyclicity of operations**

The operation of the Group and Company are not materially affected by any seasonal or cyclical fluctuation 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 2011.

**5 Significant Accounting Judgements, Estimates and Assumptions**

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

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**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 2011 was approved at the last Annual General Meeting on 1 December 2011 and the dividend was paid on 15 December 2011.

**8 Material events subsequent to the end of the period**

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

**9 Valuations of land and buildings and investment properties**

The land and buildings and investment properties of the Company were revalued in February and April 2009 and in January 2011 by independent professional valuers.

**10 Contingent liabilities**

There were no contingent liabilities as at the date of this report since the last annual balance sheet date.

**11 Taxation**

	<b>6 months ended 31.12.2011 RM'000</b>	<b>6 months ended 31.12.2010 RM'000</b>
In respect of current period:		
Current tax	12,889	11,558
Deferred tax	942	4,612
	<hr/> 13,831	<hr/> 16,170
In respect of prior periods:		
Over provision in respect of prior periods	-	(1,452)
	<hr/> 13,831	<hr/> <hr/> 14,718

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**11 Taxation (cont'd.)**

The income tax for the Shareholders' and General funds are calculated based on the tax rate of 25% (2011: 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% (2011: 8%) of the estimated assessable surplus for the financial period.

**12 Profit / loss on sale of unquoted investments and / or properties**

There was no sale of unquoted investments during the current financial period.

The Company has disposed investment properties amounting to RM7,305,000 in the current financial period which has given rise to a realised profit of RM575,000.

**13 Investments**

	<b>As at 31.12.2011 RM'000</b>	<b>As at 30.6.2011 RM'000</b>
Malaysian government securities	995,044	1,027,365
Government Investment Issues	120,105	38,326
Malaysian government guaranteed bonds	24,756	577,385
Quoted debt Securities	-	1,963
Unquoted debt securities	1,503,121	1,080,568
Quoted equity securities	312,630	348,396
Unquoted equity securities	7,338	7,339
Unit and property trust funds	127,436	103,854
Deposits with financial institutions	463,279	289,443
Loans	397,040	396,660
	<u>3,950,749</u>	<u>3,871,299</u>

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

	<b>As at 31.12.2011 RM'000</b>	<b>As at 30.6.2011 RM'000</b>
Loans and receivables ("LAR")	860,319	686,103
Available-for-sale financial assets ("AFS")	3,013,179	3,098,513
Designated upon initial recognition ("FVTPL")	77,251	86,683
	<u>3,950,749</u>	<u>3,871,299</u>

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**13 Investments (cont'd.)**

	<b>As at 31.12.2011 RM'000</b>	<b>As at 30.6.2011 RM'000</b>
<b>(a) LAR</b>		
<b>At amortised cost:</b>		
Deposits with financial institutions	463,279	289,443
Loans receivable:		
Policy loans	374,321	372,152
Mortgage loans	11,115	11,108
Term loan to related party	12,000	13,000
Other loans	751	801
Accumulated impairment loss	(1,147)	(401)
	<u>397,040</u>	<u>396,660</u>
	<u>860,319</u>	<u>686,103</u>
<b>(b) AFS</b>		
<b>At fair value:</b>		
Malaysian government securities	995,042	1,027,365
Government investment issues	120,105	38,326
Malaysian government guaranteed bonds	24,756	573,832
Quoted debt securities	-	1,881
Unquoted debt securities	1,480,714	1,062,657
Quoted equity securities	259,670	285,127
Quoted unit and property trust funds	125,554	101,986
	<u>3,005,841</u>	<u>3,091,174</u>
<b>At cost less impairment:</b>		
Unquoted equity securities (net of impairment loss of RM59,000 (2011 : RM59,000))	7,338	7,339
	<u>3,013,179</u>	<u>3,098,513</u>
<b>(c) FVTPL</b>		
<b>At fair value:</b>		
Malaysian government guaranteed bonds	-	3,553
Quoted debt securities	-	82
Unquoted debt securities	22,407	17,911
Quoted equity securities	52,961	63,269
Quoted unit and property trust funds	1,883	1,868
	<u>77,251</u>	<u>86,683</u>

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**13 Investments (cont'd.)**

**(d) Carrying values of financial instruments**

	LAR RM'000	AFS RM'000	FVTPL RM'000	Total RM'000
At 1 July 2010	710,793	2,751,977	71,645	3,534,415
Purchases	-	2,195,808	30,254	2,226,062
Disposals	-	(1,924,186)	(24,496)	(1,948,682)
Fair value gains recorded in:				
Other comprehensive income	-	3,653	-	3,653
Insurance contract liabilities:				
Life fund	-	38,466	-	38,466
Investment-linked fund	-	-	9,280	9,280
Realised gains recorded in income statements	-	37,787	-	37,787
Decrease in loans	(2,633)	-	-	(2,633)
Decrease in deposits with financial institutions	(22,057)	-	-	(22,057)
Net amortisation of premiums	-	(4,992)	-	(4,992)
<b>At 30 June 2011</b>	<b>686,103</b>	<b>3,098,513</b>	<b>86,683</b>	<b>3,871,299</b>
Purchases	-	3,214,810	10,125	3,224,935
Disposals	-	(3,341,408)	(18,155)	(3,359,563)
Fair value gains recorded in:				
Other comprehensive income	-	182	-	182
Insurance contract liabilities:				
Life fund	-	(5,096)	-	(5,096)
Investment-linked fund	-	-	(1,402)	(1,402)
Realised gains recorded in income statements	-	49,125	-	49,125
Increase in loans	379	-	-	379
Decrease in deposits with financial institutions	173,837	-	-	173,837
Net amortisation of premiums	-	(2,947)	-	(2,947)
<b>At 31 December 2011</b>	<b>860,319</b>	<b>3,013,179</b>	<b>77,251</b>	<b>3,950,749</b>

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**14 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.

	<b>6 months ended 31.12.2011 RM'000</b>	<b>6 months ended 31.12.2010 RM'000</b>
Profit attributable to Ordinary equity holders	12,934	10,013
Weighted average number of shares in issue	100,284	100,284
Basic earnings per share (sen)	0.13	0.10

Diluted earnings per share are not presented as there were no dilutive potential Ordinary Shares as at the balance sheet 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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**15 Reinsurance assets**

	As at 31.12.2011 RM'000	As at 30.6.2011 RM'000
Reinsurance of insurance contracts:		
Claims liabilities	129,284	123,393
Premium liabilities	51,716	56,117
	181,000	179,510
	181,000	179,510

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

**16 Cash and cash equivalents**

The cash and cash equivalents comprise the following:

	As at 31.12.2011 RM'000	As at 30.6.2011 RM'000
Shareholders and General business	7,203	7,512
Non Investment-Linked business	35,406	9,407
Investment-Linked business	2,357	2,388
	44,966	19,307
	44,966	19,307

**17 Capital commitments**

	As at 31.12.2011 RM'000	As at 30.6.2011 RM'000
<b>Capital expenditure:</b>		
Approved and contracted for:		
Property, plant and equipment	4,017	6,903
Intangible assets	8,888	13,375
	12,905	20,278
	12,905	20,278
Approved but not contracted for:		
Property, plant and equipment	2,812	3,299
Intangible assets	599	886
	3,411	4,185
	3,411	4,185
	16,316	24,463
	16,316	24,463

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**18 Regulatory capital requirements**

The capital structure of the Company as at 31 December 2011, as prescribed under the Framework is provided below:

	<b>As at 31.12.2011 RM'000</b>	<b>As at 30.6.2011 RM'000</b>
<u>Eligible Tier 1 Capital</u>		
Share capital (paid-up)	100,284	100,284
Reserves, including retained earnings	920,964	890,899
	<u>1,021,248</u>	<u>991,183</u>
<u>Tier 2 Capital</u>		
Eligible reserves	<u>161,775</u>	<u>166,689</u>
Amount deducted from capital	-	(423)
Total capital available	<u>1,183,023</u>	<u>1,157,449</u>



## 19 Insurance contract liabilities

	As at 31.12.2011			As at 30.6.2011		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Life insurance	3,463,167	(4,150)	3,459,017	3,349,470	(4,150)	3,345,320
General insurance	390,214	(176,850)	213,364	384,539	(175,360)	209,179
	<b>3,853,381</b>	<b>(181,000)</b>	<b>3,672,381</b>	<b>3,734,009</b>	<b>(179,510)</b>	<b>3,554,499</b>

### (a) Life insurance fund

	As at 31.12.2011			As at 30.6.2011		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Provision for outstanding claims	29,086	(4,150)	24,936	32,063	(4,150)	27,913
Actuarial liabilities	2,826,999	-	2,826,999	2,728,716	-	2,728,716
Unallocated surplus	359,142	-	359,142	335,122	-	335,122
AFS reserves	137,727	-	137,727	142,822	-	142,822
Asset revaluation reserves	16,771	-	16,771	16,771	-	16,771
Net asset value attributable to unitholders	93,442	-	93,442	93,976	-	93,976
	<b>3,463,167</b>	<b>(4,150)</b>	<b>3,459,017</b>	<b>3,349,470</b>	<b>(4,150)</b>	<b>3,345,320</b>

	As at 31.12.2011			As at 30.6.2011			
	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
At 1 July 2011	2,892,156	457,314	3,349,470	(1,992)	(2,158)	(4,150)	3,345,320
Premiums received	197,351	40,175	237,526	(1,455)	(2,777)	(4,232)	233,294
Liabilities paid for death, maturities, surrenders, benefits and claims	135,855	20,217	156,072	(26)	(918)	(944)	155,128
Policy movement	55,908	9,547	65,455	-	-	-	65,455
Interest rate	11,596	4,512	16,108	-	-	-	16,108
<i>Adjustments due to changes in assumptions:</i>							
<i>Mortality/morbidity</i>	-	-	-	-	-	-	-
<i>Expenses</i>	-	-	-	-	-	-	-
<i>Lapse</i>	-	-	-	-	-	-	-
<i>Others</i>	7,085	247	7,332	-	-	-	7,332

19 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
<i>Model changes</i>	9,388	-	9,388	-	-	-	9,388
Claims benefit experience variation	(2,974)	(3)	(2,977)	-	-	-	(2,977)
Net asset value attributable to unitholders	-	(534)	(534)	-	-	-	(534)
AFS reserves	(5,208)	(17)	(5,225)	-	-	-	(5,225)
Deferred tax on AFS reserves	129	1	130	-	-	-	130
Asset revaluation reserves	-	-	-	-	-	-	-
Unallocated surplus available	(311,656)	(57,922)	(369,578)	1,481	3,695	5,176	(364,402)
As at 31 Dec 2011	<u>2,989,630</u>	<u>473,537</u>	<u>3,463,167</u>	<u>(1,992)</u>	<u>(2,158)</u>	<u>(4,150)</u>	<u>3,459,017</u>
At 1 July 2010	2,710,145	425,101	3,135,246	(1,510)	(3,428)	(4,938)	3,130,308
Premiums received	396,391	91,155	487,546	(3,222)	(2,827)	(6,049)	481,497
Liabilities paid for death, maturities, surrenders, benefits and claims	(265,924)	(51,171)	(317,095)	927	13	940	(316,155)
Policy movement	115,268	17,755	133,023	-	-	-	133,023
Interest rate	9,801	3,656	13,457	-	-	-	13,457
<i>Adjustments due to changes in assumptions:</i>							
<i>Mortality/morbidity</i>	(2,194)	3,406	1,212	-	-	-	1,212
<i>Expenses</i>	(3,142)	(2,822)	(5,964)	-	-	-	(5,964)
<i>Lapse</i>	46,944	2,278	49,222	-	-	-	49,222
<i>Others</i>	5,254	3,494	8,748	-	-	-	8,748

19 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
Claims benefit experience variation	991	(3,350)	(2,359)	(482)	1,270	788	(1,571)
Net asset value attributable to unitholders	-	12,050	12,050	-	-	-	12,050
AFS reserves	36,627	1,839	38,466	-	-	-	38,466
Deferred tax on AFS reserves	(241)	(147)	(388)	-	-	-	(388)
Asset revaluation reserves	(3,084)	(247)	(3,331)	-	-	-	(3,331)
Unallocated surplus	(154,680)	(45,683)	(200,363)	2,295	2,814	5,109	(195,254)
As at 30 June 2011	<u>2,892,156</u>	<u>457,314</u>	<u>3,349,470</u>	<u>(1,992)</u>	<u>(2,158)</u>	<u>(4,150)</u>	<u>3,345,320</u>

Included in the unallocated surplus component of the Company's insurance contract liabilities is an amount of RM57,347,266 (2011 : RM54,877,700), being the accumulated surplus of the Non Par Fund of the Company less the estimated actuarial liabilities for the Fund (collectively referred to as the "Non Par unallocated surplus"). In accordance with FRS 4 and the Framework for Preparation and Presentation of Financial Statements ("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 Fund after consideration of all liabilities. In addition, in accordance to FRS 139, the AFS reserves of the life insurance fund of the Company, amounting to RM137,726,372 (2011 : RM142,822,910), should be accounted for as equity of the Company.

In accordance with the requirements of Guidelines issued by BNM, the Company has continued to classify the Non Par unallocated surplus and the AFS reserves of the Non Par Fund as insurance contract liabilities. These are modifications to the FRS which had been approved by BNM under Section 90 of the Insurance Act 1996. Had the Company applied the requirements of the Standard and the FRS Framework, the insurance contract liabilities of the Company would have been lower by RM195,073,638 (2011: RM197,700,610); consequently, the retained profits and AFS reserves of the Company would have been higher by RM57,347,266 (2011 : RM54,877,700) and RM137,726,372 (2011 : RM142,822,910) respectively.

## 19 Insurance contract liabilities (cont'd.)

### (b) General insurance fund

	As at 31.12.2011			As at 30.06.2011		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Provision for claims reported by policyholders	192,600	(93,316)	99,284	182,737	(90,042)	92,695
Provision for incurred but not reported claims ("IBNR") and provision for risk margin for adverse deviations ("PRAD")	81,915	(31,818)	50,097	76,366	(29,201)	47,165
Claim liabilities (i)	274,515	(125,134)	149,381	259,103	(119,243)	139,860
Premiums liabilities (ii)	115,699	(51,716)	63,983	125,436	(56,117)	69,319
	390,214	(176,850)	213,364	384,539	(175,360)	209,179

  

	As at 31.12.2011			As at 30.06.2011		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
<b>(i) Claim liabilities</b>						
At beginning of year	259,103	(119,243)	139,860	229,962	(119,476)	110,486
Claims incurred in the current accident year	133,629	(51,775)	81,854	102,392	(36,283)	66,109
IBNR incurred	5,549	(2,617)	2,932	12,810	4,548	17,358
Other movements in claims incurred in prior accident years	(73,809)	37,291	(36,518)	17,148	(4,502)	12,646
Claims paid during the year	(49,957)	11,210	(38,747)	(103,209)	36,470	(66,739)
At end of year	274,515	(125,134)	149,381	259,103	(119,243)	139,860
<b>(ii) Premiums liabilities</b>						
At beginning of year	125,436	(56,117)	69,319	114,673	(52,975)	61,698
Premiums written in the year	116,008	(51,843)	64,165	258,189	(114,977)	143,212
Premiums earned during the year	(125,745)	56,244	(69,501)	(247,426)	111,835	(135,591)
At end of year	115,699	(51,716)	63,983	125,436	(56,117)	69,319

**MCIS ZURICH INSURANCE BERHAD**  
(Incorporated in Malaysia)

Interim financial statements for the six months ended 31 December 2011

**Notes to the interim financial statements**

**20 Insurance funds**

The Company's activities are organised by funds and segregated into Shareholders & General, Life and Investment Linked Funds 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 Funds		Life Fund		Investment Link Fund		Total	
	As at	As at	As at	As at	As at	As at	As at	As at
	31.12.2011	30.06.2011	31.12.2011	30.06.2011	31.12.2011	30.06.2011	31.12.2011	30.06.2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>								
Property and equipment	839	798	87,479	83,456	-	-	88,318	84,254
Investment properties	-	-	1,790	1,790	-	-	1,790	1,790
Intangible asset	1	1	1,467	1,397	-	-	1,468	1,398
Prepaid land lease payments	-	-	272	278	-	-	272	278
Investments (note 13)	547,608	540,095	3,310,110	3,236,516	93,031	94,688	3,950,749	3,871,299
Reinsurance assets (note 15)	176,850	175,360	4,150	4,150	-	-	181,000	179,510
Insurance receivables	26,891	32,532	24,277	25,961	-	-	51,168	58,493
Other receivables	14,761	24,283	33,116	34,204	723	772	48,600	59,259
Cash and bank balances	7,203	7,512	35,406	9,407	2,357	2,388	44,966	19,307
Assets held for sale	-	-	-	7,305	-	-	-	7,305
<b>TOTAL ASSETS</b>	<b>774,153</b>	<b>780,581</b>	<b>3,498,067</b>	<b>3,404,464</b>	<b>96,111</b>	<b>97,848</b>	<b>4,368,331</b>	<b>4,282,893</b>

**MCIS ZURICH INSURANCE BERHAD**  
**(Incorporated in Malaysia)**

**Interim financial statements for the six months ended 31 December 2011**

**Notes to the interim financial statements**

**20 Insurance funds (cont'd.)**

	Shareholders' & General Funds		Life Fund		Investment Link Fund		Total	
	As at	As at	As at	As at	As at	As at	As at	As at
	31.12.2011	30.06.2011	31.12.2011	30.06.2011	31.12.2011	30.06.2011	31.12.2011	30.06.2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Total Equity</b>	321,153	315,556	-	-	-	-	321,153	315,556
Insurance contract liabilities (note 19)	390,214	384,539	3,369,725	3,255,495	93,442	93,975	3,853,381	3,734,009
Deferred tax liabilities	993	395	10,392	9,915	812	995	12,197	11,305
Insurance payables	54,961	66,961	73,588	81,301	-	-	128,549	148,262
Provision for taxation	3,139	4,970	4,560	2,202	118	105	7,817	7,277
Other payables	3,693	8,160	39,802	55,551	1,739	2,773	45,234	66,484
<b>Total Liabilities</b>	453,000	465,025	3,498,067	3,404,464	96,111	97,848	4,047,178	3,967,337
<b>TOTAL EQUITY, POLICYHOLDERS' FUND AND LIABILITIES</b>	<b>774,153</b>	<b>780,581</b>	<b>3,498,067</b>	<b>3,404,464</b>	<b>96,111</b>	<b>97,848</b>	<b>4,368,331</b>	<b>4,282,893</b>

**MCIS ZURICH INSURANCE BERHAD**  
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**Interim income statement/revenue accounts by funds**  
**For the six months ended 31 December 2011**

	Shareholders' &		Life Fund		Investment Link Fund		Total	
	General Funds							
	6 months	6 months	6 months	6 months	6 months	6 months	6 months	6 months
	ended	ended	ended	ended	ended	ended	ended	ended
	31.12.2011	31.12.2010	31.12.2011	31.12.2010	31.12.2011	31.12.2010	31.12.2011	31.12.2010
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Operating revenue</b>	<u>125,701</u>	<u>118,473</u>	<u>316,112</u>	<u>315,263</u>	<u>8,437</u>	<u>11,554</u>	<u>450,250</u>	<u>445,290</u>
Gross earned premiums	125,745	117,052	237,525	236,202	8,437	9,360	371,707	362,614
Premiums ceded to reinsurers	<u>(56,244)</u>	<u>(51,783)</u>	<u>(4,232)</u>	<u>(2,893)</u>	-	-	<u>(60,476)</u>	<u>(54,676)</u>
<b>Net earned Premiums</b>	<u>69,501</u>	<u>65,269</u>	<u>233,293</u>	<u>233,309</u>	<u>8,437</u>	<u>9,360</u>	<u>311,231</u>	<u>307,938</u>
Fee and commission income	10,294	8,495	559	499	-	(499)	10,853	8,495
Investment income	9,693	9,404	78,587	77,635	2,062	2,195	90,342	89,234
Realised gains	3,872	663	45,817	25,277	-	200	49,689	26,140
Fair value gains	-	-	-	5,118	-	-	-	5,118
Other operating income	<u>948</u>	<u>696</u>	<u>339</u>	<u>(4,581)</u>	<u>(1,956)</u>	<u>5,118</u>	<u>(669)</u>	<u>1,233</u>
<b>Other revenue</b>	<u>24,807</u>	<u>19,258</u>	<u>125,302</u>	<u>103,948</u>	<u>106</u>	<u>7,014</u>	<u>150,215</u>	<u>130,220</u>
Gross benefits and claims paid	(49,957)	(59,954)	(156,072)	(157,152)	(9,009)	(11,560)	(215,038)	(228,666)
Claims ceded to reinsurers	11,210	21,492	944	1,390	-	-	12,154	22,882
Gross change to contract liabilities	(15,412)	(10,731)	(122,303)	(96,235)	533	(4,288)	(137,182)	(111,254)
Change in contract liabilities ceded to reinsurers	<u>5,891</u>	<u>6,435</u>	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>5,891</u>	<u>6,434</u>
<b>Net benefits and claims</b>	<u>(48,268)</u>	<u>(42,758)</u>	<u>(277,431)</u>	<u>(251,998)</u>	<u>(8,476)</u>	<u>(15,848)</u>	<u>(334,175)</u>	<u>(310,604)</u>

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**Interim income statement/revenue accounts by funds (cont'd.)**  
**For the six months period ended 31 December 2011**

	Shareholders' & General Funds		Life Fund		Investment Link Fund		Total	
	6 months ended 31.12.2011 RM'000	6 months ended 31.12.2010 RM'000	6 months ended 31.12.2011 RM'000	6 months ended 31.12.2010 RM'000	6 months ended 31.12.2011 RM'000	6 months ended 31.12.2010 RM'000	6 months ended 31.12.2011 RM'000	6 months ended 31.12.2010 RM'000
Fee and commission expenses	(12,426)	(12,866)	(44,598)	(47,525)	-	-	(57,024)	(60,391)
Management expenses	(15,672)	(16,980)	(27,802)	(25,444)	(8)	(8)	(43,482)	(42,432)
<b>Other expenses</b>	<b>(28,098)</b>	<b>(29,846)</b>	<b>(72,400)</b>	<b>(72,969)</b>	<b>(8)</b>	<b>(8)</b>	<b>(100,506)</b>	<b>(102,823)</b>
<b>Profit/surplus before tax</b>	17,942	11,923	8,764	12,290	59	518	26,765	24,731
Taxation (note 11)	(5,008)	(1,910)	(8,764)	(12,290)	(59)	(518)	(13,831)	(14,718)
<b>Net Profit/Surplus after tax</b>	<b>12,934</b>	<b>10,013</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,934</b>	<b>10,013</b>