MCIS ZURICH
INSURANCE

Touching the lives of all

Annual Report 2013

Directors' Report & Audited Financial Statements

30 JUNE 2013

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DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2013.

PRINCIPAL ACTIVITIES

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

The principal activity of the subsidiary is described in Note 12 to the financial statements.

There have been no significant changes in the nature of the principal activities of the Group and of the Company during the financial year.

RESULTS

	Group RM'000	Company RM'000
Net profit for the year	43,200	43,204

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

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the first-time adoption of Malaysian Financial Reporting Standards ("MFRS") Framework and changes in accounting policies as disclosed in Note 2.4 to the financial statements.

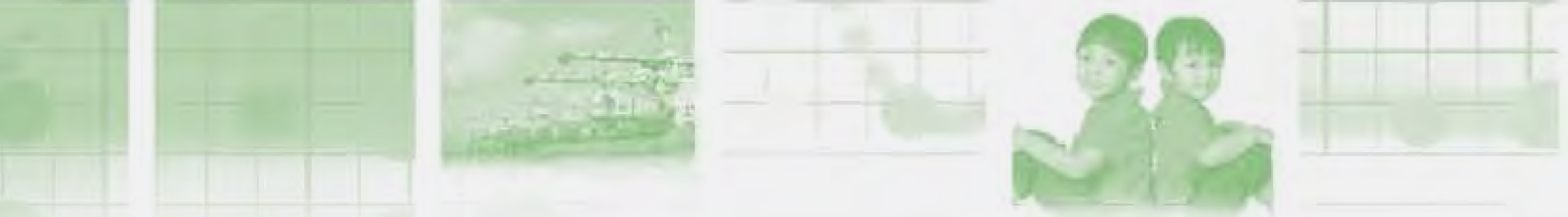
The MFRS Framework as issued by the Malaysian Accounting Standards Board ("MASB") is fully compliant with International Financial Reporting Standards ("IFRS") that comprises standards as issued by the International Accounting Standards Board ("IASB") that are effective on 1 January 2012.

DIVIDENDS

The amounts of dividends declared and paid by the Company since 30 June 2012 were as follows:

	RM'000
Final dividend of 10% less 25% tax, amounting to RM7,521,305 in respect of the financial year ended 30 June 2012 declared on 30 November 2012 and paid on 17 December 2012	7,521
Interim dividend of 5% less 25% tax, amounting to RM3,760,653 in respect of the financial year ended 30 June 2013 declared on 29 June 2013 and paid on 15 August 2013	3,761
	11,282

At the forthcoming Annual General Meeting, a final dividend in respect of the current financial year ended 30 June 2013 of 10% less 25% tax on 100,284,071 ordinary shares amounting to a total dividend of RM7,521,305 (7.5 sen per share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in the shareholders' equity as an appropriation of retained profits in the next financial year ending 30 June 2014.



DIRECTORS' REPORT

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:

Datuk Ir (Dr.) Haji Mohamed Al-Amin bin Haji Abdul Majid
(appointed as Chairman on 3 January 2013)
Independent, non-executive director

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

Tuan Haji Mustapha @ Mustapa bin Md Nasir
Non-independent, non-executive director

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

Ms. Eva Ip Yee Kwan
Non-independent, non-executive director

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

Dato' Dr. Md Khir bin Abdul Rahman (appointed on 17 July 2013)
Independent, non-executive director

Datuk Tan Kim Leong @ Tan Chong Min (vacated office on 29 November 2012)
Independent, non-executive director

DIRECTORS' REPORT

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, Remuneration and Investment Committees of the Board during the financial year were as follows:

(i) Audit Committee

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 7 meetings of the Committee held during the financial year is as follows:

	Attendance
Chairman:	
Mr. Kirupalani a/l Chelliah	7 / 7
Members:	
Tuan Haji Mustapha @ Mustapa bin Md Nasir	7 / 7
Datuk Tan Kim Leong @ Tan Chong Min (resigned on 5 October 2012)	1 / 2
Mr. Murugiah M N Singham (appointed on 5 October 2012)	5 / 5

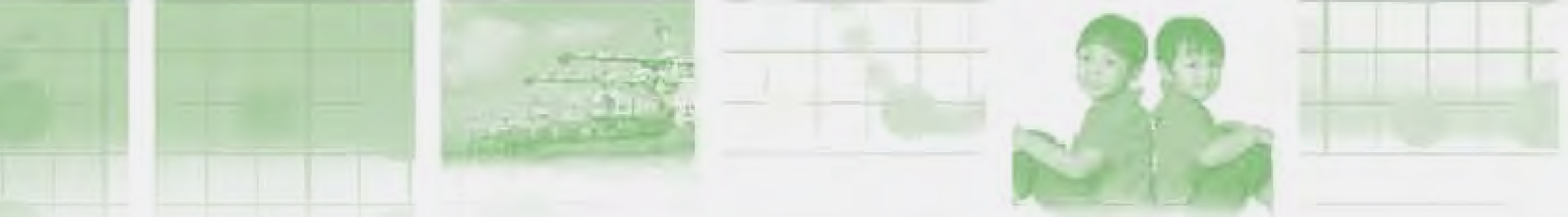
The AC's terms of reference include the reinforcement of the independence and objectivity of the internal audit function and the specification of its scope, the review of the Company's financial statements which includes the findings of both the internal and external auditors and the propriety of disclosure 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 and 2 adjourned meetings of the Committee held during the financial year is as follows:

	Attendance
Chairman:	
Datuk Ir (Dr.) Haji Mohamed Al-Amin bin Haji Abdul Majid	6 / 6
Members:	
Dato' Balaram a/l Petha Naidu	6 / 6
Ms. Eva Ip Yee Kwan	6 / 6



DIRECTORS' REPORT

CORPORATE GOVERNANCE (CONT'D)

Corporate governance standards (cont'd)

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.

(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 9 meetings and one adjourned meeting of the Committee held during the financial year is as follows:

	Attendance
Chairman:	
Mr. Kirupalani a/l Chelliah	10 / 10
Members:	
Tuan Haji Mustapha @ Mustapa bin Md Nasir	10 /10
Dato' Balaram a/l Petha Naidu	10 /10
Ms. Eva Ip Yee Kwan	10 /10
Mr. Murugiah M N Singham (appointed on 5 October 2012)	10 /10

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 to that, the NC is also entrusted with the responsibility for both the appointment and evaluation of the Chief Executive Officer 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 3 meetings of the Committee held during the financial year is as follows:

	Attendance
Chairman:	
Datuk Ir (Dr.) Haji Mohamed Al-Amin bin Haji Abdul Majid	3 / 3
Members:	
Tuan Haji Mustapha @ Mustapa bin Md Nasir	3 / 3
Mr. Murugiah M N Singham (appointed on 5 October 2012)	1 / 1

CORPORATE GOVERNANCE (CONT'D)

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 executive directors.

(v) Board Investment Committee

The Board Investment Committee ("BIC") 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 year is as follows:

	Attendance
Chairman:	
Mr. Kirupalani a/l Chelliah	4 / 4
Members:	
Dato' Balaram a/l Petha Naidu	4 / 4
Ms. Eva Ip Yee Kwan	4 / 4

The BIC oversees the Management Investment Committee. The responsibilities of the BIC include the review and approval of the overall investment policies, compliance and risk management policies with respect to investment, asset liability management, strategic asset allocation and monitoring the performance of the Investment Division. The BIC also review and approve the appointments of external investment managers. The BIC considers and approves significant investment decisions proposed by the Management Investment Committee.

The BIC was dissolved on 4 April 2013. All significant investment activities subsequent to 4 April 2013 were reported to the Board directly by the Management Investment Committee.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company 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) 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' REPORT

DIRECTORS' INTERESTS

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

	Number of ordinary shares of RM1.00 each			
	1 July 2012	Acquired	Sold	30 June 2013
Direct interest:				
Dato' Balaram a/l Petha Naidu	32,201	-	-	32,201
Tuan Haji Mustapha @ Mustapa bin Md Nasir	6,489	-	-	6,489

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

OTHER STATUTORY INFORMATION

(a) Before the statements of financial position and income statements of the Group and 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 provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision 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 provision for doubtful debts of the Group and of the Company inadequate to any substantial extent; and

(ii) render the values attributed to current assets in the financial statements of the Group and 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 Group and 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 Group and of the Company which would render any amount stated in the financial statements misleading.

(e) The contingent liabilities of the Group and of the Company are disclosed in Note 37 to the financial statements. As at the date of this report, there does not exist:

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

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION (CONT'D)

(ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year.

(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 year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

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

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

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

AUDITORS

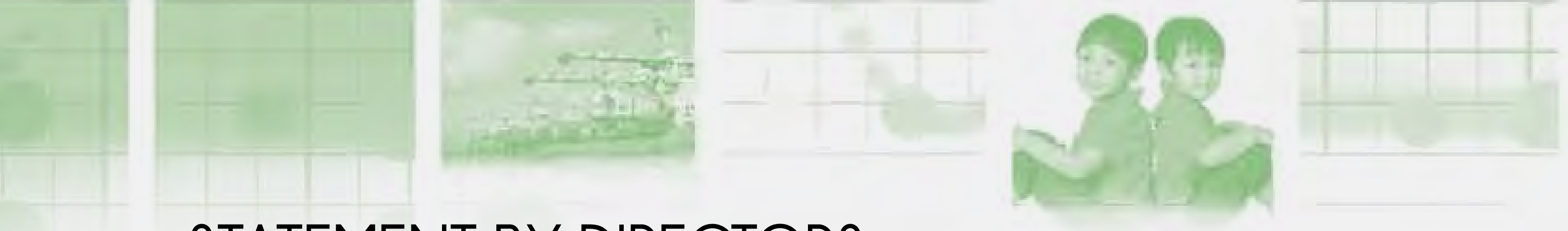
The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 24 September 2013.

Datuk Ir (Dr.) Haji Mohamed Al-Amin bin Haji Abdul Majid

Mr. Kirupalani a/l Chelliah

Petaling Jaya, Malaysia
24 September 2013



STATEMENT BY DIRECTORS

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

We, Datuk Ir (Dr.) Haji Mohamed Al-Amin bin Haji Abdul Majid and Mr. Kirupalani a/l Chelliah, being two of the directors of MCIS ZURICH Insurance Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 28 to 137 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 Group and of the Company as at 30 June 2013 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 24 September 2013.

Datuk Ir (Dr.) Haji Mohamed Al-Amin bin Haji Abdul Majid

Mr. Kirupalani a/l Chelliah

Petaling Jaya, Malaysia
24 September 2013

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 ZURICH Insurance Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 28 to 137 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 24 September 2013) Mr. Kevin Jones

Before me,

INDEPENDENT AUDITORS' REPORT

to the members of MCIS ZURICH Insurance Berhad
(Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of MCIS ZURICH Insurance Berhad, which comprise the statements of financial position as at 30 June 2013 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 28 to 137.

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

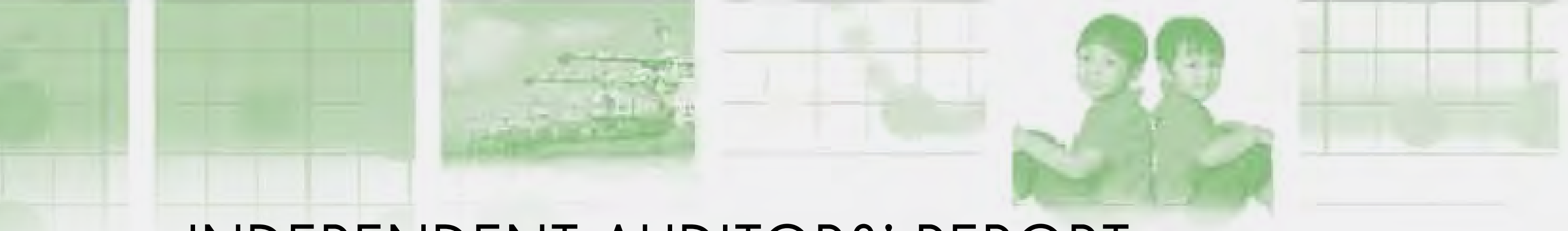
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance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

OPINION

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2013 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.



INDEPENDENT AUDITORS' REPORT

to the members of MCIS ZURICH Insurance Berhad
(Incorporated in Malaysia)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report on the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiary that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(c) The auditors' report on the financial statements of the subsidiary was not subject to any qualification and did not include any comment required to be made under Section 174(3) 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
24 September 2013

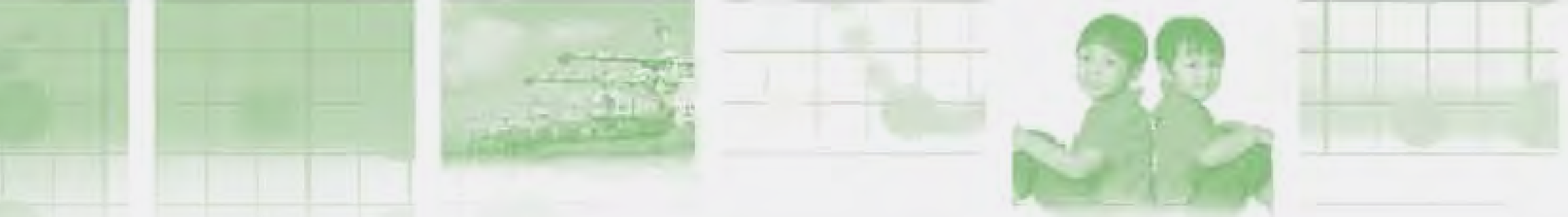
Dato' Abdul Rauf bin Rashid
No. 2305/05/14(J)
Chartered Accountant

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2013

Group	Note	2013 RM'000	2012 RM'000	01.07.2011 RM'000
ASSETS				
Property and equipment	3	106,550	110,108	80,045
Investment properties	4	1,770	1,860	1,790
Intangible assets	5	15,873	11,888	5,607
Prepaid land lease payments	6	255	266	278
Investments	7	4,301,104	4,140,736	3,871,299
Reinsurance assets	8	139,961	167,173	179,510
Insurance receivables	9	73,462	62,420	58,493
Other receivables	10	100,474	72,943	61,043
Cash and bank balances		91,507	44,163	19,307
Assets held for sale	11	-	-	7,305
Total assets		4,830,956	4,611,557	4,284,677
EQUITY				
Share capital	13	100,284	100,284	100,284
Share premiums		24,740	24,740	24,740
Retained profits	14	261,044	229,126	185,249
Merger reserves	15	40,672	40,672	40,672
Available-for sale reserves		15,302	16,289	13,831
Revaluation reserves		4,572	4,572	2,311
Total equity		446,614	415,683	367,087
LIABILITIES				
Insurance contract liabilities	16	4,132,585	3,922,324	3,668,033
Deferred tax liabilities	17	37,816	33,450	27,076
Insurance payables	18	128,836	155,582	148,262
Provision for taxation		397	16,222	7,723
Other payables	19	84,708	68,296	66,496
Total liabilities		4,384,342	4,195,874	3,917,590
Total equity and liabilities		4,830,956	4,611,557	4,284,677

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



STATEMENTS OF FINANCIAL POSITION

As at 30 June 2013 (cont'd)

Company	Note	2013 RM'000	2012 RM'000	01.07.2011 RM'000
ASSETS				
Property and equipment	3	106,550	110,108	80,045
Investment properties	4	1,770	1,860	1,790
Intangible assets	5	15,873	11,888	5,607
Prepaid land lease payments	6	255	266	278
Investments	7	4,301,104	4,140,736	3,871,299
Reinsurance assets	8	139,961	167,173	179,510
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Assets held for sale	11	-	-	7,305
Total assets		4,830,956	4,611,557	4,284,677
EQUITY				
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Share premiums		24,740	24,740	24,740
Retained profits	14	261,064	229,142	185,261
Merger reserves	15	40,672	40,672	40,672
Available-for sale reserves		15,302	16,289	13,831
Revaluation reserves		4,572	4,572	2,311
Total equity		446,634	415,699	367,099
LIABILITIES				
Insurance contract liabilities	16	4,132,585	3,922,324	3,668,033
Deferred tax liabilities	17	37,816	33,450	27,076
Insurance payables	18	128,836	155,582	148,262
Provision for taxation		397	16,222	7,723
Other payables	19	84,688	68,280	66,484
Total liabilities		4,384,322	4,195,858	3,917,578
Total equity and liabilities		4,830,956	4,611,557	4,284,677

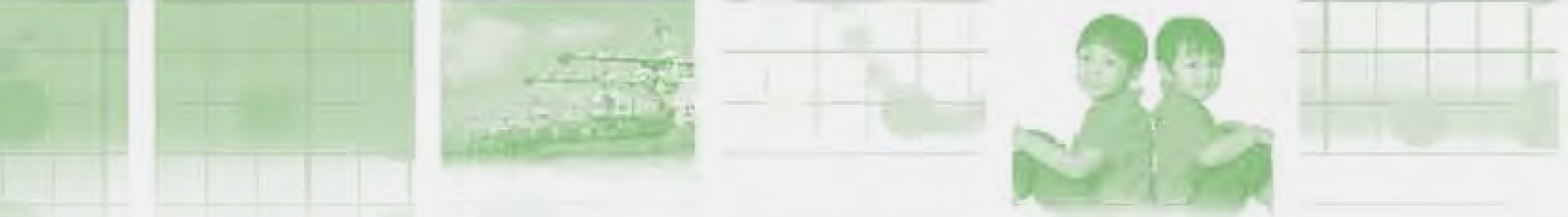
The accompanying notes form an integral part of the financial statements.

INCOME STATEMENTS

For the financial year ended 30 June 2013

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Gross earned premiums	20(a)	815,678	797,031	815,678	797,031
Premiums ceded to reinsurers	20(b)	(108,040)	(125,672)	(108,040)	(125,672)
Net earned premiums		707,638	671,359	707,638	671,359
Investment income	21	189,203	179,192	189,203	179,192
Realised gains and losses	22	69,965	100,878	69,965	100,878
Fair value gains and losses	23	3,374	3,695	3,374	3,695
Fee and commission income	24	24,207	28,140	24,207	28,140
Other operating revenue	25	7,991	7,184	7,991	7,184
Other revenue		294,740	319,089	294,740	319,089
Gross benefits and claims paid	26(a)	(524,205)	(432,368)	(524,205)	(432,368)
Claims ceded to reinsurers	26(b)	51,422	24,314	51,422	24,314
Gross change in contract liabilities	26(c)	(256,007)	(262,725)	(256,007)	(262,725)
Change in contract liabilities ceded to reinsurers	26(d)	(5,264)	(9,118)	(5,264)	(9,118)
Net benefits and claims		(734,054)	(679,897)	(734,054)	(679,897)
Fee and commission expenses	27	(115,145)	(124,711)	(115,145)	(124,711)
Other operating expenses	25	(2,535)	(6,709)	(2,535)	(6,709)
Management expenses	28	(89,806)	(88,155)	(89,802)	(88,151)
Other expenses		(207,486)	(219,575)	(207,482)	(219,571)
Profit before taxation		60,838	90,976	60,842	90,980
Taxation	29	(17,638)	(35,817)	(17,638)	(35,817)
Net profit for the year		43,200	55,159	43,204	55,163
Earnings per share (sen)					
Basic and diluted	30	43.1	55.0		

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



STATEMENTS OF COMPREHENSIVE INCOME

For the financial year ended 30 June 2013

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Net profit for the year	43,200	55,159	43,204	55,163
Other comprehensive income / (loss) :				
Available-for-sale reserves:				
Gain on fair value changes of AFS investments	9,288	18,046	9,288	18,046
Realised gain transferred to income statement	(10,603)	(14,768)	(10,603)	(14,768)
Deferred tax effects on AFS reserve (Note 17)	328	(820)	328	(820)
Revaluation reserves:				
Gain on fair value changes of revaluation reserve	-	3,014	-	3,014
Deferred tax effects on revaluation reserve of non-participating funds (Note 17)	-	(753)	-	(753)
Other comprehensive (loss) / income for the year, net of taxation	(987)	4,719	(987)	4,719
Total comprehensive income for the year	42,213	59,878	42,217	59,882

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

STATEMENTS OF CHANGES IN EQUITY

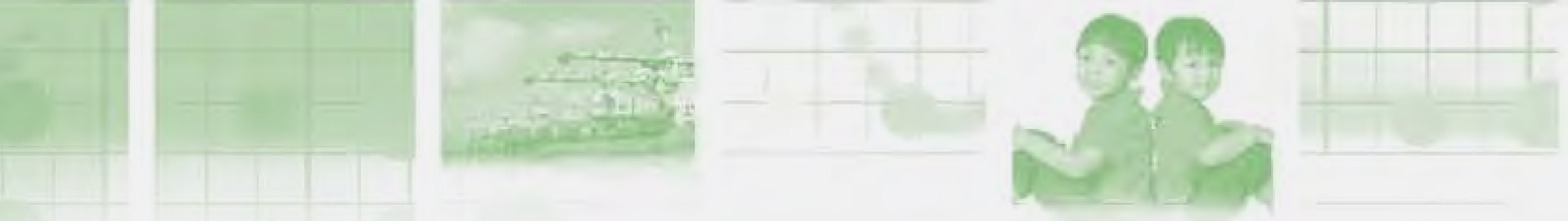
For the financial year ended 30 June 2013

		<------ Non-distributable						------>	<--Distributable -->			
						Available-for-sale reserves			Retained profits			
	Note	Share capital RM'000	Share premiums RM'000	Merger reserve RM'000	Revaluation reserves of non-participating funds RM'000	Available-for-sale reserves of non-participating funds^ RM'000	Available-for-sale reserves of shareholders funds 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
Group												
At 1 July 2011		100,284	24,740	40,672	2,311	6,736	7,095	13,831	41,158	144,091	185,249	367,087
Total comprehensive income for the year		-	-	-	2,261	795	1,663	2,458	12,579	42,580	55,159	59,878
Dividends paid during the year	31	-	-	-	-	-	-	-	-	(11,282)	(11,282)	(11,282)
At 30 June 2012		100,284	24,740	40,672	4,572	7,531	8,758	16,289	53,737	175,389	229,126	415,683
At 1 July 2012		100,284	24,740	40,672	4,572	7,531	8,758	16,289	53,737	175,389	229,126	415,683
Total comprehensive income for the year		-	-	-	-	(1,727)	740	(987)	9,497	33,703	43,200	42,213
Dividends paid during the year	31	-	-	-	-	-	-	-	-	(11,282)	(11,282)	(11,282)
At 30 June 2013		100,284	24,740	40,672	4,572	5,804	9,498	15,302	63,234	197,810	261,044	446,614
Company												
At 1 July 2011		100,284	24,740	40,672	2,311	6,736	7,095	13,831	41,158	144,103	185,261	367,099
Total comprehensive income for the year		-	-	-	2,261	795	1,663	2,458	12,579	42,584	55,163	59,882
Dividends paid during the year	31	-	-	-	-	-	-	-	-	(11,282)	(11,282)	(11,282)
At 30 June 2012		100,284	24,740	40,672	4,572	7,531	8,758	16,289	53,737	175,405	229,142	415,699
At 1 July 2012		100,284	24,740	40,672	4,572	7,531	8,758	16,289	53,737	175,405	229,142	415,699
Total comprehensive income for the year		-	-	-	-	(1,727)	740	(987)	9,497	33,707	43,204	42,217
Dividends paid during the year	31	-	-	-	-	-	-	-	-	(11,282)	(11,282)	(11,282)
At 30 June 2013		100,284	24,740	40,672	4,572	5,804	9,498	15,302	63,234	197,830	261,064	446,634

* 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 unallocated surplus of the Non-Par funds for the financial year ended 30 June 2013 and 30 June 2012 were RM9,497,000 (Company: RM9,497,000) and RM12,579,000 (Company: RM12,579,000), net of tax at 25% respectively.

^ The revaluation reserves, unallocated surplus and available-for-sale reserves of Non-Par funds are reclassified from liability to equity upon adoption of MFRS as described in Note 2.4.

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



STATEMENTS OF CASH FLOWS

For the financial year ended 30 June 2013

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Operating activities					
Cash generated from operating activities	32	93,152	73,542	93,152	73,542
Income tax paid		(28,079)	(22,659)	(28,079)	(22,659)
Net cash flows from operating activities		65,073	50,883	65,073	50,883
Investing activities					
Proceeds from disposal of property and equipment		94	1	94	1
Purchase of property and equipment	3	(1,859)	(8,042)	(1,859)	(8,042)
Purchase of intangibles assets	5	(4,682)	(6,704)	(4,682)	(6,704)
Net cash flows from investing activities		(6,447)	(14,745)	(6,447)	(14,745)
Financing activity					
Dividends paid	31	(11,282)	(11,282)	(11,282)	(11,282)
Net cash flows from financing activity		(11,282)	(11,282)	(11,282)	(11,282)
Cash and bank balances					
Net increase in cash and bank balances		47,344	24,856	47,344	24,856
Cash and bank balances at beginning of year		44,163	19,307	44,163	19,307
Cash and bank balances at end of year		91,507	44,163	91,507	44,163
Cash and bank balances comprised:					
Shareholders' fund and general insurance business		7,354	7,268	7,354	7,268
Life fund		79,401	34,976	79,401	34,976
Investment linked fund		4,752	1,919	4,752	1,919
		91,507	44,163	91,507	44,163

Note: Cash and bank balances of the Life and Investment linked fund of RM84,153,000 (2012: RM36,895,000; 01.07.2011: RM11,795,000) are not available for the general use of the Company other than to meet the obligations under the insurance fund.

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2013

1. CORPORATE INFORMATION

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

The details of the subsidiary are described in Note 12 to the financial statements.

There have been no significant changes in the nature of the principal activities of the Group and of the Company during the financial year.

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 ZURICH, 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 24 September 2013.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and 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 Companies Act, 1965 in Malaysia. These are the Group's and the Company's first annual financial statements prepared in accordance with MFRS and MFRS 1 First-Time Adoption of Malaysian Financial Reporting Standards ("MFRS 1") has been applied.

In the previous financial years, the financial statements of the Group and of the Company were prepared in accordance with Financial Reporting Standards ("FRS") in Malaysia, as modified by BNM Guidelines. The financial impact arising from transition to MFRS is disclosed in Note 2.4.

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

As at the reporting date, the Company has met the minimum capital adequacy requirements as prescribed under the RBC Framework issued by BNM.

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 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as at 30 June each year.

Subsidiary is fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continues to be consolidated until the date when such control ceases. The financial statements of the subsidiary are prepared for the same reporting year as the parent company, using consistent accounting policies.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Basis of consolidation (cont'd)

The subsidiary is consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of the subsidiary are included in the consolidated income statements from the effective date of acquisition to the effective date of disposal, as appropriate. The difference between the cost of acquisition and the fair value of the Group's share of the net assets of the subsidiary at the date of acquisition is treated as goodwill. 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.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets.

2.3 Summary of significant accounting policies

(a) 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 life fund or statement of comprehensive income of the non participating life fund, 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)

(a) 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 22 to 89 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.

(b) 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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Summary of significant accounting policies (cont'd)

(c) Assets held for sale

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less cost to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use.

(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 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 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 five 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Summary of significant accounting policies (cont'd)

(e) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group, 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(e)(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 Group and 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 Group and 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(a) and investment properties as described in Note 2.3(b).

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Summary of significant accounting policies (cont'd)

(f) 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.

(g) 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.

Financial assets are classified as at fair value through profit or loss where the Company's 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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Summary of significant accounting policies (cont'd)

(g) Investments and financial assets (cont'd)

Financial assets at FVTPL (cont'd)

(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.

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 the year-end.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Summary of significant accounting policies (cont'd)

(g) Investments and financial assets (cont'd)

AFS (cont'd)

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

(h) Fair value of financial instruments

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 real estate investment trusts, fair value is determined by reference to published net assets value.

For financial instruments where there is no active market, the fair value is determined by using valuation techniques. Such techniques include using 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 making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The fair value of floating rate and over-night deposits with financial institutions approximate their carrying values, due to the relatively short maturity of these instruments. The carrying value is the cost of the deposit / placement and accrued interest / profit. The fair value of fixed interest / yield-bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the reporting date.

For investments in unquoted equity instruments, if the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the instrument. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

(i) Impairment of financial instruments

The Company assesses at each reporting date whether a financial asset or group 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 group of financial assets with similar credit risk characteristics and that group 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)

(i) Impairment of financial instruments (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.

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.

(j) Derecognition of financial assets and liabilities

Financial assets 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 are derecognised when the obligation under the liabilities are discharged, cancelled or expired.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Summary of significant accounting policies (cont'd)

(k) 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 paid.

Dividends for the year that are approved after the statement of financial position date are dealt with as an event after the reporting date.

(l) 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)

(l) 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.

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.

(m) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Summary of significant accounting policies (cont'd)

(m) Reinsurance (cont'd)

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(i).

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.

(n) Life insurance underwriting results

The surplus transferable from the Life fund 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Summary of significant accounting policies (cont'd)

(n) Life insurance underwriting results (cont'd)

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.

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)

(o) 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(q)(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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Summary of significant accounting policies (cont'd)

(p) 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(i).

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

(q) 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. The liability estimation methods prescribed under the RBC Framework meets the requirements of the Liability Adequacy Test under MFRS 4.

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 fund 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)

(q) 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.

UPR

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Summary of significant accounting policies (cont'd)

(r) 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.

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 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.

(s) 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)

(s) 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.

(t) 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.

(u) 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.

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").

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Summary of significant accounting policies (cont'd)

(v) 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 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.

(w) Financial liabilities

Financial liabilities are recognised when the Group and 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.

2.4 First-time adoption of MFRS and changes in accounting policies

The adoption of the MFRS Framework as issued by the Malaysian Accounting Standards Board ("MASB") as at 1 January 2012 by the Group and the Company requires the Group's and the Company's financial statements to also be fully compliant with IFRS Framework. These financial statements of the Group and the Company for the year ended 30 June 2013 are the first set of financial statements prepared in accordance with MFRS and IFRS including the application of MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards ("MFRS 1").

For periods up to and including the financial year ended 30 June 2012, the Group and the Company have prepared these financial statements in accordance with Financial Reporting Standards ("FRS") in Malaysia, as modified by BNM Guidelines.

Accordingly, the Group and the Company have prepared financial statements which comply with MFRS applicable for periods ending on or after 30 June 2013, together with the comparative period information as at and for the year ended 30 June 2012, as described in the summary of significant accounting policies.

In preparing these financial statements, the Group's and the Company's opening statements of financial position were prepared as at 1 July 2011, being the Group's and the Company's date of transition to MFRS. This note explains the principal adjustments made by the Group and the Company in restating its statements of financial position as at 1 July 2011 and its previously published financial statements as at and for the year ended 30 June 2012, both of which were prepared in accordance with FRS in Malaysia, as modified by BNM Guidelines.

The transition from FRS in Malaysia, as modified by BNM Guidelines to MFRS did not have a material impact on the statements of cash flows.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 First-time adoption of MFRS and changes in accounting policies (cont'd)

The significant accounting policies as disclosed in Note 2.3 above are consistent with those of the previous financial year ended 30 June 2012, except for the adoption of BNM Guidelines which were revised to conform with MFRS and other changes in accounting policies as further outlined below:

(i) Revised Financial Reporting Guidelines ("FRG") for Insurers issued by BNM

As at 30 June 2012, the life insurance contract liabilities of the Company, included the accumulated surpluses less estimated actuarial 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 "DPF") and those without (referred to as "Non-DPF").

In accordance with MFRS 4 Insurance Contracts and the Framework for Preparation and Presentation of Financial Statements, the Non-DPF unallocated surplus does not meet the definition of a liability, as the Non-DPF unallocated surplus represents the residual interest in the assets of the Non-DPF Fund after consideration of all liabilities. In addition, in accordance to MFRS 139 Financial Instruments: Recognition and Measurement, the Non-DPF available-for-sale reserves and MFRS 140 Investment Property, the Non-DPF revaluation reserves should be accounted for as equity of the Group and of the Company.

The previous classification of the Non-DPF unallocated surplus, available-for-sale reserves and revaluation reserves of the Company as a liability was made in accordance with the Guidelines issued by BNM and was a modification to FRS in Malaysia which had been approved by BNM under Section 90 of the Insurance Act, 1996 in Malaysia.

In line with the adoption of MFRS, the Non-DPF unallocated surplus, available-for-sale reserves and revaluation reserves have been reclassified from liabilities to equity. The revised Guidelines issued by BNM arising from the adoption of MFRS Framework by the Group and the Company took effect from 1 January 2012, and hence the retrospective adjustments were made are required against the Group's and Company's opening MFRS statements of financial position.

The financial effects of the adoption of the above revised BNM Guidelines on the Group's and the Company's financial statements are disclosed in Note 2.4(iii).

(ii) Changes in accounting policies and reclassification of comparative to conform with current year presentation

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

During the financial year, the Company has adjusted other receivables, retained profits and provision for taxation for the share of MMIP's assets in respect of prior years which arise mainly from the withdrawal of MMIP's members. The adjustments of other receivables, retained profits and provision for taxation for comparative periods are provided in Note 2.4(iii).

(b) Reclassification of "Software work-in-progress" from property and equipment to intangible assets

Software work-in-progress of the Group and the Company were previously presented in property and equipment until its development has been completed where the total cost will be transferred to intangible assets. However, for the current year presentation, the Group's and the Company's software work-in-progress have been reclassified to intangible assets in Note 5 to have all related software costs under a single note to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 First-time adoption of MFRS and changes in accounting policies (cont'd)

(iii) Financial effects arising from adoption of MFRS Framework, changes in accounting policies and reclassification of comparatives

(a) The following are reconciliations of statements of financial position of the Group and the Company as at 1 July 2011 and as at 30 June 2012:

Group	FRS, as modified by BNM Guidelines RM'000	Note 2.4(i) RM'000	Note 2.4(ii)(a) RM'000	Note 2.4(ii)(b) RM'000	MFRS RM'000
As at 1 July 2011					
Assets					
Property and equipment	84,254	-	-	(4,209)	80,045
Investment properties	1,790	-	-	-	1,790
Intangible assets	1,398	-	-	4,209	5,607
Prepaid land lease payments	278	-	-	-	278
Investments	3,871,299	-	-	-	3,871,299
Reinsurance assets	179,510	-	-	-	179,510
Insurance receivables	58,493	-	-	-	58,493
Other receivables	59,259	-	1,784	-	61,043
Cash and bank balances	19,307	-	-	-	19,307
Assets held for sale	7,305	-	-	-	7,305
Total assets	4,282,893	-	1,784	-	4,284,677
Equity					
Share capital	100,284	-	-	-	100,284
Share premiums	24,740	-	-	-	24,740
Retained profits	142,753	41,158	1,338	-	185,249
Merger reserves	40,672	-	-	-	40,672
Available-for-sale reserves	7,095	8,263	-	-	15,358
Deferred tax effects on available-for-sale reserves	-	(1,527)	-	-	(1,527)
	7,095	6,736	-	-	13,831
Revaluation reserves	-	2,835	-	-	2,835
Deferred tax effects on revaluation reserves	-	(524)	-	-	(524)
	-	2,311	-	-	2,311
Total equity	315,544	50,205	1,338	-	367,087
Liabilities					
Insurance contract liabilities	3,734,009	(65,976)	-	-	3,668,033
- Unallocated surplus	-	(54,878)	-	-	-
- Available-for-sale reserves, net of tax at 8%	-	(8,263)	-	-	-
- Revaluation reserves, net of tax at 8%	-	(2,835)	-	-	-
Deferred tax liabilities	11,305	15,771	-	-	27,076
- Unallocated surplus	-	13,720	-	-	-
- Deferred tax effects on available-for-sale reserves	-	1,527	-	-	-
- Deferred tax effects on revaluation reserves	-	524	-	-	
Insurance payables	148,262	-	-	-	148,262
Provision for taxation	7,277	-	446	-	7,723
Other payables	66,496	-	-	-	66,496
Total liabilities	3,967,349	(50,205)	446	-	3,917,590
Total equity and liabilities	4,282,893	-	1,784	-	4,284,677

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 First-time adoption of MFRS and changes in accounting policies (cont'd)

(iii) Financial effects arising from adoption of MFRS Framework, changes in accounting policies and reclassification of comparatives (cont'd)

(a) The following are reconciliations of statements of financial position of the Group and the Company as at 1 July 2011 and as at 30 June 2012 (cont'd):

Group (cont'd)	FRS, as modified by BNM Guidelines RM'000	Note 2.4(i) RM'000	Note 2.4(ii)(a) RM'000	Note 2.4(ii)(b) RM'000	MFRS RM'000
As at 30 June 2012					
Assets					
Property and equipment	120,616	-	-	(10,508)	110,108
Investment properties	1,860	-	-	-	1,860
Intangible assets	1,380	-	-	10,508	11,888
Prepaid land lease payments	266	-	-	-	266
Investments	4,140,736	-	-	-	4,140,736
Reinsurance assets	167,173	-	-	-	167,173
Insurance receivables	62,420	-	-	-	62,420
Other receivables	69,133	-	3,810	-	72,943
Cash and bank balances	44,163	-	-	-	44,163
Total assets	4,607,747	-	3,810	-	4,611,557
Equity					
Share capital	100,284	-	-	-	100,284
Share premiums	24,740	-	-	-	24,740
Retained profits	172,532	53,737	2,857	-	229,126
Merger reserves	40,672	-	-	-	40,672
Available-for-sale reserves	8,758	9,239	-	-	17,997
Deferred tax effects on available-for-sale reserves	-	(1,708)	-	-	(1,708)
	8,758	7,531	-	-	16,289
Revaluation reserves	-	5,608	-	-	5,608
Deferred tax effects on revaluation reserves	-	(1,036)	-	-	(1,036)
	-	4,572	-	-	4,572
Total equity	346,986	65,840	2,857	-	415,683
Liabilities					
Insurance contract liabilities	4,008,821	(86,497)	-	-	3,922,324
- Unallocated surplus	-	(71,650)	-	-	-
- Available-for-sale reserves, net of tax at 8%	-	(9,239)	-	-	-
- Revaluation reserves, net of tax at 8%	-	(5,608)	-	-	-
Deferred tax liabilities	12,793	20,657	-	-	33,450
- Unallocated surplus	-	17,913	-	-	-
- Deferred tax effects on available-for-sale reserves	-	1,708	-	-	-
- Deferred tax effects on revaluation reserves	-	1,036	-	-	-
Insurance payables	155,582	-	-	-	155,582
Provision for taxation	15,269	-	953	-	16,222
Other payables	68,296	-	-	-	68,296
Total liabilities	4,260,761	(65,840)	953	-	4,195,874
Total equity and liabilities	4,607,747	-	3,810	-	4,611,557

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 First-time adoption of MFRS and changes in accounting policies (cont'd)

(iii) Financial effects arising from adoption of MFRS Framework, changes in accounting policies and reclassification of comparatives (cont'd)

(a) The following are reconciliations of statements of financial position of the Group and the Company as at 1 July 2011 and as at 30 June 2012 (cont'd):

Company	FRS, as modified by BNM Guidelines RM'000	Note 2.4(i) RM'000	Note 2.4(ii)(a) RM'000	Note 2.4(ii)(b) RM'000	MFRS RM'000
As at 1 July 2011					
Assets					
Property and equipment	84,254	-	-	(4,209)	80,045
Investment properties	1,790	-	-	-	1,790
Intangible assets	1,398	-	-	4,209	5,607
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Total assets	4,282,893	-	1,784	-	4,284,677
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Share premiums	24,740	-	-	-	24,740
Retained profits	142,765	41,158	1,338	-	185,261
Merger reserves	40,672	-	-	-	40,672
Available-for-sale reserves	7,095	8,263	-	-	15,358
Deferred tax effects on available-for-sale reserves	-	(1,527)	-	-	(1,527)
	7,095	6,736	-	-	13,831
Revaluation reserves	-	2,835	-	-	2,835
Deferred tax effects on revaluation reserves	-	(524)	-	-	(524)
	-	2,311	-	-	2,311
Total equity	315,556	50,205	1,338	-	367,099
Liabilities					
Insurance contract liabilities	3,734,009	(65,976)	-	-	3,668,033
- Unallocated surplus	-	(54,878)	-	-	-
- Available-for-sale reserves, net of tax at 8%	-	(8,263)	-	-	-
- Revaluation reserves, net of tax at 8%	-	(2,835)	-	-	-
Deferred tax liabilities	11,305	15,771	-	-	27,076
- Unallocated surplus	-	13,720	-	-	-
- Deferred tax effects on available-for-sale reserves	-	1,527	-	-	-
- Deferred tax effects on revaluation reserves	-	524	-	-	-
Insurance payables	148,262	-	-	-	148,262
Provision for taxation	7,277	-	446	-	7,723
Other payables	66,484	-	-	-	66,484
Total liabilities	3,967,337	(50,205)	446	-	3,917,578
Total equity and liabilities	4,282,893	-	1,784	-	4,284,677

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 First-time adoption of MFRS and changes in accounting policies (cont'd)

(iii) Financial effects arising from adoption of MFRS Framework, changes in accounting policies and reclassification of comparatives (cont'd)

(a) The following are reconciliations of statements of financial position of the Group and the Company as at 1 July 2011 and as at 30 June 2012 (cont'd):

Company (cont'd)	FRS, as modified by BNM Guidelines RM'000	Note 2.4(i) RM'000	Note 2.4(ii)(a) RM'000	Note 2.4(ii)(b) RM'000	MFRS RM'000
As at 30 June 2012					
Assets					
Property and equipment	120,616	-	-	(10,508)	110,108
Investment properties	1,860	-	-	-	1,860
Intangible assets	1,380	-	-	10,508	11,888
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Insurance receivables	62,420	-	-	-	62,420
Other receivables	69,133	-	3,810	-	72,943
Cash and bank balances	44,163	-	-	-	44,163
Total assets	4,607,747	-	3,810	-	4,611,557
Equity					
Share capital	100,284	-	-	-	100,284
Share premiums	24,740	-	-	-	24,740
Retained profits	172,548	53,737	2,857	-	229,142
Merger reserves	40,672	-	-	-	40,672
Available-for-sale reserves	8,758	9,239	-	-	17,997
Deferred tax effects on available-for-sale reserves	-	(1,708)	-	-	(1,708)
	8,758	7,531	-	-	16,289
Revaluation reserves	-	5,608	-	-	5,608
Deferred tax effects on revaluation reserves	-	(1,036)	-	-	(1,036)
	-	4,572	-	-	4,572
Total equity	347,002	65,840	2,857	-	415,699
Liabilities					
Insurance contract liabilities	4,008,821	(86,497)	-	-	3,922,324
- Unallocated surplus	-	(71,650)	-	-	-
- Available-for-sale reserves, net of tax at 8%	-	(9,239)	-	-	-
- Revaluation reserves, net of tax at 8%	-	(5,608)	-	-	-
Deferred tax liabilities	12,793	20,657	-	-	33,450
- Unallocated surplus	-	17,913	-	-	-
- Deferred tax effects on available-for-sale reserves	-	1,708	-	-	-
- Deferred tax effects on revaluation reserves	-	1,036	-	-	-
Insurance payables	155,582	-	-	-	155,582
Provision for taxation	15,269	-	953	-	16,222
Other payables	68,280	-	-	-	68,280
Total liabilities	4,260,745	(65,840)	953	-	4,195,858
Total equity and liabilities	4,607,747	-	3,810	-	4,611,557

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 First-time adoption of MFRS and changes in accounting policies (cont'd)

(iii) Financial effects arising from adoption of MFRS Framework, changes in accounting policies and reclassification of comparatives (cont'd)

(b) The following are reconciliations of income statements of the Group and the Company for the year ended 30 June 2012:

Group	FRS, as modified by BNM Guidelines RM'000	Note 2.4(i) RM'000	Note 2.4(ii)(a) RM'000	Note 2.4(ii)(b) RM'000	MFRS RM'000
For the financial year ended 30 June 2012					
Gross earned premiums	797,031	-	-	-	797,031
Premiums ceded to reinsurers	(125,672)	-	-	-	(125,672)
Net earned premiums	671,359	-	-	-	671,359
Investment income	179,192	-	-	-	179,192
Realised gains and losses	100,878	-	-	-	100,878
Fair value gains and losses	3,695	-	-	-	3,695
Fee and commission income	28,140	-	-	-	28,140
Other operating revenue	5,158	-	2,026	-	7,184
Other revenue	317,063	-	2,026	-	319,089
Gross benefits and claims paid	(432,368)	-	-	-	(432,368)
Claims ceded to reinsurers	24,314	-	-	-	24,314
Gross change in contract liabilities	(279,497)	16,772	-	-	(262,725)
Change in contract liabilities ceded to reinsurers	(9,118)	-	-	-	(9,118)
Net benefits and claims	(696,670)	16,772	-	-	(679,897)
Fee and commission expenses	(124,711)	-	-	-	(124,711)
Other operating expenses	(6,709)	-	-	-	(6,709)
Management expenses	(88,155)	-	-	-	(88,155)
Other expenses	(219,575)	-	-	-	(219,575)
Profit before taxation	72,178	16,772	2,026	-	90,976
Taxation	(31,117)	(4,193)	(507)	-	(35,817)
Net profit for the year	41,061	12,579	1,519	-	55,159

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 First-time adoption of MFRS and changes in accounting policies (cont'd)

(iii) Financial effects arising from adoption of MFRS Framework, changes in accounting policies and reclassification of comparatives (cont'd)

(b) The following are reconciliations of income statements of the Group and the Company for the year ended 30 June 2012 (cont'd):

Company	FRS, as modified by BNM Guidelines RM'000	Note 2.4(i) RM'000	Note 2.4(ii)(a) RM'000	Note 2.4(ii)(b) RM'000	MFRS RM'000
For the financial year ended 30 June 2012					
Gross earned premiums	797,031	-	-	-	797,031
Premiums ceded to reinsurers	(125,672)	-	-	-	(125,672)
Net earned premiums	671,359	-	-	-	671,359
Investment income	179,192	-	-	-	179,192
Realised gains and losses	100,878	-	-	-	100,878
Fair value gains and losses	3,695	-	-	-	3,695
Fee and commission income	28,140	-	-	-	28,140
Other operating revenue	5,158	-	2,026	-	7,184
Other revenue	317,063	-	2,026	-	319,089
Gross benefits and claims paid	(432,368)	-	-	-	(432,368)
Claims ceded to reinsurers	24,314	-	-	-	24,314
Gross change in contract liabilities	(279,497)	16,772	-	-	(262,725)
Change in contract liabilities ceded to reinsurers	(9,118)	-	-	-	(9,118)
Net benefits and claims	(696,670)	16,772	-	-	(679,897)
Fee and commission expenses	(124,711)	-	-	-	(124,711)
Other operating expenses	(6,709)	-	-	-	(6,709)
Management expenses	(88,151)	-	-	-	(88,151)
Other expenses	(219,571)	-	-	-	(219,571)
Profit before taxation	72,182	16,772	2,026	-	90,980
Taxation	(31,117)	(4,193)	(507)	-	(35,817)
Net profit for the year	41,065	12,579	1,519	-	55,163

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 First-time adoption of MFRS and changes in accounting policies (cont'd)

(iii) Financial effects arising from adoption of MFRS Framework, changes in accounting policies and reclassification of comparatives (cont'd)

(b) The following are reconciliations of statements of comprehensive income of the Group and the Company for the year ended 30 June 2012:

Group	FRS, as modified by BNM Guidelines RM'000	Note 2.4(i) RM'000	Note 2.4(ii)(a) RM'000	Note 2.4(ii)(b) RM'000	MFRS RM'000
For the financial year ended 30 June 2012					
Net profit for the year	41,061	12,579	1,519	-	55,159
Other comprehensive income:					
Available-for-sale reserves:					
Gain on fair value changes of AFS investments	9,133	8,913	-	-	18,046
AFS fair value reserves of non participating funds		8,913	-	-	
Realised gain transferred to the income statement	(6,916)	(7,852)	-	-	(14,768)
Realised gain transferred to the income statement for non participating funds		(7,852)	-	-	
Deferred tax relating to components of other comprehensive income	(554)	(266)	-	-	(820)
Deferred tax effects on AFS fair value reserves of non participation funds		(266)	-	-	
Revaluation reserves:					
Gain on fair value changes of revaluation reserves	-	3,014	-	-	3,014
Deferred tax effects on revaluation reserves of non participating funds	-	(753)	-	-	(753)
Other comprehensive income for the year, net of taxation	1,663	3,056	-	-	4,719
Total comprehensive income for the year	42,724	15,635	1,519	-	59,878

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 First-time adoption of MFRS and changes in accounting policies (cont'd)

(iii) Financial effects arising from adoption of MFRS Framework, changes in accounting policies and reclassification of comparatives (cont'd)

(b) The following are reconciliations of statements of comprehensive income of the Group and the Company for the year ended 30 June 2012 (cont'd):

Company	FRS, as modified by BNM Guidelines RM'000	Note 2.4(i) RM'000	Note 2.4(ii)(a) RM'000	Note 2.4(ii)(b) RM'000	MFRS RM'000
For the financial year ended 30 June 2012					
Net profit for the year	41,065	12,579	1,519	-	55,163
Other comprehensive income:					
Available-for-sale reserves:					
Gain on fair value changes of AFS investments	9,133	8,913	-	-	18,046
AFS fair value reserves of non participating funds		8,913	-	-	
Realised gain transferred to the income statement	(6,916)	(7,852)	-	-	(14,768)
Realised gain transferred to the income statement for non participating funds		(7,852)	-	-	
Deferred tax relating to components of other comprehensive income	(554)	(266)	-	-	(820)
Deferred tax effects on AFS fair value reserves of non participation funds		(266)	-	-	
Revaluation reserves:					
Gain on fair value changes of revaluation reserves	-	3,014	-	-	3,014
Deferred tax effects on revaluation reserves of non participating funds	-	(753)	-	-	(753)
Other comprehensive income for the year, net of taxation	1,663	3,056	-	-	4,719
Total comprehensive income for the year	42,728	15,635	1,519	-	59,882

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Standards issued but not yet effective

The following are MFRSs, Amendments to MFRSs and Issues Committee ("IC") Interpretations issued by MASB that will be effective for the Company in future years. The Company intends to adopt the following relevant standards when they become effective.

Effective for financial periods beginning on or after 1 January 2013

MFRS 3	Business Combinations
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits (revised)
MFRS 127	Separate Financial Statements (revised)
MFRS 128	Investments in Associates and Joint Ventures (revised)
Amendments to MFRS 7	Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards - Government Loans
Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 101	Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 116	Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 132	Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 134	Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 10	Consolidated Financial Statements: Transition Guidance
Amendments to MFRS 11	Joint Arrangements: Transition Guidance
Amendments to MFRS 12	Disclosure of Interests in Other Entities: Transition Guidance
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments (Annual Improvements 2009-2011 Cycle)
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine

Effective for financial periods beginning on or after 1 January 2014

Amendments to MFRS 132	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 10, MFRS 12 and MFRS 127	Investment Entities
Amendments to MFRS 136	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21	IC Interpretation 21 Levies

Effective for financial periods beginning on or after 1 January 2015

MFRS 9	Financial Instruments
Amendments to MFRS 7	Financial Instruments: Disclosures - Mandatory Date of MFRS 9 and Transition Disclosures

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

The above pronouncements are not expected to have any significant impact for the Company when they become effective in the respective financial periods except for those described below.

(i) MFRS 10 Consolidated Financial Statements

MFRS 10 replaces part of MFRS 127 Consolidated and Separate Financial Statements that deals with consolidated financial statements and IC Interpretation 112 Consolidation – Special Purpose Entities.

Under MFRS 10, an investor controls an investee when (a) the investor has power over an investee, (b) the investor has exposure, or rights, to variable returns from its involvement with the investee, and (c) the investor has ability to use its power over the investee to affect the amount of the investor's returns. Under MFRS 127 Consolidated and Separate Financial Statements, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

MFRS 10 includes detailed guidance to explain when an investor has control over the investee. MFRS 10 requires the investor to take into account all relevant facts and circumstances.

The application of MFRS 10 may affect the basis of accounting for the Group's and the Company's investments in the collective investment funds and application of consolidation requirement therewith.

(ii) MFRS 13 Fair Value Measurement

MFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to measure the fair value of financial and non-financial assets and liabilities when required or permitted by MFRS. The Group and the Company do not anticipate significant impact to the financial statements upon adoption of this standard, except for the additional disclosure requirements.

(iii) MFRS 9 Financial Instruments : Classification and Measurement

MFRS 9 reflects the first phase of the work on the replacement of MFRS 139 Financial Instruments: Recognition and Measurement and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139 Financial Instruments: Recognition and Measurement. The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the financial assets of the Group and of the Company. The Group and the Company will assess the effect in conjunction with the relevant phases above, when the final standard including all phases is issued.

2.6 Significant accounting judgments, estimates and assumptions

The preparation of the Group's and 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:

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(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) 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.

(ii) 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 for Insurers (BNM/RH/GL/003-28). 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.

(iii) 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.

(iv) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(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:

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 fund contract liabilities. Changes to the insurance fund contract liabilities during the year are reported in the income statement.

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

Valuation method	Gross premium
Discount rates	Participating and annuity fund: 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 fund: 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)

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.

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.

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.

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)

Fair value of financial assets determined using valuation techniques(cont'd.)

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.

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 fund.

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.

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.

During the year, the Company has recognised RM14.9 million of tax recoverable in respect of tax paid previously for the annuity fund, where pursuant to Income Tax (Exemption) (No.39) Order 2005 ("Gazette Order"), insurance companies which carry on life business and operators which operate family solidarity business as specified in the Schedule of the said Gazette Order are exempted from tax in relation to statutory income derived from Employees Provident Fund Annuity Scheme Fund ("Annuity Fund") managed by insurance companies.

In prior years, the Company has not recognised the above-mentioned tax recoverable due to uncertainties as to whether these amounts were recoverable. During the current financial year, the Inland Revenue Board of Malaysia has agreed to these tax recoveries for certain years of assessment with minimal adjustments. Consequently, the Company has determined that there is now sufficient and appropriate evidence to support the tax recoverable and as a result, full recognition has been recorded during the current financial year.

3. PROPERTY AND EQUIPMENT

Group and Company	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
	< ----- At valuation -----				----- >	< ----- At cost -----				----->
	< ----- Properties -----				----- >					
2013										
Cost / Valuation										
At 1 July 2012	13,990	34,179	12,480	42,131	560	1,757	11,977	25,578	5,675	148,327
Additions	-	-	-	-	-	-	1,034	825	-	1,859
Disposals	-	-	-	-	-	(442)	-	(411)	-	(853)
Write-offs	-	-	-	-	-	-	(45)	(40)	(18)	(103)
At 30 June 2013	13,990	34,179	12,480	42,131	560	1,315	12,966	25,952	5,657	149,230
Accumulated depreciation										
At 1 July 2012	-	45	53	182	2	1,608	9,701	20,970	5,658	38,219
Charge for the year	-	546	635	2,187	23	85	541	1,384	8	5,409
Disposals	-	-	-	-	-	(442)	-	(408)	-	(850)
Write-offs	-	-	-	-	-	-	(42)	(39)	(17)	(98)
At 30 June 2013	-	591	688	2,369	25	1,251	10,200	21,907	5,649	42,680
Net carrying amount										
At 30 June 2013	13,990	33,588	11,792	39,762	535	64	2,766	4,045	8	106,550

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2013

3. PROPERTY AND EQUIPMENT (CONT'D)

Group and Company	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
	< At valuation				>	< At cost			>	
	< Properties				>					
2012										
Cost / Valuation										
At 1 July 2011	10,575	23,770	12,065	32,160	450	1,757	11,934	25,001	5,675	123,387
Additions	-	-	-	7,095	-	-	169	778	-	8,042
Disposals	-	-	-	-	-	-	-	(134)	-	(134)
Revaluation surplus	3,415	13,040	2,645	8,729	177	-	-	-	-	28,006
Elimination of accumulated depreciation on revaluation	-	(2,631)	(2,230)	(5,853)	(67)	-	-	-	-	(10,781)
Write-offs	-	-	-	-	-	-	(126)	(67)	-	(193)
At 30 June 2012	13,990	34,179	12,480	42,131	560	1,757	11,977	25,578	5,675	148,327
Accumulated depreciation										
At 1 July 2011	-	2,282	1,677	4,417	51	637	8,997	19,666	5,615	43,342
Charge for the year	-	394	606	1,618	18	971	809	1,490	43	5,949
Disposals	-	-	-	-	-	-	-	(122)	-	(122)
Elimination of accumulated depreciation on revaluation	-	(2,631)	(2,230)	(5,853)	(67)	-	-	-	-	(10,781)
Write-offs	-	-	-	-	-	-	(105)	(64)	-	(169)
At 30 June 2012	-	45	53	182	2	1,608	9,701	20,970	5,658	38,219
Net carrying amount										
At 30 June 2012	13,990	34,134	12,427	41,949	558	149	2,276	4,608	17	110,108
At 1 July 2011	10,575	21,488	10,388	27,743	399	1,120	2,937	5,335	60	80,045

Included in the cost of property and equipment of the Group and of the Company are cost of fully depreciated assets which are still in use amounting to RM31,895,000 (2012: RM29,081,000, 01.07.2011: RM24,164,000).

3. PROPERTY AND EQUIPMENT (CONT'D)

Properties

The properties were revalued in May 2012 by an independent professional valuer and the fair values have been determined by reference to observable prices in an active market or recent market transactions on arm's length terms, adjusted if necessary, for any differences in the nature, location or condition of the specific properties.

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:**		
	2012	Sungai Petani, Kedah	800
	2012	Kulim, Kedah	280
	2012	Seremban, Negeri Sembilan	450
	2012	Bentong, Pahang	770
	2012	Kuantan, Pahang	1,200
	2012	Butterworth, Penang	700
	2012	George Town, Penang	6,000
	2012	Taiping, Perak	600
	2012	Ipoh, Perak	3,700
	2012	Sitiawan, Perak	90
	2012	Kuching, Sarawak	2,700
	2012	Kuala Lumpur	3,600
	2012	Kuala Lumpur	4,700
	2012	Port Dickson, Negeri Sembilan	480
	2012	Teluk Intan, Perak	400
			26,470
(ii)	**Leasehold land and buildings:**		
	2012	Kluang, Johor	1,100
	2012	Alor Setar, Kedah	650
	2012	Melaka	710
	2012	Port Dickson, Negeri Sembilan	300
	2012	Kangar, Perlis	700
	2012	Kota Bahru, Kelantan	560
	2012	Kota Kinabalu, Sabah	5,850
	2012	Petaling Jaya, Selangor	67,000
			76,870
			103,340

4. INVESTMENT PROPERTIES

Group and Company	2013 RM'000	2012 RM'000
At 1 July 2012 / 2011	1,860	1,790
Fair value (losses) / gains (Note 23)	(90)	70
At 30 June 2013 / 2012	1,770	1,860

The investment properties were revalued in May 2013 by an independent professional valuer and the fair values have been determined by reference to observable prices in an active market or recent market transactions on arm's length terms, adjusted if necessary, for any differences in the nature, location or condition of the specific properties.

Details of the investment properties stated at revalued amount are as follows:

Year of valuation	Location of property	Valuation by professional valuer RM'000
2013	Johor Bahru, Johor	1,100
2013	Hulu Selangor, Selangor	670
		1,770

5. INTANGIBLE ASSETS

Group and Company	Computer software RM'000	Software work-in progress RM'000	Total RM'000
2013			
Cost			
At 1 July 2012	15,930	10,508	26,438
Additions	201	4,481	4,682
Transfer	14,989	(14,989)	-
Disposal	(253)	-	(253)
At 30 June 2013	30,867	-	30,867
Accumulated amortisation			
At 1 July 2012	14,550	-	14,550
Charge for the year	697	-	697
Disposal	(253)	-	(253)
At 30 June 2013	14,994	-	14,994
Net carrying amount			
At 30 June 2013	15,873	-	15,873

5. INTANGIBLE ASSETS (CONT'D)

Group and Company	Computer software RM'000	Software work-in progress RM'000	Total RM'000
2012			
Cost			
At 1 July 2011	15,525	4,209	19,734
Additions	405	6,299	6,704
At 30 June 2012	15,930	10,508	26,438
Accumulated amortisation			
At 1 July 2011	14,127	-	14,127
Charge for the year	423	-	423
At 30 June 2012	14,550	-	14,550
Net carrying amount			
At 30 June 2012	1,380	10,508	11,888
At 1 July 2011	1,398	4,209	5,607

6. PREPAID LAND LEASE PAYMENTS

Group and Company	Leasehold land less than 50 years RM'000
2013	
Cost / Valuation	
At 1 July 2012 / 30 June 2013	350
Accumulated amortisation	
At 1 July 2012	84
Charge for the year	11
At 30 June 2013	95
Net carrying amount	
At 30 June 2013	255
2012	
Cost / Valuation	
At 1 July 2011 / 30 June 2012	350
Accumulated amortisation	
At 1 July 2011	72
Charge for the year	12
At 30 June 2012	84
Net carrying amount	
At 30 June 2012	266
At 1 July 2011	278

7. INVESTMENTS

Group and Company	2013 RM'000	2012 RM'000	01.07.2011 RM'000
Malaysian Government securities	1,245,608	1,211,713	1,027,365
Government investment issues	98,245	388,759	38,326
Malaysian Government guaranteed bonds	840,052	497,700	577,385
Quoted debt securities	-	-	1,963
Unquoted debt securities	932,994	873,702	1,080,568
Quoted equity securities	303,813	269,806	346,785
Quoted exchange traded funds	23,879	1,694	1,611
Unquoted equity securities	7,336	7,339	7,339
Quoted unit and property trust funds	156,199	138,611	103,854
Deposits with financial institutions	308,994	355,173	289,443
Loans receivable	383,984	396,239	396,660
	4,301,104	4,140,736	3,871,299

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

	2013 RM'000	2012 RM'000	01.07.2011 RM'000
LAR	692,978	751,412	686,103
AFS financial assets	3,505,387	3,308,869	3,098,513
Designated upon initial recognition at FVTPL	102,739	80,455	86,683
	4,301,104	4,140,736	3,871,299

	2013 RM'000	2012 RM'000	01.07.2011 RM'000
(a) LAR			
At amortised cost:			
Deposits with financial institutions	308,994	355,173	289,443
Loans receivable:			
Policy loans	367,800	376,895	372,152
Mortgage loans	9,446	10,538	11,108
Term loan to related party	9,000	11,000	13,000
Other loans	712	821	801
Accumulated impairment loss	(2,974)	(3,015)	(401)
	383,984	396,239	396,660
	692,978	751,412	686,103
(b) AFS			
At fair value:			
Malaysian Government securities	1,234,901	1,211,713	1,027,365
Government investment issues	98,245	388,759	38,326
Malaysian Government guaranteed bonds	836,508	494,136	573,832
Quoted debt securities	-	-	1,881
Unquoted debt securities	924,080	854,763	1,062,657
Quoted equity securities	251,481	215,531	285,127
Quoted unit and property trust funds	152,836	136,628	101,986
	3,498,051	3,301,530	3,091,174
At cost less impairment:			
Unquoted equity securities (net of impairment loss of RM62,000 (2012: RM59,000 ; 01.07.2011: RM59,000))	7,336	7,339	7,339
	3,505,387	3,308,869	3,098,513

7. INVESTMENTS (CONT'D)

Group and Company (cont'd)	2013 RM'000	2012 RM'000	01.07.2011 RM'000
(c) FVTPL			
At fair value:			
Malaysian government securities	-	-	-
Government investment issues	-	-	-
Malaysian Government securities	10,707	-	-
Malaysian Government guaranteed bonds	3,544	3,564	3,553
Quoted debt securities	-	-	82
Unquoted debt securities	8,914	18,939	17,911
Quoted equity securities	52,332	54,275	61,658
Quoted exchange traded funds	23,879	1,694	1,611
Quoted unit and property trust funds	3,363	1,983	1,868
	102,739	80,455	86,683

(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 / (losses) recorded in:				
Other comprehensive income	-	3,278	-	3,278
Insurance contract liabilities:				
Life fund	-	(22,073)	-	(22,073)
Investment linked fund	-	-	3,626	3,626
Realised gains / (losses) recorded in the income statement	-	100,652	(338)	100,314
Increase in loans	2,193	-	-	2,193
Increase in impairment loss	(2,614)	-	-	(2,614)
Increase in deposits with financial institutions	65,730	-	-	65,730
Net amortisation of premiums	-	(6,693)	-	(6,693)
At 30 June 2012 / 1 July 2012	751,412	3,308,869	80,455	4,140,736
Purchases	-	8,159,174	50,875	8,210,049
Disposals	-	(7,996,902)	(35,051)	(8,031,953)
Fair value gains / (losses) recorded in:				
Other comprehensive income	-	(1,315)	-	(1,315)
Insurance contract liabilities:				
Life fund	-	(22,842)	-	(22,842)
Investment linked fund	-	-	3,465	3,465
Realised gains recorded in the income statement	-	66,879	2,995	69,874
Decrease in loans	(12,296)	-	-	(12,296)
Decrease in impairment loss	41	-	-	41
Decrease in deposits with financial institutions	(46,179)	-	-	(46,179)
Net amortisation of premiums	-	(8,476)	-	(8,476)
At 30 June 2013	692,978	3,505,387	102,739	4,301,104

7. INVESTMENTS (CONT'D)

(e) Fair values of financial instruments

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

Group and Company	AFS RM'000	FVTPL RM'000	Total RM'000
2013			
Quoted market bid price	404,317	79,574	483,891
Valuation techniques - market observable inputs	3,093,734	23,165	3,116,899
	3,498,051	102,739	3,600,790
2012			
Quoted market bid price	352,159	57,952	410,111
Valuation techniques - market observable inputs	2,949,371	22,503	2,971,874
	3,301,530	80,455	3,381,985
01.07.2011			
Quoted market bid price	388,994	65,219	454,213
Valuation techniques - market observable inputs	2,702,180	21,464	2,723,644
	3,091,174	86,683	3,177,857

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.

7. INVESTMENTS (CONT'D)

(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 Group and Company are as below:

Group and Company	2013 %	2012 %
Malaysian Government securities	3.28 - 3.98	3.10 - 4.01
Government investment issues	3.58 - 3.88	2.87 - 3.87
Malaysian Government guaranteed bonds	3.22 - 5.09	3.36 - 5.03
Unquoted debt securities	2.14 - 12.20	3.40 - 12.26
Deposits with financial institutions	0.15 - 3.10	0.15 - 3.10
Loans receivable	4.00 - 11.00	4.00 - 10.00

(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 Group and Company are as below:

	Interest-bearing contractual re-pricing or maturity dates (whichever is earlier)			
Group and Company	1 year or less RM'000	1 year to 5 years RM'000	More than 5 years RM'000	Total RM'000
2013				
Malaysian Government securities	-	362,469	883,139	1,245,608
Government investment issues	-	9,911	88,334	98,245
Malaysian Government guaranteed bonds	251	134,081	705,720	840,052
Unquoted debt securities	20,415	503,926	408,653	932,994
Deposits with financial institutions	308,994	-	-	308,994
Loans receivable*	315	814	16,507	17,636
	329,975	1,011,201	2,102,353	3,443,529
2012				
Malaysian Government securities	-	50,680	1,161,033	1,211,713
Government investment issues	6,609	-	382,150	388,759
Malaysian Government guaranteed bonds	-	213,236	284,464	497,700
Unquoted debt securities	61,567	355,116	457,019	873,702
Deposits with financial institutions	355,173	-	-	355,173
Loans receivable*	1,271	1,154	18,708	21,133
	424,620	620,186	2,303,374	3,348,180
01.07.2011				
Malaysian Government securities	-	322,132	705,233	1,027,365
Government investment issues	-	-	38,326	38,326
Malaysian Government guaranteed bonds	-	211,517	365,868	577,385
Quoted debt securities	-	-	1,963	1,963
Unquoted debt securities	5,075	380,863	694,630	1,080,568
Deposits with financial institutions	289,443	-	-	289,443
Loans receivable*	1,157	1,710	21,641	24,508
	295,675	916,222	1,827,661	3,039,558

* The Company's policy loan portfolio of RM366,348,000 (2012: RM375,106,000; 1 July 2011: RM372,152,000) (net of impairment loss of RM1,452,000 (2012: RM1,789,000; 1 July 2011: Nil) is not included in the above loans receivable as there are no specific maturity dates.

8. REINSURANCE ASSETS

Group and Company	2013 RM'000	2012 RM'000	01.07.2011 RM'000
Claim liabilities (Note 16)	109,011	114,275	123,393
Premium liabilities (Note 16)	30,950	52,898	56,117
	139,961	167,173	179,510

9. INSURANCE RECEIVABLES

Group and Company	2013 RM'000	2012 RM'000	01.07.2011 RM'000
Due premiums including agents/brokers and co-insurers balances	69,126	66,032	59,072
Due from reinsurers and cedants	10,657	6,257	5,219
	79,783	72,289	64,291
Accumulated impairment loss	(6,321)	(9,869)	(5,798)
	73,462	62,420	58,493

Details of the allowance account has been disclosed in Note 40(d).

Included in amount due from insurers and cedants is an amount of RM1,203,000 (2012: RM778,000; 1 July 2011: RM156,000) due from related companies. The amount receivable is subject to settlement terms stipulated in the insurance contracts.

10. OTHER RECEIVABLES

Group and Company	2013 RM'000	2012 RM'000	01.07.2011 RM'000
Financial assets:			
Income due and accrued	39,130	34,635	31,643
Amount due from Life insurance fund*	11,785	12,919	12,873
Amount due from related companies*	64	37	52
Assets held by MMIP	40,235	15,964	7,096
Other receivables	6,392	7,133	5,834
	97,606	70,688	57,498
Non-financial assets:			
Prepayments	1,831	1,564	2,051
Tax recoverable	1,037	691	1,494
	2,868	2,255	3,545
	100,474	72,943	61,043

* These balance are unsecured, interest-free and are repayable on demand.

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

11. ASSETS HELD FOR SALE

Group and Company	2013 RM'000	2012 RM'000
At 1 July 2012 / 2011	-	7,305
Disposals	-	(7,305)
At 30 June 2013 / 2012	-	-

In the financial year 2011, the Company entered into a Sale and Purchase Agreement to dispose certain investment properties. The disposals were completed on 13 September 2011.

12. SUBSIDIARY

Company	2013 RM'000	2012 RM'000	01.07.2011 RM'000
Unquoted shares, at cost	100	100	100
Less: Allowance for impairment loss	(100)	(100)	(100)
	-	-	-

Details of subsidiary:

Name	Country of incorporation	Proportion of equity interest 2013 %	2012 %	01.07.2011 %	Principal activity
Cramson (Malaysia) Bhd.	Malaysia	100	100	100	Dormant

13. SHARE CAPITAL

Company	2013 No. of Shares ('000)	2013 RM'000	2012 No. of Shares ('000)	2012 RM'000
Authorised:				
Ordinary share of RM1.00 each				
At 1 July 2012 / 2011 and 30 June 2013 / 2012	200,000	200,000	200,000	200,000
Issued and paid-up:				
Ordinary share of RM1.00 each				
At 1 July 2012 / 2011 and 30 June 2013 / 2012	100,284	100,284	100,284	100,284

14. RETAINED PROFITS

Presently, Malaysian companies adopt the full imputation system. In accordance with the Finance Act, 2007, which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders ("single-tier system"). However, there is a transitional period of six years expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard their accumulated tax credits under Section 108 of the Income Tax Act, 1967 ("Section 108 balance") and opt to pay dividends under the single-tier system. The change in the tax legislation also provides for the Section 108 balance to be locked in as at 31 December 2007 in accordance with Section 39 of the Finance Act, 2007.

The Company did not elect for the irrevocable option to disregard the Section 108 balance. During the transitional period, the Company may utilise the credits in the Section 108 balance as at 30 June 2013 to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act, 2007.

The Company has sufficient Section 108 balance and balance in the tax-exempt account to frank the payment of dividends out of its entire retained earnings as at 30 June 2013.

As at 30 June 2013, the Company also has tax exempt profits available for distribution of RM40,808,000 (2012: RM40,361,000; 01.07.2011: RM39,920,000), subject to the agreement of the Inland Revenue Board.

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

	2013			2012			01.07.2011		
	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	3,758,813	(919)	3,757,894	3,530,445	(1,649)	3,528,796	3,283,494	(4,150)	3,279,344
General insurance	373,772	(139,042)	234,730	391,879	(165,524)	226,355	384,539	(175,360)	209,179
	4,132,585	(139,961)	3,992,624	3,922,324	(167,173)	3,755,151	3,668,033	(179,510)	3,488,523

(a) Life insurance fund

	2013			2012			01.07.2011		
	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	41,147	(919)	40,228	34,850	(1,649)	33,201	32,064	(4,150)	27,914
Actuarial liabilities	3,026,377	-	3,026,377	2,895,299	-	2,895,299	2,728,716	-	2,728,716
Unallocated surplus	441,295	-	441,295	349,879	-	349,879	280,245	-	280,245
AFS reserves	91,735	-	91,735	113,540	-	113,540	134,559	-	134,559
Asset revaluation reserves	36,929	-	36,929	36,929	-	36,929	13,936	-	13,936
Net asset value attributable to unitholders	121,330	-	121,330	99,948	-	99,948	93,974	-	93,974
	3,758,813	(919)	3,757,894	3,530,445	(1,649)	3,528,796	3,283,494	(4,150)	3,279,344

16. INSURANCE CONTRACT LIABILITIES (CONT'D)

(a) Life insurance fund (cont'd)

2013	Gross			Reinsurance			
	With DPF RM'000	Without DPF RM'000	Total RM'000	With DPF RM'000	Without DPF RM'000	Total RM'000	Net RM'000
As at 1 July 2012	3,119,982	410,463	3,530,445	(1,226)	(423)	(1,649)	3,528,796
Premiums received (Note 20(a) & (b))	439,810	94,313	534,123	(2,671)	235	(2,436)	531,687
Liabilities paid for death, maturities, surrenders, benefits and claims (Note 26(a) & (b))	(307,122)	(51,528)	(358,650)	4,498	978	5,476	(353,174)
Policy movement	135,483	18,316	153,799	-	-	-	153,799
Interest rate	2,574	333	2,907	-	-	-	2,907
Adjustments due to changes in assumptions:							
Mortality/morbidity	190	(4,559)	(4,369)	-	-	-	(4,369)
Expenses	-	(116)	(116)	-	-	-	(116)
Lapse	(15,798)	(105)	(15,903)	-	-	-	(15,903)
Others	(9,744)	4,504	(5,240)	-	-	-	(5,240)
Claims benefit experience variation	(127,796)	(41,380)	(169,176)	(757)	(1,553)	(2,310)	(171,486)
Net asset value attributable to unitholders	-	8,053	8,053	-	-	-	8,053
Net creation of units (Note 20(a) & (b))	-	49,316	49,316	-	-	-	49,316
Net cancellation of units (Note 26(a) & (b))	-	(35,987)	(35,987)	-	-	-	(35,987)
AFS reserves	(22,841)	-	(22,841)	-	-	-	(22,841)
Deferred tax on AFS reserves	1,036	-	1,036	-	-	-	1,036
Unallocated surplus available	91,416	-	91,416	-	-	-	91,416
As at 30 June 2013	3,307,190	451,623	3,758,813	(156)	(763)	(919)	3,757,894

16. INSURANCE CONTRACT LIABILITIES (CONT'D)

(a) Life insurance fund (cont'd)

2012	<---- Gross	---->		<---- Reinsurance	---->		
	With DPF RM'000	Without DPF RM'000	Total RM'000	With DPF RM'000	Without DPF RM'000	Total RM'000	Net RM'000
As at 1 July 2011	2,892,156	391,338	3,283,494	(1,992)	(2,158)	(4,150)	3,279,344
Premiums received (Note 20(a) & (b))	417,836	85,894	503,730	(3,222)	(3,906)	(7,128)	496,602
Liabilities paid for death, maturities, surrenders, benefits and claims (Note 26(a) & (b))	(265,651)	(46,844)	(312,495)	1,011	540	1,551	(310,944)
Policy movement	144,500	18,743	163,243	-	-	-	163,243
Interest rate	21,969	7,323	29,292	-	-	-	29,292
Adjustments due to changes in assumptions:							
Mortality/morbidity	(4,990)	(10,967)	(15,957)	-	-	-	(15,957)
Expenses	(2,671)	(362)	(3,033)	-	-	-	(3,033)
Lapse	(63,372)	(5,457)	(68,829)	-	-	-	(68,829)
Others	60,870	997	61,867	-	-	-	61,867
Claims benefit experience variation	(152,273)	(36,175)	(188,448)	2,977	5,101	8,078	(180,370)
Net asset value attributable to unitholders	-	6,890	6,890	-	-	-	6,890
Net creation of units (Note 20(a) & (b))	-	23,343	23,343	-	-	-	23,343
Net cancellation of units (Note 26(a) & (b))	-	(24,260)	(24,260)	-	-	-	(24,260)
AFS reserves	(22,073)	-	(22,073)	-	-	-	(22,073)
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	69,634	-	69,634	-	-	-	69,634
As at 30 June 2012	3,119,982	410,463	3,530,445	(1,226)	(423)	(1,649)	3,528,796

16. INSURANCE CONTRACT LIABILITIES (CONT'D)

(b) General insurance fund

	2013 Gross RM'000	2013 Reinsurance RM'000	2013 Net RM'000	2012 Gross RM'000	2012 Reinsurance RM'000	2012 Net RM'000	01.07.2011 Gross RM'000	01.07.2011 Reinsurance RM'000	01.07.2011 Net RM'000
Provision for claims reported by policyholders	176,930	(78,952)	97,978	182,166	(85,297)	96,869	182,737	(90,042)	92,695
Provision for incurred but not reported ("IBNR") claims and provision for risk margin for adverse deviations ("PRAD")	105,756	(29,140)	76,616	94,686	(27,329)	67,357	76,366	(29,201)	47,165
Claim liabilities (i)	282,686	(108,092)	174,594	276,852	(112,626)	164,226	259,103	(119,243)	139,860
Premium liabilities (ii)	91,086	(30,950)	60,136	115,027	(52,898)	62,129	125,436	(56,117)	69,319
	373,772	(139,042)	234,730	391,879	(165,524)	226,355	384,539	(175,360)	209,179

	2013 Gross RM'000	2013 Reinsurance RM'000	2013 Net RM'000	2012 Gross RM'000	2012 Reinsurance RM'000	2012 Net RM'000
(i) Claim liabilities						
At 1 July 2012 / 2011	276,852	(112,626)	164,226	259,103	(119,243)	139,860
Claims incurred in the current accident year	114,504	(51,836)	62,668	106,626	(37,852)	68,774
IBNR and PRAD incurred	11,070	(1,811)	9,259	18,320	1,872	20,192
Claims incurred in prior accident years	9,828	12,235	22,063	(8,800)	19,834	11,034
Claims paid during the year	(129,568)	45,946	(83,622)	(98,397)	22,763	(75,634)
At 30 June 2013 / 2012	282,686	(108,092)	174,594	276,852	(112,626)	164,226
(ii) Premium liabilities						
At 1 July 2012 / 2011	115,027	(52,898)	62,129	125,436	(56,117)	69,319
Premiums written in the year (Note 20 (a) & (b))	208,298	(83,656)	124,642	259,549	(115,325)	144,224
Premiums earned during the year	(232,239)	105,604	(126,635)	(269,958)	118,544	(151,414)
At 30 June 2013 / 2012	91,086	(30,950)	60,136	115,027	(52,898)	62,129

17. DEFERRED TAXATION

Group and Company	Note	2013 RM'000	2012 RM'000
At 1 July 2012 / 2011		33,450	27,076
Recognised in:			
Income statement	29	5,730	3,856
Other comprehensive income		(328)	1,573
Insurance contract liabilities	16(a)	(1,036)	945
At 30 June 2013 / 2012		37,816	33,450

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.

	2013 RM'000	2012 RM'000	01.07.2011 RM'000
Presented after appropriate offsetting as follows:			
Deferred tax liabilities	38,723	37,888	32,576
Deferred tax assets	(907)	(4,438)	(5,500)
	37,816	33,450	27,076

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

Deferred tax liabilities	Accretion and amortisation on investment assets RM'000	Accelerated capital allowance on property and equipment RM'000	Fair value of investment properties RM'000	Fair value of investments assets RM'000	Unallocated surplus RM'000	RM'000
At 1 July 2011	2,484	732	1,982	13,658	13,720	32,576
Recognised in:						
Income statement	(1,013)	(386)	-	-	4,193	2,794
Other comprehensive income	-	-	753	820	-	1,573
Insurance contract liabilities	-	-	1,999	(1,054)	-	945
At 30 June 2012/ 1 July 2012	1,471	346	4,734	13,424	17,913	37,888
Recognised in:						
Income statement	(1,471)	776	-	(271)	3,165	2,199
Other comprehensive income	-	-	-	(328)	-	(328)
Insurance contract liabilities	-	-	-	(1,036)	-	(1,036)
At 30 June 2013	-	1,122	4,734	11,789	21,078	38,723

17. DEFERRED TAXATION (CONT'D)

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

	Accretion and amortisation on investment assets RM'000	Accelerated capital allowance on property and equipment RM'000	Fair value of investments assets RM'000	Total RM'000
Deferred tax assets				
At 1 July 2011	(1,194)	(4,169)	(137)	(5,500)
Recognised in:				
Income statement	734	328	-	1,062
At 30 June 2012/ 1 July 2012	(460)	(3,841)	(137)	(4,438)
Recognised in:				
Income statement	(447)	3,841	137	3,531
At 30 June 2013	(907)	-	-	(907)

18. INSURANCE PAYABLES

Group and Company	2013 RM'000	2012 RM'000	01.07.2011 RM'000
Due to agents and intermediaries	38,296	43,071	39,750
Due to reinsurers and cedants	39,482	68,935	64,921
Due to policyholders	37,318	32,030	29,769
Accrual for agency related expenses	13,740	11,546	13,822
	128,836	155,582	148,262

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

Included in amount due to reinsurers and cedants is an amount of RM14,420,000 (2012: RM28,117,000; 01.07.2011: RM29,134,000) due to related companies. The amount payable is subject to settlement terms stipulated in the insurance contracts.

19. OTHER PAYABLES

	Group		
	2013 RM'000	2012 RM'000	01.07.2011 RM'000
Financial liabilities:			
Dividend payable to shareholders	3,761	3,761	3,761
Amount due to shareholders fund*	11,785	12,919	12,873
Dividend payable to policyholders	15,570	8,512	5,827
Others	47,962	37,344	38,817
	79,078	62,536	61,278
Non-financial liabilities:			
Accrued expenses	4,254	3,901	2,718
Other payables	1,376	1,859	2,500
	5,630	5,760	5,218
	84,708	68,296	66,496

19. OTHER PAYABLES (CONT'D)

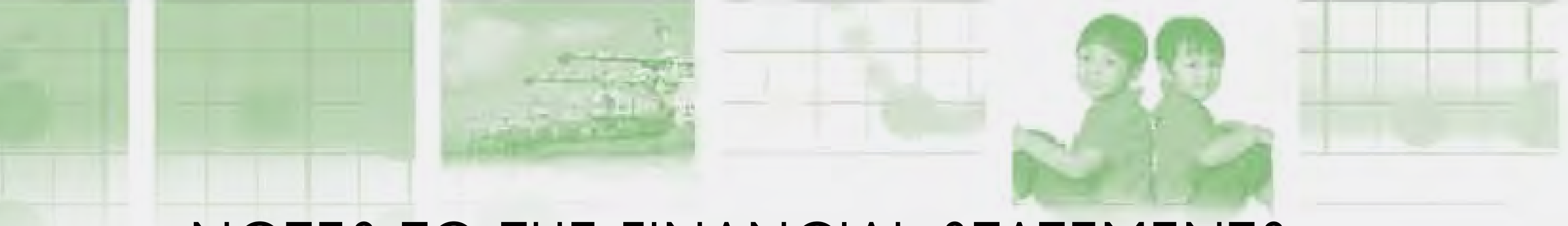
	Company		
	2013 RM'000	2012 RM'000	01.07.2011 RM'000
Financial liabilities:			
Dividend payable to shareholders	3,761	3,761	3,761
Amount due to shareholders fund*	11,785	12,919	12,873
Dividend payable to policyholders	15,570	8,512	5,827
Others	47,962	37,344	38,805
	79,078	62,536	61,266
Non-financial liabilities:			
Accrued expenses	4,254	3,901	2,718
Other payables	1,356	1,843	2,500
	5,610	5,744	5,218
	84,688	68,280	66,484

* The amount are unsecured, interest free and are repayable on demand.

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

Group and Company	Note	2013 RM'000	2012 RM'000
(a) Gross premiums			
Insurance contracts:			
Life	16(a)	583,439	527,073
General	16(b)(ii)	208,298	259,549
		791,737	786,622
Change in premium liabilities		23,941	10,409
		815,678	797,031
(b) Premiums ceded			
Insurance contracts:			
Life	16(a)	(2,436)	(7,128)
General	16(b)(ii)	(83,656)	(115,325)
		(86,092)	(122,453)
Change in premium liabilities		(21,948)	(3,219)
		(108,040)	(125,672)
Net earned premiums		707,638	671,359



21. INVESTMENT INCOME

Group and Company	2013 RM'000	2012 RM'000
Rental income related to properties	3,283	2,618
Expenses related to properties	(2,156)	(3,378)
AFS financial assets:		
Interest / profit income	130,332	123,475
Dividend income:		
- Quoted equity securities in Malaysia	10,060	12,356
- Quoted unit and property trust funds	8,189	8,332
LAR interest / profit income	48,458	44,335
Other investment income	2,179	-
Net amortisation of premiums on investment	(8,267)	(6,693)
Sundry investment expenses	(2,875)	(1,853)
	189,203	179,192

22. REALISED GAINS AND LOSSES

Group and Company	2013 RM'000	2012 RM'000
Gain on disposal of assets held for sale	-	575
Gain / (Loss) on disposal of property and equipment	91	(11)
	91	564
AFS financial assets:		
Realised gains:		
Quoted equity securities in Malaysia	33,802	26,574
Unquoted debt securities in Malaysia	35,314	84,619
Realised losses:		
Quoted equity securities in Malaysia	(138)	(6,512)
Unquoted debt securities in Malaysia	(2,099)	(4,029)
Total realised gains for AFS financial assets	66,879	100,652
FVTPL:		
Realised gains:		
Quoted equity securities in Malaysia	3,542	1,643
Unquoted debt securities in Malaysia	39	231
Realised losses:		
Quoted equity securities in Malaysia	(586)	(2,209)
Unquoted debt securities in Malaysia	-	(3)
	2,995	(338)
	69,965	100,878

Total realised gains of AFS financial assets transferred from statement of comprehensive income amounts to RM10,603,000 (2012: RM14,768,000).

23. FAIR VALUE GAINS AND LOSSES

Group and Company	2013 RM'000	2012 RM'000
Investment properties	(90)	70
Quoted equity securities	1,873	3,542
Quoted exchange traded funds	1,591	83
	3,374	3,695

24. FEE AND COMMISSION INCOME

Group and Company	2013 RM'000	2012 RM'000
Policyholder administration and investment management services	1,346	1,131
Reinsurance commission income	22,861	27,009
	24,207	28,140

25. NET OTHER OPERATING REVENUE / (EXPENSES)

Group and Company	2013 RM'000	2012 RM'000
Other operating revenue:		
Recovery of investment written-off	1,946	3,878
Other miscellaneous income	2,456	3,306
Write back of impairment loss on loans receivables	41	-
Write back of impairment loss on insurance receivables	3,548	-
	7,991	7,184
Other operating expenses:		
Property and equipment written-off	(5)	(24)
Impairment loss on insurance receivables	-	(4,071)
Impairment loss on loans receivables	(2,530)	(2,614)
	(2,535)	(6,709)

26. NET BENEFITS AND CLAIMS

Group and Company	Note	2013 RM'000	2012 RM'000
(a) Gross benefits and claims paid			
Insurance contracts:			
Life	16(a)	(394,637)	(333,971)
General	16(b)(i)	(129,568)	(98,397)
		(524,205)	(432,368)
(b) Claims ceded to reinsurers			
Insurance contracts:			
Life	16(a)	5,476	1,551
General	16(b)(i)	45,946	22,763
		51,422	24,314
(c) Gross change in contract liabilities			
Insurance contracts:			
Life		(250,173)	(244,976)
General		(5,834)	(17,749)
		(256,007)	(262,725)
(d) Change in contract liabilities ceded to reinsurers			
Insurance contracts:			
Life		(730)	(2,501)
General		(4,534)	(6,617)
		(5,264)	(9,118)

27. FEE AND COMMISSION EXPENSES

Group and Company	2013 RM'000	2012 RM'000
Agency commission expenses	110,329	117,594
Reinsurance commission expenses	4,816	7,117
	115,145	124,711

28. MANAGEMENT EXPENSES

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Employee benefits expenses (a)	47,219	45,499	47,219	45,499
Directors' remuneration (b)	915	956	915	956
Auditors' remuneration:				
- statutory audits	479	320	477	318
- regulatory related services	22	21	22	21
- other services	24	30	24	30
PIDM levy	1,554	1,999	1,554	1,999
Office rental	2,255	2,239	2,255	2,239
Equipment rental	142	157	142	157
Depreciation of property and equipment	5,409	5,949	5,409	5,949
Amortisation of prepaid land lease payments	11	12	11	12
Amortisation of intangible assets	697	423	697	423
Entertainment	345	368	345	368
Electronic data processing expenses	6,581	5,578	6,581	5,578
Advertising and promotion	2,156	970	2,156	970
Repair and maintenance	2,058	2,072	2,058	2,072
Agency training	1,619	958	1,619	958
Printing and stationery	1,462	1,285	1,462	1,285
Electricity and water	1,253	1,524	1,253	1,524
Telephone and postages	1,229	1,452	1,229	1,452
Legal and consultancy fees	4,682	5,657	4,682	5,657
Finance charges	4,963	5,139	4,963	5,139
Fund management fees	65	-	65	-
Other expenses	4,666	5,547	4,664	5,545
	89,806	88,155	89,802	88,151

Group and Company	2013 RM'000	2012 RM'000
(a) Employee benefits expenses		
Wages and salaries	31,092	30,396
Social security contributions	300	297
Contributions to defined contribution plan, EPF	4,253	4,213
Other benefits	11,574	10,593
	47,219	45,499

28. MANAGEMENT EXPENSES (CONT'D)

(b) Non-executive directors' remuneration

The details of non-executive directors' remuneration for the year are as follows:

	2013 RM'000	2012 RM'000
Non-executive:		
Fees	301	261
Allowances and other emoluments	614	695
	915	956

The number of non-executive directors of the Company whose remuneration during the financial year fell within the following bands is analysed below:

	Number of directors	
	2013	2012
Non-executive directors:		
Below RM50,000	4	2
RM50,001 - RM100,000	2	3
RM100,001 - RM150,000	4	4
RM150,001 - RM200,000	1	1

(c) Chief Executive Officer's remuneration

The remuneration including benefits-in-kind, attributable to the Chief Executive Officer of the Company during the year amounted to RM863,000 (2012: RM1,032,000).

29. TAXATION

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Current income tax:				
Malaysian income tax	26,758	31,961	26,758	31,961
Tax adjustments in respect of annuity fund	(14,850)	-	(14,850)	-
	11,908	31,961	11,908	31,961
Deferred tax:				
Relating to origination and reversal of temporary differences (Note 17)	5,730	3,856	5,730	3,856
	17,638	35,817	17,638	35,817

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 year. The income tax for the Life fund is calculated based on tax rate of 8% (2012: 8%) of the assessable investment income for the financial year. The taxes of the respective funds are disclosed in Note 43 – Insurance Funds.

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

29. TAXATION (CONT'D)

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Profit before taxation	60,838	90,976	60,842	90,980
Taxation at Malaysian statutory tax rate of 25% (2012: 25%)	15,209	22,745	15,210	22,745
Tax rate differential of 17% in respect of Life fund	(4,865)	(2,642)	(4,865)	(2,642)
Business outside Malaysia tax rate at 5%	-	539	-	539
Income not subject to tax	(8,056)	(9,094)	(8,056)	(9,094)
Expenses not deductible for tax purposes	30,200	24,269	30,199	24,269
Tax adjustments in respect of annuity fund	(14,850)	-	(14,850)	-
Tax expense for the year	17,638	35,817	17,638	35,817

30. EARNINGS PER SHARE

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.

	Group	
	2013	2012
Profit attributable to ordinary equity holders (RM'000)	43,200	55,159
Weighted average number of shares in issue ('000)	100,284	100,284
Basic and diluted earnings per share (sen)	43.1	55.0

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	
Group and Company	2013 RM'000	2012 RM'000	2013 Sen	2012 Sen
Approved and paid:				
Dividend paid in respect of the financial year ended 30 June 2011:				
Final dividend of 10% less 25% tax paid on 15 December 2011	-	7,521	-	7.50
Dividend paid in respect of the financial year ended 30 June 2012:				
Final dividend of 10% less 25% tax paid on 17 December 2012	7,521	-	7.50	-

31. DIVIDENDS (CONT'D)

Group and Company	Amount 2013 RM'000	Amount 2012 RM'000	Net dividend per share 2013 Sen	Net dividend per share 2012 Sen
Approved and paid:				
Dividend paid in respect of the financial year ended 30 June 2012:				
Interim dividend of 5% less 25% tax paid on 15 August 2012	-	3,761	-	3.75
Dividend paid in respect of the financial year ended 30 June 2013:				
Interim dividend of 5% less 25% tax paid on 15 August 2013	3,761	-	3.75	-
	11,282	11,282	11.25	11.25

At the forthcoming Annual General Meeting, a final dividend in respect of the current financial year ended 30 June 2013 of 10% less 25% tax on 100,284,071 ordinary shares amounting to a total dividend of RM7,521,305 (7.5 sen per share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in the shareholders' equity as an appropriation of retained profits in the next financial year ending 30 June 2014.

32. CASH FLOWS

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Profit before taxation	60,838	90,976	60,842	90,980
Investment income	(197,470)	(185,885)	(197,470)	(185,885)
Realised gains recorded in income statement	(69,874)	(100,314)	(69,874)	(100,314)
Purchases of FVTPL financial assets	(50,875)	(25,496)	(50,875)	(25,496)
Purchases of AFS investments	(8,159,174)	(7,789,376)	(8,159,174)	(7,789,376)
Proceeds from sale of AFS investments	7,996,902	7,654,184	7,996,902	7,654,184
Proceeds from sale of FVTPL financial assets	35,051	35,012	35,051	35,012
Proceeds from disposal of assets held for sale	-	7,880	-	7,880
Decrease / (Increase) in LAR	58,475	(67,923)	58,475	(67,923)
Non-cash items:				
Depreciation of property and equipment	5,409	5,949	5,409	5,949
(Gain) / Loss on disposal of property and equipment	(91)	11	(91)	11
Amortisation of intangible assets	697	423	697	423
Amortisation of prepaid land lease payments	11	12	11	12
Property and equipment written-off	5	24	5	24
Gain on disposal of assets held for sale	-	(575)	-	(575)
Revaluation deficit / (surplus) on investment properties	90	(70)	90	(70)
Impairment loss on / (Write back of) AFS investments	334	(1,374)	334	(1,374)
Net amortisation of investments	8,142	8,067	8,142	8,067
Investment income received	192,975	182,893	192,975	182,893
(Write-back of) / Impairment loss on insurance receivable	(3,548)	4,071	(3,548)	4,071
(Write-back of) / Impairment loss on loans receivable	(41)	2,614	(41)	2,614

32. CASH FLOWS (CONT'D)

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Changes in working capital:				
Decrease / (increase) in assets:				
Reinsurance assets	27,212	12,337	27,212	12,337
Insurance receivables	(7,494)	(7,998)	(7,494)	(7,998)
Other receivables	(22,690)	(9,711)	(22,690)	(9,711)
Increase / (decrease) in liabilites:				
Insurance contract liabilities	228,602	248,691	228,602	248,691
Insurance payables	(26,746)	7,320	(26,746)	7,320
Other payables	16,412	1,800	16,408	1,796
Cash generated from operating activities	93,152	73,542	93,152	73,542

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 and investment contracts, net of the cash flows for payments of benefits and claims incurred for insurance and investment 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:

	2013 RM'000	2012 RM'000
Rental of equipment, software and services:		
Payable within one year	105	125
Payable after one year	340	181
	445	306
Rental of office premises:		
Payable within one year	1,325	1,021
Payable after one year	1,238	287
	2,563	1,308

(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:

33. OPERATING LEASE ARRANGEMENTS (CONT'D)

(b) The Company as lessor (cont'd)

	2013 RM'000	2012 RM'000
Receivable within one year	822	374
Receivable after one year	1,221	118
	2,043	492

Rental income on investment properties recognised in income statement during the financial year is disclosed in Note 21.

34. CAPITAL COMMITMENTS

The commitments of the Group and of the Company as at the financial year-end are as follows:

	2013 RM'000	2012 RM'000
Capital expenditure:		
Approved and contracted for:		
Intangible assets	-	1,732
	-	1,732
Approved but not contracted for:		
Property and equipment	1,544	6,999
Intangible assets	735	642
	2,279	7,641
	2,279	9,373

35. SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Related parties

The related parties and their relationship with the Company as at 30 June 2013 are as follows:

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

35. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

(a) Related parties (cont'd)

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

Group and Company	2013 RM'000	2012 RM'000
Transactions with related parties:		
(i) Interest income received from:		
National Land Finance Co-operative Society Limited	527	640
(ii) Rental income received from:		
Koperasi MCIS Berhad	110	86
(iii) Reinsurance premium ceded to:		
Zurich American Insurance Company	1,604	2,133
Zurich International (Deutschland)	2,962	4,081
Zurich International (Netherland)	265	72
Zurich International (UK) Limited	5,923	6,373
Zurich Forsakring (Sweden)	22	813
Zurich Insurance Company (Switzerland)	7,212	20,910
Zurich Australian Insurance	190	565
Zurich Insurance Company Hong Kong	212	1,346
Zurich International France	2,767	741
	21,157	37,034
(iv) Reimbursable costs to:		
Zurich Insurance Company (Switzerland)	71	132
Syed Hussain Publications Sdn Bhd	72	-
Malay Mail Sdn Bhd	106	-
	249	132
(v) Reimbursable costs from:		
Zurich Services (Hong Kong) Limited	459	441

Balances with related parties:	2013 RM'000	2012 RM'000	01.07.2011 RM'000
(i) Term loan granted to:			
National Land Finance Co-operative Society Limited	9,000	11,000	13,000
(ii) Included in insurance receivables (Note 9):			
Zurich Forsakring (Sweden)	472	280	-
Zurich Specialities London	590	364	-
	1,062	644	-
(iii) Included in insurance payables (Note 18):			
Zurich American Insurance Company	804	1,063	1,105
Zurich Forsakring (Sweden)	9	291	615
Zurich International (Deutschland)	1,185	1,564	1,887
Zurich International (UK) Limited	4,181	4,848	2,872
Zurich Insurance Company (Switzerland)	6,252	17,759	20,415
Zurich Insurance Company Hong Kong	127	601	-
Zurich Insurance Company Singapore	-	678	-
Zurich International France	1,265	-	-
	13,823	26,804	26,894

35. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

(b) Key management personnel

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

Compensation of key management personnel

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

	2013 RM'000	2012 RM'000
Salaries and bonuses	797	795
Contributions to EPF	47	201
Fees and allowances	915	956
Benefits-in-kind	19	36
	1,778	1,988

36. REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company as at 30 June 2013 as prescribed under RBC Framework is provided as below:

	2013 RM'000	2012 RM'000
Eligible Tier 1 capital		
Share capital (paid-up)	100,284	100,284
Reserve, including retained earnings	1,147,536	997,829
	1,247,820	1,098,113
Tier 2 capital		
Eligible reserves	150,891	174,074
Total capital available	1,398,711	1,272,187

37. CONTINGENT LIABILITIES

The following were claims made against the Company:

(i) A former agent had filed a suit against the Company for general damages for libel and malicious prosecution, loss of profits, punitive and exemplary damages and interest amounting to RM30 million with an interest rate of 8% thereon, as a result of winding up proceedings instituted by the Company against the agency involved. During the financial year, this claim was withdrawn by the former agent against the Company, with no loss to the Company.

(ii) A former Architect Firm had filed a suit against the Company for architectural professional fees and project management fees amounting to RM4,105,750 with interest of 8% thereon together with cost and other relief that the Court thinks fit. The Company's defence is that it has paid all the fees specified and that the Plaintiff's action was time barred by virtue of the Limitation Act, 1953. During the financial year, the claim against the Company was dismissed by the Court with no loss to the Company.

38. RISK MANAGEMENT FRAMEWORK

(a) 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 Department 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 Compliance function 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 ("RMC") on a regular basis.

The Board Investment Committee ("BIC") provides oversight on all aspects of investment management to safeguard the interests of policyholders and shareholders.

The BIC was dissolved on 4 April 2013. All significant investment activities subsequent to 4 April 2013 were reported to the Board directly by the Management Investment Committee.

(b) Capital management objectives, policies and approach

Capital management risk is the risk of having insufficient capital, 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.

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 Capital Management Committee ("CMC") undertakes to implement the capital 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.

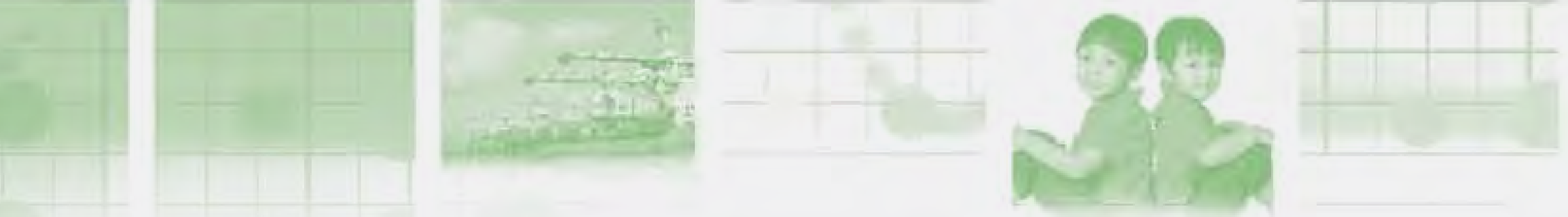
The risk management governance process operates through delegation of authority from the Board to the CEO and oversight committees, Executive Management Committee ("EMC"), GRCC, Risk Management Department ("RMD"), CMC, Management Investment Committee ("MIC") and Product Development Committee.

38. RISK MANAGEMENT FRAMEWORK (CONT'D)

(d) Financial instrument by category

Group	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
2013						
Assets						
Property and equipment	-	-	-	-	106,550	106,550
Investment properties	-	-	-	-	1,770	1,770
Intangible assets	-	-	-	-	15,873	15,873
Prepaid land lease payments	-	-	-	-	255	255
Investments	102,739	3,505,387	692,978	4,301,104	-	4,301,104
Reinsurance assets	-	-	-	-	139,961	139,961
Insurance receivables	-	-	-	-	73,462	73,462
Other receivables	3,736	39,048	-	42,784	57,690	100,474
Cash and bank balances	-	-	91,507	91,507	-	91,507
Total assets	106,475	3,544,435	784,485	4,435,395	395,561	4,830,956

	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	-	-	-	4,132,585	4,132,585
Deferred tax liabilities	-	-	-	37,816	37,816
Insurance payables	-	-	-	128,836	128,836
Provision for taxation	-	-	-	397	397
Other payables	-	79,078	79,078	5,630	84,708
Total liabilities	-	79,078	79,078	4,305,264	4,384,342



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2013

38. RISK MANAGEMENT FRAMEWORK (CONT'D)

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

Group (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
2012						
Assets						
Property and equipment	-	-	-	-	110,108	110,108
Investment properties	-	-	-	-	1,860	1,860
Intangible assets	-	-	-	-	11,888	11,888
Prepaid land lease payments	-	-	-	-	266	266
Investments	80,455	3,308,869	751,412	4,140,736	-	4,140,736
Reinsurance assets	-	-	-	-	167,173	167,173
Insurance receivables	-	-	-	-	62,420	62,420
Other receivables	3,906	34,175	-	38,081	34,862	72,943
Cash and bank balances	-	-	44,163	44,163	-	44,163
Total assets	84,361	3,343,044	795,575	4,222,980	388,577	4,611,557

	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					
IInsurance contract liabilities	-	-	-	3,922,324	3,922,324
Deferred tax liabilities	-	-	-	33,450	33,450
Insurance payables	-	-	-	155,582	155,582
Provision for taxation	-	-	-	16,222	16,222
Other payables	-	62,536	62,536	5,760	68,296
Total liabilities	-	62,536	62,536	4,133,338	4,195,874

38. RISK MANAGEMENT FRAMEWORK (CONT'D)

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

Group (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
01.07.2011						
Assets						
Property and equipment	-	-	-	-	80,045	80,045
Investment properties	-	-	-	-	1,790	1,790
Intangible assets	-	-	-	-	5,607	5,607
Prepaid land lease payments	-	-	-	-	278	278
Investments	86,683	3,098,513	686,103	3,871,299	-	3,871,299
Reinsurance assets	-	-	-	-	179,510	179,510
Insurance receivables	-	-	-	-	58,493	58,493
Other receivables	772	30,871	-	31,643	29,400	61,043
Cash and bank balances	-	-	19,307	19,307	-	19,307
Assets held for sale	-	-	-	-	7,305	7,305
Total assets	87,455	3,129,384	705,410	3,922,249	362,428	4,284,677

	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	-	-	-	3,668,033	3,668,033
Deferred tax liabilities	-	-	-	27,076	27,076
Insurance payables	-	-	-	148,262	148,262
Provision for taxation	-	-	-	7,723	7,723
Other payables	-	61,278	61,278	5,218	66,496
Total liabilities	-	61,278	61,278	3,856,312	3,917,590

38. RISK MANAGEMENT FRAMEWORK (CONT'D)

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

Company	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
2013						
Assets						
Property and equipment	-	-	-	-	106,550	106,550
Investment properties	-	-	-	-	1,770	1,770
Intangible assets	-	-	-	-	15,873	15,873
Prepaid land lease payments	-	-	-	-	255	255
Investments	102,739	3,505,387	692,978	4,301,104	-	4,301,104
Reinsurance assets	-	-	-	-	139,961	139,961
Insurance receivables	-	-	-	-	73,462	73,462
Other receivables	3,736	39,048	-	42,784	57,690	100,474
Cash and bank balances	-	-	91,507	91,507	-	91,507
Total assets	106,475	3,544,435	784,485	4,435,395	395,561	4,830,956

	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	-	-	-	4,132,585	4,132,585
Deferred tax liabilities	-	-	-	37,816	37,816
Insurance payables	-	-	-	128,836	128,836
Provision for taxation	-	-	-	397	397
Other payables	-	79,078	79,078	5,610	84,688
Total liabilities	-	79,078	79,078	4,305,244	4,384,322

38. RISK MANAGEMENT FRAMEWORK (CONT'D)

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

Company (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
2012						
Assets						
Property and equipment	-	-	-	-	110,108	110,108
Investment properties	-	-	-	-	1,860	1,860
Intangible assets	-	-	-	-	11,888	11,888
Prepaid land lease payments	-	-	-	-	266	266
Investments	80,455	3,308,869	751,412	4,140,736	-	4,140,736
Reinsurance assets	-	-	-	-	167,173	167,173
Insurance receivables	-	-	-	-	62,420	62,420
Other receivables	3,906	34,175	-	38,081	34,862	72,943
Cash and bank balances	-	-	44,163	44,163	-	44,163
Total assets	84,361	3,343,044	795,575	4,222,980	388,577	4,611,557

	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	-	-	-	3,922,324	3,922,324
Deferred tax liabilities	-	-	-	33,450	33,450
Insurance payables	-	-	-	155,582	155,582
Provision for taxation	-	-	-	16,222	16,222
Other payables	-	62,536	62,536	5,744	68,280
Total liabilities	-	62,536	62,536	4,133,322	4,195,858

38. RISK MANAGEMENT FRAMEWORK (CONT'D)

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

Company (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
01.07.2011						
Assets						
Property and equipment	-	-	-	-	80,045	80,045
Investment properties	-	-	-	-	1,790	1,790
Intangible assets	-	-	-	-	5,607	5,607
Prepaid land lease payments	-	-	-	-	278	278
Investments	86,683	3,098,513	686,103	3,871,299	-	3,871,299
Reinsurance assets	-	-	-	-	179,510	179,510
Insurance receivables	-	-	-	-	58,493	58,493
Other receivables	772	30,871	-	31,643	29,400	61,043
Cash and bank balances	-	-	19,307	19,307	-	19,307
Assets held for sale	-	-	-	-	7,305	7,305
Total assets	87,455	3,129,384	705,410	3,922,249	362,428	4,284,677

	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	-	-	-	3,668,033	3,668,033
Deferred tax liabilities	-	-	-	27,076	27,076
Insurance payables	-	-	-	148,262	148,262
Provision for taxation	-	-	-	7,723	7,723
Other payables	-	61,266	61,266	5,218	66,484
Total liabilities	-	61,266	61,266	3,856,312	3,917,578

39. 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 sets out the concentration of life insurance risk as at the reporting date:

Life insurance contracts	2013 RM'000	2012 RM'000	01.07.2011 RM'000
Whole life	360,989	297,310	224,987
Term assurance	146,487	134,890	129,313
Endowment	2,016,365	1,949,028	1,876,452
Annuity	453,914	474,853	447,704
Others	780,139	672,715	600,888
	3,757,894	3,528,796	3,279,344

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.

39. INSURANCE RISK (CONT'D)

The following table highlights the sensitivity of the gross valuation liabilities to reasonably possible changes to the key assumptions:

Assumptions	Change	Impact on 30 June 2013 insurance contract liabilities RM'000
Base		3,026,377
Discount rates	+100 basis points	2,749,049
	- 100 basis points	3,357,676
Mortality and morbidity	Increase by 25%	3,042,395
	Decrease by 25%	3,014,390
Lapse and surrender	Increase by 25%	2,987,050
	Decrease by 25%	3,074,851
Expenses	Increase by 25%	3,069,857
	Decrease by 25%	2,986,765

General insurance risk

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.

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

	2013 Net premium liabilities RM'000	2013 Net claim liabilities RM'000	2012 Net premium liabilities RM'000	2012 Net claim liabilities RM'000	01.07.2011 Net premium liabilities RM'000	01.07.2011 Net claim liabilities RM'000
General insurance contract						
Marine, aviation and transit	1,445	6,455	1,377	7,821	1,871	10,556
Contractors all risks and engineering	314	3,546	542	4,142	851	5,106
Fire	3,298	10,723	3,473	10,143	5,030	9,934
Liabilities	986	5,176	655	5,454	2,046	5,913
Medical and health	242	310	353	627	1,541	1,301
Motor	47,598	136,273	49,121	123,175	50,628	88,473
Personal accident	2,309	3,683	1,909	3,970	2,018	4,912
Workmen compensation	113	326	114	292	198	478
Others	3,831	8,102	4,585	8,602	5,136	13,187
	60,136	174,594	62,129	164,226	69,319	139,860

39. INSURANCE RISK

General insurance risk (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.

Key assumptions

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.

39. INSURANCE RISK (CONT'D)

General insurance risk (cont'd)

Sensitivities (cont'd)

	< Increase / (Decrease) >				
	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
2013					
Average claim cost	+10%	23,000	16,300	(16,300)	(12,225)
Average number of claims	+10%	19,000	12,400	(12,400)	(9,300)
Average claim settlement period	+6 months	2,700	2,400	(2,400)	(1,800)
2012					
Average claim cost	+10%	25,300	16,100	(16,100)	(12,075)
Average number of claims	+10%	22,100	14,400	(14,400)	(10,800)
Average claim settlement period	+6 months	3,100	2,100	(2,100)	(1,575)
1 July 2011					
Average claim cost	+10%	24,800	14,000	(14,000)	(10,500)
Average number of claims	+10%	24,700	15,800	(15,800)	(11,850)
Average claim settlement period	+6 months	2,400	1,700	(1,700)	(1,275)

* impact on equity reflects adjustments for tax, when applicable

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

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.

39. INSURANCE RISK (CONT'D)

General insurance risk (cont'd)

Claims development table (cont'd)

Gross general insurance contract liabilities for 2013:

Accident year	PRAD	Inward Treaty	Prior to 2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	Total RM'000
At end of accident year						138,812	122,509	135,798	135,990	145,104	
One year later						118,533	127,268	116,750	130,732		
Two year later					83,631	114,085	123,668	109,532			
Three year later				82,146	84,405	109,060	117,223				
Four year later			78,405	82,292	82,187	102,590					
Five year later			78,038	79,439	79,585						
Six year later			72,881	75,384							
Seven year later			74,855								
Claims incurred			74,855	75,384	79,585	102,590	117,223	109,532	130,732	145,104	835,005
At end of accident year						(35,867)	(34,987)	(31,393)	(35,455)	(58,384)	
One year later						(77,002)	(76,116)	(69,436)	(78,893)		
Two year later					(66,396)	(92,098)	(89,000)	(83,145)			
Three year later				(64,764)	(72,201)	(94,973)	(93,789)				
Four year later			(69,540)	(69,831)	(74,946)	(96,242)					
Five year later			(71,125)	(71,500)	(75,937)						
Six year later			(71,205)	(71,033)							
Seven year later			(72,516)								
Payments to date			(72,516)	(71,033)	(75,937)	(96,242)	(93,789)	(83,145)	(78,893)	(58,384)	(629,939)
Gross general insurance contract liabilities per statement of financial position	31,070	46,550	2,339	4,351	3,648	6,348	23,434	26,387	51,839	86,720	282,686

39. INSURANCE RISK (CONT'D)

General insurance risk (cont'd)

Claims development table (cont'd)

Net general insurance contract liabilities for 2013:

Accident year	PRAD	Inward Treaty	Prior to 2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	Total RM'000
At end of accident year			51,186	59,025	58,368	66,491	80,223	89,390	89,931	83,506	
One year later			44,123	55,160	56,254	65,385	79,415	81,447	88,989		
Two year later			43,257	52,402	54,077	65,439	80,399	78,013			
Three year later			41,838	50,733	54,949	63,640	76,891				
Four year later			41,416	50,966	53,874	62,353					
Five year later			40,388	50,132	52,288						
Six year later			38,798	48,832							
Seven year later			39,438								
Claims incurred			39,438	48,832	52,288	62,353	76,891	78,013	88,989	83,506	530,310
At end of accident year			(18,867)	(24,166)	(25,247)	(25,589)	(28,934)	(26,001)	(29,454)	(29,844)	
One year later			(32,700)	(41,105)	(41,418)	(49,414)	(55,416)	(53,896)	(60,732)		
Two year later			(34,616)	(42,906)	(44,933)	(55,312)	(64,751)	(64,040)			
Three year later			(36,387)	(44,080)	(48,026)	(57,120)	(68,803)				
Four year later			(37,881)	(47,214)	(49,924)	(57,655)					
Five year later			(38,006)	(47,820)	(50,839)						
Six year later			(38,036)	(47,866)							
Seven year later			(38,700)								
Payments to date			(38,700)	(47,866)	(50,839)	(57,655)	(68,803)	(64,040)	(60,732)	(29,844)	(418,479)
Net general insurance contract liabilities per statement of financial position	16,213	46,550	738	966	1,449	4,698	8,088	13,973	28,257	53,662	174,594

39. INSURANCE RISK (CONT'D)

General insurance risk (cont'd)

Claims development table (cont'd)

Gross general insurance contract liabilities for 2012:

Accident year	PRAD	Inward Treaty	Prior to 2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	Total RM'000
At end of accident year							138,812	122,509	135,798	135,990	
One year later							118,533	127,268	116,750		
Two year later						83,631	114,085	123,668			
Three year later					82,146	84,405	109,060				
Four year later				78,405	82,292	82,187					
Five year later			60,283	78,038	79,439						
Six year later			59,419	72,881							
Seven year later			60,175								
Claims incurred			60,175	72,881	79,439	82,187	109,060	123,668	116,750	135,990	780,150
At end of accident year							(35,867)	(34,987)	(31,393)	(35,455)	
One year later							(77,002)	(76,116)	(69,436)		
Two year later						(66,396)	(92,098)	(89,000)			
Three year later					(64,764)	(72,201)	(94,973)				
Four year later				(69,540)	(69,831)	(74,946)					
Five year later			(56,787)	(71,125)	(71,500)						
Six year later			(57,455)	(71,205)							
Seven year later			(57,992)								
Payments to date			(57,992)	(71,205)	(71,500)	(74,946)	(94,973)	(89,000)	(69,436)	(35,455)	(564,507)
Gross general insurance contract liabilities per statement of financial position	31,255	29,954	2,183	1,676	7,939	7,241	14,087	34,668	47,314	100,535	276,852

39. INSURANCE RISK (CONT'D)

General insurance risk (cont'd)

Claims development table (cont'd)

Net general insurance contract liabilities for 2012:

Accident year	PRAD	Inward Treaty	Prior to 2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	Total RM'000
At end of accident year			39,211	51,186	59,025	58,368	66,491	80,223	89,390	89,931	
One year later			35,527	44,123	55,160	56,254	65,385	79,415	81,447		
Two year later			34,110	43,257	52,402	54,077	65,439	80,399			
Three year later			33,701	41,838	50,733	54,949	63,640				
Four year later			33,087	41,416	50,966	53,874					
Five year later			34,945	40,388	50,132						
Six year later			33,226	38,798							
Seven year later			33,719								
Claims incurred			33,719	38,798	50,132	53,874	63,640	80,399	81,447	89,931	491,940
At end of accident year			(15,068)	(18,867)	(24,166)	(25,247)	(25,589)	(28,934)	(26,001)	(29,454)	
One year later			(26,581)	(32,700)	(41,105)	(41,418)	(49,414)	(55,416)	(53,896)		
Two year later			(28,607)	(34,616)	(42,906)	(44,933)	(55,312)	(64,751)			
Three year later			(29,744)	(36,387)	(44,080)	(48,026)	(57,120)				
Four year later			(30,292)	(37,881)	(47,214)	(49,924)					
Five year later			(33,116)	(38,006)	(47,820)						
Six year later			(32,337)	(38,036)							
Seven year later			(32,835)								
Payments to date			(32,835)	(38,036)	(47,820)	(49,924)	(57,120)	(64,751)	(53,896)	(29,454)	(373,836)
Net general insurance contract liabilities per statement of financial position	16,168	29,954	884	762	2,312	3,950	6,520	15,648	27,551	60,477	164,226

39. INSURANCE RISK (CONT'D)

General insurance risk (cont'd)

Claims development table (cont'd)

Gross general insurance contract liabilities for 01.07.2011:

Accident year	PRAD	Inward Treaty	Prior to 2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	Total RM'000
At end of accident year								138,812	122,509	138,356	
One year later							92,042	118,533	127,396		
Two year later						86,183	83,631	114,331			
Three year later					80,684	82,146	84,431				
Four year later				59,730	78,405	82,316					
Five year later				60,283	78,038						
Six year later			68,022	59,419							
Seven year later			70,376								
Claims incurred			70,376	59,419	78,038	82,316	84,431	114,331	127,396	138,356	754,663
At end of accident year								(35,867)	(34,987)	(31,393)	
One year later							(53,509)	(77,002)	(76,116)		
Two year later						(62,100)	(66,396)	(92,098)			
Three year later					(67,225)	(64,764)	(72,201)				
Four year later				(55,496)	(69,540)	(69,831)					
Five year later				(56,787)	(71,125)						
Six year later			(63,483)	(57,455)							
Seven year later			(64,662)								
Payments to date			(64,662)	(57,455)	(71,125)	(69,831)	(72,201)	(92,098)	(76,116)	(31,393)	(534,881)
Gross general insurance contract liabilities per statement of financial position	31,290	8,031	5,714	1,964	6,913	12,485	12,230	22,233	51,280	106,963	259,103

39. INSURANCE RISK (CONT'D)

General insurance risk (cont'd)

Claims development table (cont'd)

Net general insurance contract liabilities for 01.07.2011:

Accident year	PRAD	Inward Treaty	Prior to 2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	Total RM'000
At end of accident year			44,545	39,211	51,186	59,025	58,368	66,491	80,223	90,811	
One year later			34,737	35,527	44,123	55,160	56,254	65,385	79,234		
Two year later			34,352	34,110	43,257	52,402	54,077	65,517			
Three year later			33,600	33,701	41,838	50,733	54,864				
Four year later			32,482	33,087	41,416	50,888					
Five year later			32,380	34,945	40,322						
Six year later			31,435	33,226							
Seven year later			33,480								
Claims incurred			33,480	33,226	40,322	50,888	54,864	65,517	79,234	90,811	448,342
At end of accident year			(12,415)	(15,068)	(18,867)	(24,166)	(25,247)	(25,589)	(28,934)	(26,001)	
One year later			(24,497)	(26,581)	(32,700)	(41,105)	(41,418)	(49,414)	(55,416)		
Two year later			(26,526)	(28,607)	(34,616)	(42,906)	(44,933)	(55,312)			
Three year later			(28,228)	(29,744)	(36,387)	(44,080)	(48,026)				
Four year later			(28,677)	(30,292)	(37,881)	(47,214)					
Five year later			(29,730)	(33,116)	(38,006)						
Six year later			(30,324)	(32,337)							
Seven year later			(31,822)								
Payments to date			(31,822)	(32,337)	(38,006)	(47,214)	(48,026)	(55,312)	(55,416)	(26,001)	(334,134)
Net general insurance contract liabilities per statement of financial position	17,621	8,031	1,658	889	2,316	3,674	6,838	10,205	23,818	64,810	139,860

40. FINANCIAL RISK

Market and credit risk

Market risk is the risk of assets or liabilities 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).

<u>Sensitivity analysis:</u>

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit or loss and impact on equity. It should be noted that movements in these variables are non-linear.

	<------ Increase / (Decrease) ------->		
2013	Changes in basis points %	Effect on net income for the year RM'000	Effect on equity RM'000
Interest rates	+ 100 bps	-	(211,033)
Interest rates	- 100 bps	-	238,481
2012			
Interest rates	+ 100 bps	-	(197,421)
Interest rates	- 100 bps	-	221,611
01.07.2011			
Interest rates	+ 100 bps	-	(158,526)
Interest rates	- 100 bps	-	176,565

40. FINANCIAL RISK (CONT'D)

Market and credit risk (cont'd)

(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.

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.

<u>Sensitivity analysis:</u>

Management's best estimate of the effect on the net income for the year and equity due to a reasonably possible change in equity market value with all other variable held constant is indicated in the table below:

	<------ Increase / (Decrease) ------->		
	Change in FBMKLCI %	Effect on net income for the year RM'000	Effect on equity RM'000
2013			
Market indices:			
Market value	+5%	-	18,257
Market value	-5%	-	(18,257)
2012			
Market indices:			
Market value	+5%	-	16,001
Market value	-5%	-	(16,001)
01.07.2011			
Market indices:			
Market value	+5%	-	17,700
Market value	-5%	-	(17,700)

40. FINANCIAL RISK (CONT'D)

Market and credit 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 asset 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 Banking and Financial Institutions Act 1989 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.

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 statements of financial position as shown in the table below:

Group and Company	2013 RM'000	2012 RM'000	01.07.2011 RM'000
LAR			
Deposits with financial institutions	308,994	355,173	289,443
Loans receivables	17,636	21,133	24,508
AFS			
Malaysian Government securities	1,234,901	1,211,713	1,027,365
Government investment issues	98,245	388,759	38,326
Malaysian Government guaranteed bonds	836,508	494,136	573,832
Quoted debt securities	-	-	1,881
Unquoted debt securities	924,080	854,763	1,062,657

40. FINANCIAL RISK (CONT'D)

Market and credit risk (cont'd)

(d) Credit risk (cont'd)

Credit exposure (cont'd)

Group and Company (cont'd)	2013 RM'000	2012 RM'000	01.07.2011 RM'000
FVTPL			
Malaysian Government securities	10,707	-	-
Malaysian Government guaranteed bonds	3,544	3,564	3,553
Quoted debt securities	-	-	82
Unquoted debt securities	8,914	18,939	17,911
Reinsurance assets	139,961	167,173	179,510
Insurance receivables	73,462	62,420	58,493
Other receivables	100,474	72,943	59,259
Cash and bank balances	91,507	44,163	19,307
Total credit risk exposure	3,848,933	3,694,879	3,356,127

The Company's policy loans portfolio is not included in the above. There are no significant credit exposures for policy loans as they are fully secured by the surrender values of related insurance contracts.

40. FINANCIAL RISK

Market and credit risk (cont'd)

(d) Credit risk (cont'd)

Credit exposure (cont'd)

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.

2013	Neither past-due nor impaired: Investment grade (BBB to AAA) RM'000	Neither past-due nor impaired: 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	295,752	-	-	13,242	-	308,994
Loans	-	-	17,636	-	366,348	383,984
AFS						
Malaysian Government securities	-	-	1,234,901	-	-	1,234,901
Government investment issues	-	-	98,245	-	-	98,245
Malaysian Government guaranteed bonds	-	-	836,508	-	-	836,508
Unquoted debt securities	924,080	-	-	-	-	924,080
FVTPL						
Malaysian Government securities	-	-	-	10,707	-	10,707
Malaysian Government guaranteed bonds	-	-	-	3,544	-	3,544
Unquoted debt securities	-	-	-	8,914	-	8,914
Reinsurance assets	74,925	-	65,036	-	-	139,961
Insurance receivables	8,524	-	52,939	-	11,999	73,462
Other receivables	11,383	-	85,355	3,736	-	100,474
Cash and bank balances	86,755	-	-	4,752	-	91,507
Total credit risk exposure	1,401,419	-	2,390,620	44,895	378,347	4,215,281

40. FINANCIAL RISK (CONT'D)

Market and credit risk (cont'd)

(d) Credit risk (cont'd)

Credit exposure (cont'd)

Credit exposure by credit rating (cont'd)

2012	Neither past-due nor impaired: Investment grade (BBB to AAA) RM'000	Neither past-due nor impaired: Non-investment grade (C to BB) RM'000	Neither past-due nor impaired: Not-rated RM'000	Neither past-due nor impaired: Unit linked RM'000	Past-due but not impaired RM'000	Total RM'000
LAR						
Deposits with financial institutions	335,665	-	-	19,508	-	355,173
Loans	-	-	19,634	-	376,605	396,239
AFS						
Malaysian Government securities	-	-	1,211,713	-	-	1,211,713
Government investment issues	-	-	388,759	-	-	388,759
Malaysian Government guaranteed bonds	-	-	494,136	-	-	494,136
Unquoted debt securities	854,763	-	-	-	-	854,763
FVTPL						
Malaysian Government guaranteed bonds	-	-	-	3,564	-	3,564
Unquoted debt securities	-	-	-	18,939	-	18,939
Reinsurance assets	39,599	-	127,574	-	-	167,173
Insurance receivables	3,852	-	41,384	-	17,184	62,420
Other receivables	12,196	-	56,841	3,906	-	72,943
Cash and bank balances	42,244	-	-	1,919	-	44,163
Total credit risk exposure	1,288,319	-	2,340,041	47,836	393,789	4,069,985

40. FINANCIAL RISK (CONT'D)

Market and credit risk (cont'd)

(d) Credit risk (cont'd)

Credit exposure (cont'd)

Credit exposure by credit rating (cont'd)

01.07.2011	Neither past-due nor impaired: Investment grade (BBB to AAA) RM'000	Neither past-due nor impaired: Non-investment grade (C to BB) RM'000	Neither past-due nor impaired: Not-rated RM'000	Unit linked RM'000	Past-due but not impaired RM'000	Total RM'000
LAR						
Deposits with financial institutions	281,438	-	-	8,005	-	289,443
Loans	-	-	24,508	-	372,152	396,660
AFS						
Malaysian Government securities	-	-	1,027,365	-	-	1,027,365
Government investment issues	-	-	38,326	-	-	38,326
Malaysian Government guaranteed bonds	-	-	573,832	-	-	573,832
Quoted debts securities	-	1,881	-	-	-	1,881
Unquoted debt securities	1,062,657	-	-	-	-	1,062,657
FVTPL						
Malaysian Government guaranteed bonds	-	-	-	3,553	-	3,553
Quoted debts securities	-	-	-	82	-	82
Unquoted debt securities	-	-	-	17,911	-	17,911
Reinsurance assets	83,168	-	96,342	-	-	179,510
Insurance receivables	1,035	587	33,971	-	22,900	58,493
Other receivables	-	-	58,487	772	-	59,259
Cash and bank balances	16,919	-	-	2,388	-	19,307
Total credit risk exposure	1,445,217	2,468	1,852,831	32,711	395,052	3,728,279

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.

40. FINANCIAL RISK (CONT'D)

Market and credit risk (cont'd)

(d) Credit risk (cont'd)

Credit exposure (cont'd)

Credit exposure by credit rating (cont'd)

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

	< 30 days RM'000	31 to 60 days RM'000	61 to 90 days RM'000	91 to 180 days RM'000	Total RM'000
2013					
Insurance receivables	-	-	4,549	7,450	11,999
2012					
Insurance receivables	-	-	3,897	13,287	17,184
01.07.2011					
Insurance receivables	-	-	11,489	11,411	22,900

Reconciliation of allowance account

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

	AFS financial assets RM'000	Loans receivable RM'000	Insurance receivables RM'000	Total RM'000
At 1 July 2011	2,883	401	5,798	9,082
Allowance made during the year	77	2,629	4,071	6,777
Amount written back in respect of disposal	(1,451)	-	-	(1,451)
Amount written back in respect of recoveries	-	(15)	-	(15)
At 30 June 2012	1,509	3,015	9,869	14,393
At 1 July 2012	1,509	3,015	9,869	14,393
Allowance made during the year	334	-	-	334
Amount written back in respect of recoveries	-	(41)	(3,548)	(3,589)
At 30 June 2013	1,843	2,974	6,321	11,138

40. FINANCIAL RISK (CONT'D)

Market and credit 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 assets and financial 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.

40. FINANCIAL RISK (CONT'D)

Market and credit 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
Group							
2013							
Financial investments:							
LAR	692,978	678,095	8,630	4,421	3,112	-	694,258
AFS	3,505,387	21,996	1,191,269	2,353,750	942,476	411,653	4,921,144
FVTPL	102,739	-	12,804	16,426	-	79,574	108,804
Reinsurance assets*	109,011	60,271	50,594	2,968	-	-	113,833
Insurance receivables	73,462	73,462	-	-	-	-	73,462
Other receivables**	97,606	93,947	-	-	-	-	93,947
Cash and bank balances	91,507	91,507	-	-	-	-	91,507
Total financial and insurance assets	4,672,690	1,019,278	1,263,297	2,377,565	945,588	491,227	6,096,955
Insurance contract liabilities*	3,471,540	511,972	943,044	1,583,783	1,108,600	-	4,147,399
Insurance payables	128,836	128,836	-	-	-	-	128,836
Other payables	84,708	81,446	-	-	-	-	81,446
Total financial and insurance liabilities	3,685,084	722,254	943,044	1,583,783	1,108,600	-	4,357,681
Total liquidity surplus/(gap)	987,606	297,024	320,253	793,782	(163,012)	491,227	1,739,274

* *Excluded premium liabilities, AFS reserves, asset revaluation reserves and unallocated surplus.*
** *Excluded prepayments and tax recoverable.*

40. FINANCIAL RISK (CONT'D)

Market and credit 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
Group							
2012							
Financial investments:							
LAR	751,412	735,632	11,402	3,626	4,082		754,742
AFS	3,308,869	44,321	634,371	2,727,475	900,212	359,498	4,665,877
FVTPL	80,455	-	14,638	12,040	-	57,952	84,630
Reinsurance assets*	114,275	54,989	47,370	19,046	-	-	121,405
Insurance receivables	62,420	62,420	-	-	-	-	62,420
Other receivables**	70,688	70,688	-	-	-	-	70,688
Cash and bank balances	44,163	44,163	-	-	-	-	44,163
Total financial and insurance assets	4,432,282	1,012,213	707,781	2,762,187	904,294	417,450	5,803,925
Insurance contract liabilities*	3,306,949	458,369	914,003	1,615,570	1,017,705	-	4,005,647
Insurance payables	155,582	155,582	-	-	-	-	155,582
Other payables	68,296	68,296	-	-	-	-	68,296
Total financial and insurance liabilities	3,530,827	682,247	914,003	1,615,570	1,017,705	-	4,229,525
Total liquidity surplus/(gap)	901,455	329,966	(206,222)	1,146,617	(113,411)	417,450	1,574,400

* *Excluded premium liabilities, AFS reserves, asset revaluation reserves and unallocated surplus.*
** *Excluded prepayments and tax recoverable.*

40. FINANCIAL RISK (CONT'D)

Market and credit 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
Group							
01.07.2011							
Financial investments:							
LAR	686,103	665,446	13,513	4,884	4,785	-	688,628
AFS	3,098,513	5,400	1,160,077	2,098,605	658,045	-	3,922,127
FVTPL	86,683	-	4,068	16,994	-	65,137	86,199
Reinsurance assets*	123,393	59,736	52,544	19,102	-	-	131,382
Insurance receivables	58,493	58,493	-	-	-	-	58,493
Other receivables**	57,498	57,498	-	-	-	-	57,498
Cash and bank balances	19,307	19,307	-	-	-	-	19,307
Total financial and insurance assets	4,129,990	865,880	1,230,202	2,139,585	662,830	65,137	4,963,634
Insurance contract liabilities*	3,113,857	419,430	930,961	2,000,253	1,374,738	-	4,725,382
Insurance payables	148,262	148,262	-	-	-	-	148,262
Other payables	66,496	66,496	-	-	-	-	66,496
Total financial and insurance liabilities	3,328,615	634,188	930,961	2,000,253	1,374,738	-	4,940,140
Total liquidity surplus/(gap)	801,375	231,692	299,241	139,332	(711,908)	65,137	23,494

* *Excluded premium liabilities, AFS reserves, asset revaluation reserves and unallocated surplus.*
** *Excluded prepayments and tax recoverable.*

40. FINANCIAL RISK (CONT'D)

Market and credit 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
Company							
2013							
Financial investments:							
LAR	692,978	678,095	8,630	4,421	3,112	-	694,258
AFS	3,505,387	21,996	1,191,269	2,353,750	942,476	411,653	4,921,144
FVTPL	102,739	-	12,804	16,426	-	79,574	108,804
Reinsurance assets*	109,011	60,271	50,594	2,968	-	-	113,833
Insurance receivables	73,462	73,462	-	-	-	-	73,462
Other receivables**	97,606	93,947	-	-	-	-	93,947
Cash and bank balances	91,507	91,507	-	-	-	-	91,507
Total financial and insurance assets	4,672,690	1,019,278	1,263,297	2,377,565	945,588	491,227	6,096,955
Insurance contract liabilities*	3,471,540	511,972	943,044	1,583,783	1,108,600	-	4,147,399
Insurance payables	128,836	128,836	-	-	-	-	128,836
Other payables	84,688	81,426	-	-	-	-	81,426
Total financial and insurance liabilities	3,685,064	722,234	943,044	1,583,783	1,108,600	-	4,357,661
Total liquidity surplus/(gap)	987,626	297,044	320,253	793,782	(163,012)	491,227	1,739,294

* *Excluded premium liabilities, AFS reserves, asset revaluation reserves and unallocated surplus.*
** *Excluded prepayments and tax recoverable.*

40. FINANCIAL RISK (CONT'D)

Market and credit risk (cont'd)

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

Maturity profiles (cont'd)

Company	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
2012							
Financial investments:							
LAR	751,412	735,632	11,402	3,626	4,082	-	754,742
AFS	3,308,869	44,321	634,371	2,727,475	900,212	359,498	4,665,877
FVTPL	80,455	-	14,638	12,040	-	57,952	84,630
Reinsurance assets*	114,275	54,989	47,370	19,046	-	-	121,405
Insurance receivables	62,420	62,420	-	-	-	-	62,420
Other receivables**	70,688	70,688	-	-	-	-	70,688
Cash and bank balances	44,163	44,163	-	-	-	-	44,163
Total financial and insurance assets	4,432,282	1,012,213	707,781	2,762,187	904,294	417,450	5,803,925
Insurance contract liabilities*	3,306,949	458,369	914,003	1,615,570	1,017,705	-	4,005,647
Insurance payables	155,582	155,582	-	-	-	-	155,582
Other payables	68,280	57,277	11,003	-	-	-	68,280
Total financial and insurance liabilities	3,530,811	671,228	925,006	1,615,570	1,017,705	-	4,229,509
Total liquidity surplus/(gap)	901,471	340,985	(217,225)	1,146,617	(113,411)	417,450	1,574,416

* *Excluded premium liabilities, AFS reserves, asset revaluation reserves and unallocated surplus.*
** *Excluded prepayments and tax recoverable.*

40. FINANCIAL RISK (CONT'D)

Market and credit 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
Company							
01.07.2011							
Financial investments:							
LAR	686,103	665,446	13,513	4,884	4,785	-	688,628
AFS	3,098,513	5,400	1,160,077	2,098,605	658,045	-	3,922,127
FVTPL	86,683	-	4,068	16,994	-	65,137	86,199
Reinsurance assets*	123,393	59,736	52,544	19,102	-	-	131,382
Insurance receivables	58,493	58,493	-	-	-	-	58,493
Other receivables**	57,498	57,498	-	-	-	-	57,498
Cash and bank balances	19,307	19,307	-	-	-	-	19,307
Total financial and insurance assets	4,129,990	865,880	1,230,202	2,139,585	662,830	65,137	4,963,634
Insurance contract liabilities*	3,113,857	419,430	930,961	2,000,253	1,374,738	-	4,725,382
Insurance payables	148,262	148,262	-	-	-	-	148,262
Other payables	66,484	66,484	-	-	-	-	66,484
Total financial and insurance liabilities	3,328,603	634,176	930,961	2,000,253	1,374,738	-	4,940,128
Total liquidity surplus/(gap)	801,387	231,704	299,241	139,332	(711,908)	65,137	23,506

* *Excluded premium liabilities, AFS reserves, asset revaluation reserves and unallocated surplus.*
** *Excluded prepayments and tax recoverable.*

40. FINANCIAL RISK (CONT'D)

Market and credit 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:

2013	Current* RM'000	Non-current RM'000	Unit linked RM'000	Total RM'000
Assets				
Property and equipment	-	106,550	-	106,550
Investment properties	-	1,770	-	1,770
Intangible assets	-	15,873	-	15,873
Prepaid land lease payments	-	255	-	255
Financial investments:				
LAR	664,853	14,883	13,242	692,978
AFS	21,996	3,483,391	-	3,505,387
FVTPL	-	-	102,739	102,739
Reinsurance assets	91,221	48,740	-	139,961
Insurance receivables	73,462	-	-	73,462
Other receivables	96,738	-	3,736	100,474
Cash and bank balances	86,755	-	4,752	91,507
Total assets	1,035,025	3,671,462	124,469	4,830,956

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

2012	Current* RM'000	Non-current RM'000	Unit linked RM'000	Total RM'000
Assets				
Property and equipment	-	110,108	-	110,108
Investment properties	-	1,860	-	1,860
Intangible assets	-	11,888	-	11,888
Prepaid land lease payments	-	266	-	266
Financial investments:				
LAR	716,124	15,780	19,508	751,412
AFS	44,321	3,264,548	-	3,308,869
FVTPL	-	-	80,455	80,455
Reinsurance assets	107,887	59,286	-	167,173
Insurance receivables	62,420	-	-	62,420
Other receivables	69,037	-	3,906	72,943
Cash and bank balances	42,244	-	1,919	44,163
Total assets	1,042,033	3,463,736	105,788	4,611,557

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

40. FINANCIAL RISK (CONT'D)

Market and credit 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:

01.07.2011	Current* RM'000	Non-current RM'000	Unit linked RM'000	Total RM'000
Assets				
Property and equipment	-	80,045	-	80,045
Investment properties	-	1,790	-	1,790
Intangible assets	-	5,607	-	5,607
Prepaid land lease payments	-	278	-	278
Financial investments:				
LAR	657,441	20,657	8,005	686,103
AFS	5,400	3,093,113	-	3,098,513
FVTPL	-	-	86,683	86,683
Reinsurance assets	115,853	63,657	-	179,510
Insurance receivables	58,493	-	-	58,493
Other receivables	60,584	-	459	61,043
Cash and bank balances	17,388	-	1,919	19,307
Assets held for sale	7,305	-	-	7,305
Total assets	922,464	3,265,147	97,066	4,284,677

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

41. 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 Compliance department assesses the effectiveness of the operational compliance and report to the GRCC and BRMC.

42. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

	Level 1 - Quoted market price RM'000	Level 2 - Valuation Techniques - Market observable inputs RM'000	Total fair value RM'000
2013			
AFS financial assets:			
Malaysian Government securities	-	1,234,901	1,234,901
Government investment issues	-	98,245	98,245
Malaysian Government guaranteed bonds	-	836,508	836,508
Unquoted debt securities	-	924,080	924,080
Quoted equity securities	251,481	-	251,481
Quoted unit and property trust funds	152,836	-	152,836
	404,317	3,093,734	3,498,051
Designated upon initial recognition of FVTPL:			
Malaysian Government securities	-	10,707	10,707
Malaysian Government guaranteed bonds	-	3,544	3,544
Unquoted debt securities	-	8,914	8,914
Quoted equity securities	52,332	-	52,332
Quoted exchange traded funds	23,879	-	23,879
Quoted unit and property trust funds	3,363	-	3,363
	79,574	23,165	102,739
	483,891	3,116,899	3,600,790
2012			
AFS financial assets:			
Malaysian Government securities	-	1,211,713	1,211,713
Government investment issues	-	388,759	388,759
Malaysian Government guaranteed bonds	-	494,136	494,136
Unquoted debt securities	-	854,763	854,763
Quoted equity securities	215,531	-	215,531
Quoted unit and property trust funds	136,628	-	136,628
	352,159	2,949,371	3,301,530
Designated upon initial recognition of FVTPL:			
Malaysian Government guaranteed bonds	-	3,564	3,564
Unquoted debt securities	-	18,939	18,939
Quoted equity securities	54,275	-	54,275
Quoted exchange traded funds	1,694	-	1,694
Quoted unit and property trust funds	1,983	-	1,983
	57,952	22,503	80,455
	410,111	2,971,874	3,381,985

42. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONT'D)

	Level 1 - Quoted market price RM'000	Level 2 - Valuation Techniques - Market observable inputs RM'000	Total fair value RM'000
01.07.2011			
AFS financial assets:			
Malaysian Government securities	-	1,027,365	1,027,365
Government investment issues	-	38,326	38,326
Malaysian Government guaranteed bonds	-	573,832	573,832
Quoted debt securities	1,881	-	1,881
Unquoted debt securities	-	1,062,657	1,062,657
Quoted equity securities	285,127	-	285,127
Quoted unit and property trust funds	101,986	-	101,986
	388,994	2,702,180	3,091,174
Designated upon initial recognition of FVTPL:			
Malaysian Government guaranteed bonds	-	3,553	3,553
Quoted debt securities	82	-	82
Unquoted debt securities	-	17,911	17,911
Quoted equity securities	61,658	-	61,658
Quoted exchange traded funds	1,611	-	1,611
Quoted unit and property trust funds	1,868	-	1,868
	65,219	21,464	86,683
	454,213	2,723,644	3,177,857

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.

42. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONT'D)

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 years ended 30 June 2013 and 2012.

43. INSURANCE FUNDS

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

The statements of financial position and income statements have been further analysed by funds and the Shareholders' and General Funds have been presented together as one fund.

Life Insurance Par Fund

The Life Insurance Par Fund contains all the individual participating life insurance contracts and certain non participating life insurance contracts.

Participating life insurance contracts are contracts that contain a discretionary participating feature ("DPF"). This feature entitles the policyholders to receive additional benefits in the form of annual and terminal bonuses. The amount or timing of the bonus declaration is not guaranteed, and is at the sole discretion of the Company.

Life Insurance Non-Par Fund

The Life Insurance Non-Par Fund contains the health insurance and group term insurance businesses & contains no discretionary participating feature ("DPF").

Investment linked Fund

The Investment linked Fund contains the business of all investment-linked insurance contracts.

General Insurance Fund

The General Insurance Fund contains the business of all the general insurance contracts.

Shareholders' Fund

The Shareholders' Fund contains the capital contributions made by shareholders, net of transfers to and from the insurance funds and net assets relating to other non-insurance businesses.

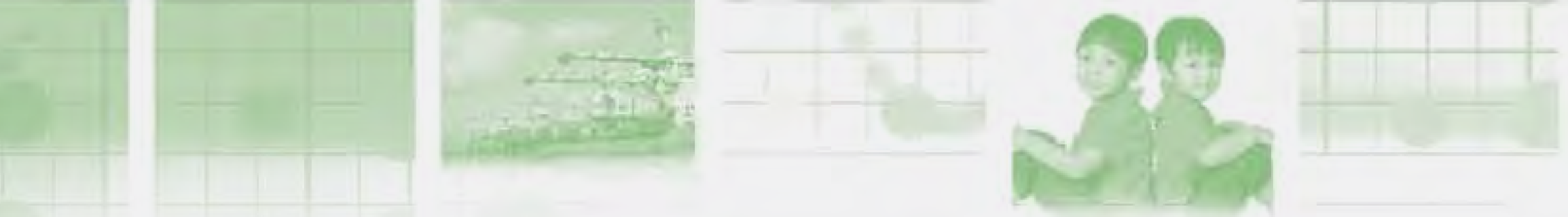
43. INSURANCE FUNDS (CONT'D)

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 and income statements by funds are presented as follows:

Statements of financial position by funds
As at 30 June 2013

Company	Shareholders' and General Funds			Life Funds			Investment linked Fund			Total		
	2013 RM'000	2012 RM'000	01.07.2011 RM'000	2013 RM'000	2012 RM'000	01.07.2011 RM'000	2013 RM'000	2012 RM'000	01.07.2011 RM'000	2013 RM'000	2012 RM'000	01.07.2011 RM'000
Assets												
Property and equipment	387	367	798	106,163	109,741	79,247	-	-	-	106,550	110,108	80,045
Investment properties	-	-	-	1,770	1,860	1,790	-	-	-	1,770	1,860	1,790
Intangible assets	24	1	1	15,849	11,887	5,606	-	-	-	15,873	11,888	5,607
Prepaid land lease payments	-	-	-	255	266	278	-	-	-	255	266	278
Investments	585,422	593,168	540,095	3,599,701	3,447,605	3,236,516	115,981	99,963	94,688	4,301,104	4,140,736	3,871,299
Reinsurance assets	139,042	165,524	175,360	919	1,649	4,150	-	-	-	139,961	167,173	179,510
Insurance receivables	24,075	27,811	32,532	49,387	34,609	25,961	-	-	-	73,462	62,420	58,493
Other receivables*	146,607	121,349	89,991	44,816	31,440	34,204	3,736	3,906	772	100,474	72,943	61,043
Cash and bank balances	7,354	7,268	7,512	79,401	34,976	9,407	4,752	1,919	2,388	91,507	44,163	19,307
Assets held for sale	-	-	-	-	-	7,305	-	-	-	-	-	7,305
Total assets	902,911	915,488	846,289	3,898,261	3,674,033	3,404,464	124,469	105,788	97,848	4,830,956	4,611,557	4,284,677
Total equity	446,634	415,699	367,099	-	-	-		-	-	446,634	415,699	367,099
Liabilities												
Insurance contract liabilities	373,772	391,879	384,539	3,637,483	3,430,497	3,189,519	121,330	99,948	93,975	4,132,585	3,922,324	3,668,033
Deferred tax liabilities	24,493	19,710	14,114	11,778	12,475	11,967	1,545	1,265	995	37,816	33,450	27,076
Insurance payables	49,063	69,961	66,961	79,773	85,621	81,301	-	-	-	128,836	155,582	148,262
Provision for taxation	-	9,612	5,416	-	6,439	2,202	397	171	105	397	16,222	7,723
Other payables*	8,949	8,627	8,160	169,227	139,001	119,475	1,197	4,404	2,773	84,688	68,280	66,484
Total liabilities	456,277	499,789	479,190	3,898,261	3,674,033	3,404,464	124,469	105,788	97,848	4,384,322	4,195,858	3,917,578
Total equity and liabilities	902,911	915,488	846,289	3,898,261	3,674,033	3,404,464	124,469	105,788	97,848	4,830,956	4,611,557	4,284,677

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



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2013

43. INSURANCE FUNDS (CONT'D)

Income statements by funds
For the financial year ended 30 June 2013

Company	Shareholders' and General Funds 2013 RM'000	Shareholders' and General Funds 2012 RM'000	Life Funds 2013 RM'000	Life Funds 2012 RM'000	Total 2013 RM'000	Total 2012 RM'000
Gross earned premiums	232,239	269,958	583,439	527,073	815,678	797,031
Premiums ceded to reinsurers	(105,604)	(118,544)	(2,436)	(7,128)	(108,040)	(125,672)
Net earned premiums	126,635	151,414	581,003	519,945	707,638	671,359
Investment income	22,533	20,478	166,670	158,714	189,203	179,192
Realised gains and losses	4,891	6,914	65,074	93,964	69,965	100,878
Fair value gains and losses	-	-	3,374	3,695	3,374	3,695
Fee and commission income	21,309	26,843	2,898	1,297	24,207	28,140
Other operating income	6,645	3,475	1,346	3,709	7,991	7,184
Other revenue	55,378	57,710	239,362	261,379	294,740	319,089
Gross benefits and claims paid	(129,568)	(98,397)	(394,637)	(333,971)	(524,205)	(432,368)
Claims ceded to reinsurers	45,946	22,763	5,476	1,551	51,422	24,314
Gross change in contract liabilities	(5,834)	(17,749)	(250,173)	(244,976)	(256,007)	(262,725)
Change in contract liabilities ceded to reinsurers	(4,534)	(6,617)	(730)	(2,501)	(5,264)	(9,118)
Net benefits and claims	(93,990)	(100,000)	(640,064)	(579,897)	(734,054)	(679,897)
Fee and commission expenses	(25,150)	(29,336)	(89,995)	(95,375)	(115,145)	(124,711)
Other operating expenses	(96)	(4,073)	(2,439)	(2,636)	(2,535)	(6,709)
Management expenses	(29,865)	(29,867)	(59,937)	(58,284)	(89,802)	(88,151)
Other expenses	(55,111)	(63,276)	(152,371)	(156,295)	(207,482)	(219,571)
Profit from operations	32,912	45,848	27,930	45,132	60,842	90,980
Transfer from Life funds	14,159	12,817	(14,159)	(12,817)	-	-
Reclassification of unallocated surplus of non-participating funds to shareholders fund	12,662	16,772	(12,662)	(16,772)	-	-
Profit before taxation	59,733	75,437	1,109	15,543	60,842	90,980
Taxation	(16,529)	(20,274)	(1,109)	(15,543)	(17,638)	(35,817)
Net profit for the year	43,204	55,163	-	-	43,204	55,163

43. INSURANCE FUNDS (CONT'D)

Statements of cash flows by funds
For the financial year ended 30 June 2013

	Shareholders' and General Funds		Life Funds		Total	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Cash flows from:						
Operating activities	11,529	11,161	53,544	39,722	65,073	50,883
Investing activities	(161)	(122)	(6,286)	(14,623)	(6,447)	(14,745)
Financing activities	(11,282)	(11,282)	-	-	(11,282)	(11,282)
Net increase in cash and cash equivalents:	86	(243)	47,258	25,099	47,344	24,856
At beginning of year	7,268	7,511	36,895	11,796	44,163	19,307
At end of year	7,354	7,268	84,153	36,895	91,507	44,163

Investment linked fund
Statement of financial position
As at 30 June 2013

	2013 RM'000	2012 RM'000	01.07.2011 RM'000
Assets			
Investments	115,981	99,963	94,688
Other receivables	3,736	3,906	772
Cash and bank balances	4,752	1,919	2,388
Total assets	124,469	105,788	97,848
Liabilities			
Deferred tax liabilities	1,545	1,265	995
Provision for taxation	397	171	105
Other payables	1,197	4,404	2,773
Total liabilities	3,139	5,840	3,873
Net asset value of funds	121,330	99,948	93,975

43. INSURANCE FUNDS (CONT'D)

Investment linked fund (cont'd)
Income statement
For the financial year ended 30 June 2013

	2013 RM'000	2012 RM'000
Investment income	3,687	4,048
Realised gains and losses	2,995	(338)
Fair value gains and losses	3,464	3,625
	10,146	7,335
Management fees	(1,291)	(1,127)
Other income	52	1,265
Other expenses	(41)	(16)
Profit before taxation	8,866	7,457
Taxation	(814)	(567)
Net profit for the year	8,052	6,890

Statement of changes in equity
For the financial year ended 30 June 2013

	2013 RM'000	2012 RM'000
At beginning of year	99,948	93,975
Net profit for the year	8,052	6,890
Creation of units	49,317	23,343
Cancellation of units	(35,987)	(24,260)
At end of year	121,330	99,948

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MCIS ZURICH Insurance Berhad (435318-U)
Wisma MCIS ZURICH, Jalan Barat,
46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia.
Tel : 03-7955 2577 Fax : 03-7957 4780 / 7956 3295 / 7957 1562