

**MCIS ZURICH INSURANCE BERHAD**

**(435318-U)**

**(Incorporated in Malaysia)**

**Unaudited Interim Financial Statements  
For the half-year ended 31 December 2010**

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

<b>CONTENTS</b>	<b>PAGE</b>
Statement of Financial Position	1
Statement of Comprehensive Income	2
Statement of Changes in Equity	3
Cash Flow Statement	4
Notes to the Interim Financial Statements	5 - 20

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

**Interim financial statements for the six months period ended 31 December 2010**

**Unaudited Condensed Consolidated Statement of Financial Position**

	Note	Group		Company	
		As at	Restated	As at	Restated
		31.12.2010	30.06.2010	31.12.2010	30.06.2010
		RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>					
Assets held for sale		-	4,451	-	4,451
Property and equipment		63,429	60,788	63,429	60,788
Investment properties		45,175	47,885	45,175	47,885
Prepaid land lease payments		21,962	22,159	21,962	22,159
Intangible asset		1,160	222	1,160	222
Available-for-sale ("AFS") financial assets		2,835,575	2,751,977	2,835,575	2,751,977
Financial assets at fair value through profit and loss ("FVTPL")		80,130	71,645	80,130	71,645
Loan and receivables		768,873	710,794	768,873	710,794
Reinsurance assets	16	174,558	177,389	174,558	177,389
Insurance receivables		44,946	56,840	44,946	56,840
Other receivables		40,206	51,166	40,206	51,166
Cash and bank balances		9,865	18,941	9,865	18,941
<b>TOTAL ASSETS</b>		<b>4,085,879</b>	<b>3,974,257</b>	<b>4,085,879</b>	<b>3,974,257</b>
<b>Equity, Policyholders' funds and Liabilities</b>					
Share capital		100,284	100,284	100,284	100,284
Share premiums		24,740	24,740	24,740	24,740
Retained earnings		123,861	121,524	123,869	121,532
Merger reserves		40,672	40,672	40,672	40,672
Available-for-sale reserves		7,197	4,355	7,197	4,355
<b>Total Equity</b>		<b>296,754</b>	<b>291,575</b>	<b>296,762</b>	<b>291,583</b>
Insurance contract liabilities	15	3,616,998	3,479,881	3,616,998	3,479,881
Deferred tax liabilities		14,450	5,761	14,450	5,761
Insurance payables		112,948	131,871	112,948	131,871
Tax payable		10,670	11,370	10,670	11,370
Other payable		34,059	53,799	34,051	53,791
<b>Total Liabilities</b>		<b>3,789,125</b>	<b>3,682,682</b>	<b>3,789,117</b>	<b>3,682,674</b>
<b>TOTAL EQUITY, POLICYHOLDERS' FUND AND LIABILITIES</b>		<b>4,085,879</b>	<b>3,974,257</b>	<b>4,085,879</b>	<b>3,974,257</b>

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

**Interim financial statements for the six months period ended 31 December 2010**

**Unaudited Condensed Consolidated Statement of Comprehensive Income**

	Note	Group		Company	
		6 months ended 31.12.2010	Restated 6 months ended 31.12.2009	6 months ended 31.12.2010	Restated 6 months ended 31.12.2009
		RM'000	RM'000	RM'000	RM'000
<b>Operating Revenue</b>		445,290	402,093	445,290	402,093
Gross earned premiums		362,614	330,403	362,614	330,403
Premiums ceded to reinsurers		(54,676)	(52,490)	(54,676)	(52,490)
<b>Net earned premiums</b>		307,938	277,913	307,938	277,913
Fee and commission income		8,495	7,947	8,495	7,947
Investment income		89,234	79,362	89,234	79,362
Realised gains		26,140	26,144	26,140	26,144
Fair value gains		5,118	3,978	5,118	3,978
Other operating income		1,233	5,305	1,233	5,305
<b>Other revenue</b>		130,220	122,736	130,220	122,736
Gross benefits and claims paid		(228,666)	(182,385)	(228,666)	(182,385)
Claims ceded to reinsurers		22,882	13,074	22,882	13,074
Gross change to contract liabilities		(111,254)	(107,413)	(111,254)	(107,413)
Change in contract liabilities ceded to reinsurers		6,434	(7,548)	6,434	(7,548)
<b>Net benefits and claims</b>		(310,604)	(284,272)	(310,604)	(284,272)
Fee and commission expense		(60,391)	(54,880)	(60,391)	(54,880)
Management expenses		(42,432)	(40,977)	(42,432)	(40,975)
<b>Other expenses</b>		(102,823)	(95,857)	(102,823)	(95,855)
Profit/surplus before taxation		24,731	20,520	24,731	20,522
Taxation	11	(14,718)	(14,749)	(14,718)	(14,749)
<b>Net Profit for the period</b>		10,013	5,771	10,013	5,773
<b>Other comprehensive income</b>					
Fair value change of available-for-sale financial assets, net of tax		2,842	4,181	2,842	4,181
<b>Total comprehensive income, for the period</b>		12,855	9,952	12,855	9,954
Basic earnings per share (sen)	14	0.10	0.06	0.10	0.06

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

**Interim financial statements for the six months period ended 31 December 2010**

**Unaudited Condensed Consolidated Statement of Changes in Equity**

	Share Capital RM'000	Share Premiums RM'000	Merger reserve RM'000	Fair Value Reserves RM'000	Retained Earnings RM'000	Total Equity RM'000
<b>Group</b>						
At 1 July 2010	100,284	24,740	40,672	4,355	121,524	291,575
Effects due to changes in accounting policy	-	-	-	-	(155)	(155)
At 1 July 2010 (restated)	100,284	24,740	40,672	4,355	121,369	291,420
Total comprehensive income for the period	-	-	-	2,842	10,013	12,855
Dividends paid during the year	-	-	-	-	(7,521)	(7,521)
At 31 December 2010	<u>100,284</u>	<u>24,740</u>	<u>40,672</u>	<u>7,197</u>	<u>123,861</u>	<u>296,754</u>
At 1 July 2009	100,284	24,740	40,672	-	107,941	273,637
Effects due to adoption of RBC framework	-	-	-	1,677	213	1,890
At 1 July 2009 (restated)	100,284	24,740	40,672	1,677	108,154	275,527
Total comprehensive income for the period	-	-	-	2,504	5,771	8,275
Dividends paid for the financial year ended	-	-	-	-	(7,521)	(7,521)
At 31 December 2009	<u>100,284</u>	<u>24,740</u>	<u>40,672</u>	<u>4,181</u>	<u>106,404</u>	<u>276,281</u>
<b>Company</b>						
At 1 July 2010	100,284	24,740	40,672	4,355	121,532	291,583
Effects due to changes in accounting policy	-	-	-	-	(155)	(155)
At 1 July 2010 (restated)	100,284	24,740	40,672	4,355	121,377	291,428
Total comprehensive income for the period	-	-	-	2,842	10,013	12,855
Dividends paid during the year	-	-	-	-	(7,521)	(7,521)
At 31 December 2010	<u>100,284</u>	<u>24,740</u>	<u>40,672</u>	<u>7,197</u>	<u>123,869</u>	<u>296,762</u>
At 1 July 2009	100,284	24,740	40,672	-	107,946	273,642
Effects due to adoption of RBC framework	-	-	-	1,677	213	1,890
At 1 July 2009 (restated)	100,284	24,740	40,672	1,677	108,159	275,532
Total comprehensive income for the period	-	-	-	2,504	5,773	8,277
Dividends paid for the financial year ended	-	-	-	-	(7,521)	(7,521)
At 31 December 2009	<u>100,284</u>	<u>24,740</u>	<u>40,672</u>	<u>4,181</u>	<u>106,411</u>	<u>276,288</u>

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

**Interim financial statements for the six months period ended 31 December 2010**

**Unaudited Condensed Consolidated Statement of Cash Flow**

	Group		Company	
	6 months ended 31.12.2010 RM'000	6 months ended 31.12.2009 RM'000	6 months ended 31.12.2010 RM'000	6 months ended 31.12.2009 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net profit attributable to shareholders	10,013	5,771	10,013	5,773
Adjustments for non-cash items	(91,765)	(70,662)	(91,765)	(70,662)
Operating loss before changes in operating assets and liabilities	(81,752)	(64,891)	(81,752)	(64,889)
Net investment income received	173,447	159,545	173,447	159,545
Proceed from disposal of investment	934,522	633,153	934,522	633,153
Purchase of investments	(954,712)	(1,091,132)	(954,712)	(1,091,132)
Proceed from disposal of investment properties	6,865	-	6,865	-
Decrease/(increase) in loan receivables	7,290	(7,541)	7,290	(7,541)
(Increase)/decrease in fixed and call deposits	(65,391)	376,880	(65,391)	376,880
Decrease in receivables	6,727	1,486	6,727	1,486
Increase in claims liabilities	8,830	14,809	8,830	14,809
Decrease in payables	(26,411)	(11,124)	(26,411)	(11,126)
<b>Cash generated from operations</b>	<b>9,415</b>	<b>11,185</b>	<b>9,415</b>	<b>11,185</b>
Income taxes paid (net of recoveries)	(4,767)	(6,038)	(4,767)	(6,038)
Net cash inflow from operating activities	4,648	5,147	4,648	5,147
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of property and equipment	(6,280)	(716)	(6,280)	(716)
Proceeds from disposal of property and equipment	76	20	76	20
Net cash outflow from operating activities	(6,204)	(696)	(6,204)	(696)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Dividend paid to shareholders	(7,521)	(7,521)	(7,521)	(7,521)
<b>Net cash outflow from financing activities</b>	<b>(7,521)</b>	<b>(7,521)</b>	<b>(7,521)</b>	<b>(7,521)</b>
<b>CASH AND CASH EQUIVALENTS</b>				
	(9,077)	(3,070)	(9,077)	(3,070)
Cash and cash equivalents at 1 July	18,942	12,545	18,942	12,545
<b>Cash and cash equivalents at 31 December</b>	<b>9,865</b>	<b>9,475</b>	<b>9,865</b>	<b>9,475</b>

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

**Interim Financial Statements for the six months period ended 31 December 2010**

**Notes to the Interim Financial Statements**

**1 Basis of preparation**

The interim financial statements of MCIS Zurich Insurance Berhad ("MZIB" or "Company") and its subsidiary Cramson (Malaysia) Bhd. (collectively referred to as the "Group") are unaudited and have been prepared in accordance with Financial Reporting Standards ("FRS") in Malaysia and Guidelines/Circulars issued by Bank Negara Malaysia ("BNM"). The interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's audited financial statements for the financial year ended 30 June 2010.

The notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the company since the financial year ended 30 June 2010.

**2 Changes in accounting policies**

The accounting policies and presentation adopted by the Group and the Company for the interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 30 June 2010, except for the adoption of the following new and revised FRSs, Amendments to FRS, Issues Committee ("IC") Interpretations and Technical Release ("TR"):

**Effective for financial periods beginning on or after 1 January 2010**

- (i) FRS 4 *Insurance Contracts*
- (ii) FRS 7 *Financial Instruments: Disclosures*
- (iii) FRS 101 *Presentation of Financial Statements (Revised)*
- (iv) FRS 123 *Borrowing Costs*
- (v) FRS 139 *Financial Instruments: Recognition and Measurement*
- (vi) Amendments to FRS 1 *First-time Adoption of Financial Reporting Standards* and FRS 127 *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- (vii) Amendments to FRS 2 *Share-based Payment - Vesting Conditions and Cancellations*
- (viii) Amendments to FRS 132 *Financial Instruments: Presentation*
- (ix) Amendments to FRS 139 *Financial Instruments: Recognition and Measurement*, FRS 7 *Financial Instruments: Disclosures* and IC Interpretation 9 *Reassessment of Embedded Derivatives*
- (x) Improvements to FRS issued in 2009

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

**2 Changes in accounting policies (Contd.)**

**Effective for financial periods beginning on or after 1 January 2010 (Contd.)**

- (xi) IC Interpretation 9 *Reassessment of Embedded Derivatives*
- (xii) IC Interpretation 10 *Interim Financial Reporting and Impairment*
- (xiii) IC Interpretation 11 *FRS 2 - Group and Treasury Share Transactions*
- (xiv) IC Interpretation 13 *Customer Loyalty Programmes*
- (xv) IC Interpretation 14 *FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*
- (xvi) TR *i-3 Presentation of Financial Statements of Islamic Financial Institutions*

**Effective for financial periods beginning on or after 1 July 2010**

- (i) FRS 1 *First-time Adoption of Financial Reporting Standards*
- (ii) FRS 3 *Business Combinations (Revised)*
- (iii) Amendments to FRS 2 *Share-based Payment*
- (iv) Amendments to FRS 5 *Non-current Assets Held for Sale and Discontinued Operations*
- (v) Amendments to FRS 127 *Consolidated and Separate Financial Statements*
- (vi) Amendments to FRS 138 *Intangible Assets*
- (vii) Amendments to IC Interpretation 9 *Reassessment of Embedded Derivatives*
- (viii) IC Interpretation 12 *Service Concession Arrangements*
- (ix) IC Interpretation 15 *Agreements for the Construction of Real Estate*
- (x) IC Interpretation 16 *Hedges of a Net Investment in a Foreign Operation*
- (xi) IC Interpretation 17 *Distributions of Non-cash assets to Owners*

The adoption of the above FRSs, Amendments to FRS, IC Interpretations and TRs did not have any material impact to the financial position and performance of the Company except for those discussed below:

**a) FRS 7 *Financial Instruments: Disclosures***

FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

In accordance with the transitional provisions of FRS 7, the Company have applied the disclosure requirements of the Standard prospectively and, hence, comparative disclosures have not been provided. The new disclosures will be included throughout the notes to the financial statements for the year ending 30 June 2011.

**2 Changes in accounting policies (Contd.)**

**b) FRS 101 *Presentation of Financial Statements (Revised)***

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The Standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Company has elected to present this statement as one single statement.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the financial statements.

The revised FRS 101 was adopted retrospectively by the Company. This Standard does not have any impact to the financial position and results of the Company.

**c) FRS 139 *Financial Instruments: Recognition and Measurement***

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. In the prior financial year ended 30 June 2010, the Company had adopted the valuation requirements prescribed in the Risk-Based Capital Framework ("the Framework") for its investments which were similar to the requirements of FRS 139. Accordingly, the adoption of FRS 139 did not have any material impact to the financial position and results of the Company.

**d) FRS 4 *Insurance Contracts***

This Standard specifies the financial reporting requirements for insurance contracts by any entity that issues such contracts. The key changes arising from the adoption of this Standard is summarised as follows:

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

**2 Changes in accounting policies (Contd.)**

**d) FRS 4 Insurance Contracts (Contd.)**

i) Gross presentation

The Standard requires that assets, liabilities, income and expenses arising from insurance contracts to be presented on a gross basis separately from assets, liabilities, income and expenses arising from the related reinsurance arrangements. The impact arising from the grossing up of such balances is described in Note 3.

ii) Qualitative and quantitative disclosures

The Standard also requires additional disclosures to assist users of financial statements in understanding the amounts, timing and uncertainty of future cash flows arising from insurance contracts including a reconciliation between the opening and closing balances of insurance contract liabilities and a sensitivity analysis on insurance risk.

**3 Impact Arising From Changes in Accounting Policies**

All changes in accounting policies have been made in accordance with the transition provisions in the respective standards, amendments to published standards and interpretations.

The effects on adoption of new accounting policies on 1 July 2010 and description of the changes affecting the opening balances of retained profits, related assets and liabilities are as follows:

	<b>As at 1.7.2010 RM'000</b>	<b>Increase/ (Decrease) RM'000</b>	<b>Restated as at 1.7.2010 RM'000</b>
Retained Profits	121,524	(155)	121,369
Impairment effect on insurance receivables		(207)	
Deferred tax effects		52	

There is no material impact on the Statement of Financial Position as at 31 December 2010.

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

**4 Unusual items**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the current financial period ended 31 December 2010.

**5 Change in estimates**

There were no changes in the basis used for accounting estimates for the current financial period to date.

**6 Debt and equity securities**

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

**7 Dividends**

A final dividend of 7.5 sen per share less income tax of 25% tax amounting to RM7.5 million for the financial year ended 30 June 2010 was approved at the last Annual General Meeting on 24 November 2010 and the dividend was paid on 15 December 2010.

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

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

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

The land and buildings and investment properties of the Company were last revalued in February and April 2009.

**10 Contingent liabilities**

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

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

**11 Taxation**

	<b>6 month ended</b> <b>31.12.2010</b> <b>RM'000</b>	<b>6 month ended</b> <b>31.12.2009</b> <b>RM'000</b>
In respect of current period:		
Current tax	11,558	9,413
Deferred tax	4,612	5,336
	<u>16,170</u>	<u>14,749</u>
In respect of prior periods:		
Over provision in respect of prior periods	(1,452)	-
	<u>14,718</u>	<u>14,749</u>

The income tax for the Shareholders' and General funds are calculated based on the tax rate of 25% (2010: 25%) of the estimated assessable profit for the financial period. The income tax for the Life fund is calculated based on tax rate of 8% (2010: 8%) of the estimated assessable surplus for the financial period.

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

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

The Company has disposed investment properties amounting to RM6,865,000 in the current financial period which has given rise to a realised loss of RM295,910.

**13 Investments**

	<b>As at</b> <b>31.12.2010</b> <b>RM'000</b>	<b>As at</b> <b>30.6.2010</b> <b>RM'000</b>
Malaysian government securities	676,681	652,716
Government Investment Issues	12,994	103,773
Malaysian government guaranteed bonds	644,208	626,445
Debt securities	1,165,284	1,067,600
Equity securities	328,755	300,762
Unit and property trust funds	80,444	64,989
Unquoted shares	7,339	7,339
Deposits with financial institutions	376,871	311,500
Loans	392,002	399,292
	<u>3,684,578</u>	<u>3,534,416</u>

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

**13 Investments (Contd.)**

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

	<b>As at</b> <b>31.12.2010</b> <b>RM'000</b>	<b>As at</b> <b>30.6.2010</b> <b>RM'000</b>
Loans and receivables ("LAR")	768,873	710,794
Available-for-sale financial assets ("AFS")	2,835,575	2,751,977
Designated upon initial recognition ("FVTPL")	80,130	71,645
	<u>3,684,578</u>	<u>3,534,416</u>

**14 Earning per share**

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

	<b>6 month ended</b> <b>31.12.2010</b> <b>RM'000</b>	<b>6 month ended</b> <b>31.12.2009</b> <b>RM'000</b>
Profit attributable to Ordinary equity holders	10,013	5,773
Weighted average number of shares in issue	100,284	100,284
Basic earnings per share (sen)	0.10	0.06

Diluted earnings per share are not presented as there were no dilutive potential Ordinary Shares as at the balance sheet date.

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

**15 Insurance contract liabilities**

	<b>As at</b> <b>31.12.2010</b> <b>RM'000</b>	<b>As at</b> <b>30.6.2010</b> <b>RM'000</b>
Life insurance (Note A)	3,269,614	3,135,246
Less: Reinsurance	(4,937)	(4,938)
	<u>3,264,677</u>	<u>3,130,308</u>

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

**15 Insurance contract liabilities (Contd.)**

	<b>As at</b> <b>31.12.2010</b> <b>RM'000</b>	<b>As at</b> <b>30.6.2010</b> <b>RM'000</b>
General insurance (Note B)	347,384	344,635
Less: Reinsurance	(169,621)	(172,451)
	<u>177,763</u>	<u>172,184</u>
 Total	 <u>3,442,440</u>	 <u>3,302,492</u>

**(A) Life Insurance**

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

	<b>As at</b> <b>31.12.2010</b> <b>RM'000</b>	<b>As at</b> <b>30.6.2010</b> <b>RM'000</b>
Claims liabilities	35,288	34,422
Actuarial liabilities	2,578,596	2,529,018
Unallocated surplus	411,490	365,034
Available-for-sale fair value reserves	140,143	104,744
Assets revaluation reserves	17,884	20,102
Net asset value attributable to unitholders	86,213	81,926
	<u>3,269,614</u>	<u>3,135,246</u>
Less: Reinsurance	(4,937)	(4,938)
	<u>3,264,677</u>	<u>3,130,308</u>

	<b>As at</b> <b>31.12.2010</b> <b>RM'000</b>	<b>As at</b> <b>30.6.2010</b> <b>RM'000</b>
<b>At 1 July</b>	3,130,308	2,851,784
Change in life insurance fund contract liabilities:		
Due to change in discount rate	2,428	5,227
Due to movement during the period	47,150	66,393
Change in Claims liabilities	867	3,189
Change in asset value attributable to unitholders	4,287	12,930
Transfer from Life Insurance Revenue Statement	45,792	139,895
Transfer to Income Statement	-	(12,249)
Change in asset revaluation reserves	(1,554)	-
Change in available-for-sale fair value reserves	38,477	68,629
Deferred tax effect:		
Change in available-for-sale fair value reserves	(3,078)	(5,490)
	<u>3,264,677</u>	<u>3,130,308</u>

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

**15 Insurance contract liabilities (Contd.)**

**(A) Life Insurance (Contd.)**

Included in the unallocated surplus component of the Company's insurance contract liabilities is an amount of RM 72,254,235, being the accumulated surplus of the Non Par Fund of the Company less the estimated actuarial liabilities for the Fund (collectively referred to as the "Non Par unallocated surplus"). In accordance with FRS 4 and the Framework for Preparation and Presentation of Financial Statements ("FRS Framework"), the Non Par unallocated surplus does not meet the definition of a liability, that is, a present obligation of the Company arising from past events, the settlement of which is expected to result in an outflow of economic benefits as the Non Par unallocated surplus represents the residual interest in the assets of the Non Par Fund after consideration of all liabilities. In addition, in accordance to FRS 139, the AFS reserves of the life insurance fund of the Company, amounting to RM 140,143,147, should be accounted for as equity of the Company.

In accordance with the requirements of Guidelines issued by BNM, the Company has continued to classify the Non Par unallocated surplus and the AFS reserves of the Non Par Fund as insurance contract liabilities. These are modifications to the FRS which had been approved by BNM under Section 90 of the Insurance Act 1996. Had the Company applied the requirements of the Standard and the FRS Framework, the insurance contract liabilities of the Company would have been lower by RM 212,397,382 ; consequently, the retained profits and AFS reserves of the Company would have been higher by RM 72,254,235 and RM140,143,147 respectively.

**(B) General Insurance**

	<b>As at</b>	<b>As at</b>
	<b>31.12.2010</b>	<b>30.6.2010</b>
	<b>RM'000</b>	<b>RM'000</b>
Provision for claims reported	162,714	166,404
Provision for incurred but not reported claims ("IBNR")	45,700	31,263
Provision of Risk Margin for Adverse Deviation ("PRAD")	32,279	32,295
Claims liabilities (i)	<u>240,693</u>	<u>229,962</u>
Less: Reinsurance	<u>(125,911)</u>	<u>(119,476)</u>
	<u>114,782</u>	<u>110,486</u>
Premium liabilities (ii)	106,691	114,673
Less: Reinsurance	<u>(43,710)</u>	<u>(52,975)</u>
	<u>62,981</u>	<u>61,698</u>

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

**15 Insurance contract liabilities (Contd.)**

**(B) General Insurance (Contd.)**

**(i) Claims liabilities**

	<b>As at</b> <b>31.12.2010</b> <b>RM'000</b>	<b>As at</b> <b>30.6.2010</b> <b>RM'000</b>
<b>At 1 July</b>	229,962	223,799
Claims incurred in the current accident year		
Other movements in claims incurred in prior accident year	40,980	122,509
Claims paid during the year	29,689	(13,229)
Movements In Unallocated Loss Adjustment Expenses ("ULAE")	(59,954)	(97,508)
Movements in PRAD	16	(3,787)
	<u>240,693</u>	<u>229,962</u>
Less: Reinsurance	(125,911)	(119,476)
As at 31 December/ 30 June	<u><u>114,782</u></u>	<u><u>110,486</u></u>

**(ii) Premium liabilities**

	<b>As at</b> <b>31.12.2010</b> <b>RM'000</b>	<b>As at</b> <b>30.6.2010</b> <b>RM'000</b>
<b>At 1 July</b>	114,673	101,147
Premiums written in the year	109,069	232,159
Premiums earned during the year	(117,051)	(218,633)
	<u>106,691</u>	<u>114,673</u>
Less: Reinsurance	(43,710)	(52,975)
As at 31 December/ 30 June	<u><u>62,981</u></u>	<u><u>61,698</u></u>

**16 Reinsurance assets**

	<b>As at</b> <b>31.12.2010</b> <b>RM'000</b>	<b>As at</b> <b>30.6.2010</b> <b>RM'000</b>
Reinsurance of insurance contracts:		
General	169,621	172,451
Life	4,937	4,938
	<u><u>174,558</u></u>	<u><u>177,389</u></u>

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

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

**17 Cash and cash equivalents**

The cash and cash equivalents comprise the following:

	<b>As at 31.12.2010 RM'000</b>	<b>As at 30.6.2010 RM'000</b>
Shareholders and General business	2,399	1,757
Non Investment-Linked business	5,633	12,845
Investment-Linked business	1,833	4,339
	<u>9,865</u>	<u>18,941</u>

**18 Capital Commitments**

	<b>As at 31.12.2010 RM'000</b>	<b>As at 30.6.2010 RM'000</b>
<b><u>General insurance</u></b>		
Property, plant and equipment:		
Approved but not contracted for	<u>513</u>	<u>596</u>
<b><u>Life insurance</u></b>		
Property, plant and equipment:		
Approved but not contracted for	<u>10,600</u>	<u>16,796</u>

**19 Regulatory Capital Requirements**

The capital structure of the Company as at 31 December 2010, as prescribed under the Framework is provided below:

	<b>As at 31.12.2010 RM'000</b>	<b>As at 30.6.2010 RM'000</b>
<b><u>Eligible Tier 1 Capital</u></b>		
Share capital (paid-up)	100,284	100,284
Reserves, including retained earnings	930,616	874,136
	<u>1,030,900</u>	<u>974,420</u>
<b><u>Tier 2 Capital</u></b>		
Eligible reserves	<u>165,224</u>	<u>129,201</u>
Amount deducted from Capital	(275)	(1,292)
Total Capital Available	<u>1,195,849</u>	<u>1,102,329</u>

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

**Interim Financial Statements For The Six Months Period Ended 31 December 2010**

**Notes to the Interim Financial Statements**

**20 Insurance Funds**

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

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

	Shareholders' & General Funds		Life Fund		Total	
	As at	As at	As at	As at	As at	As at
	31.12.2010	30.06.2010	31.12.2010	30.06.2010	31.12.2010	30.06.2010
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>						
Assets held for sale	-	-	-	4,451	-	4,451
Property and equipment	800	827	62,629	59,961	63,429	60,788
Investment properties	-	-	45,175	47,885	45,175	47,885
Prepaid land lease payments	-	-	21,962	22,159	21,962	22,159
Intangible asset	2	2	1,158	220	1,160	222
Financial investments (note 13)	494,839	483,120	3,189,739	3,051,296	3,684,578	3,534,416
Reinsurance assets (note 16)	169,621	172,451	4,937	4,938	174,558	177,389
Insurance receivables	26,579	37,107	18,367	19,733	44,946	56,840
Other receivables	7,064	18,398	33,142	32,768	40,206	51,166
Cash and bank balances	2,399	1,757	7,466	17,184	9,865	18,941
<b>TOTAL ASSETS</b>	<b>701,304</b>	<b>713,662</b>	<b>3,384,575</b>	<b>3,260,595</b>	<b>4,085,879</b>	<b>3,974,257</b>

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

**Interim Financial Statements For The Six Months Period Ended 31 December 2010**

**Notes to the Interim Financial Statements**

**20 Insurance Funds (Contd.)**

	Shareholders' & General Funds		Life Fund		Total	
	As at	As at	As at	As at	As at	As at
	31.12.2010	30.06.2010	31.12.2010	30.06.2010	31.12.2010	30.06.2010
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Total Equity</b>	296,762	291,583	-	-	296,762	291,583
Insurance contract liabilities (note 15)	347,384	344,635	3,269,614	3,135,246	3,616,998	3,479,881
Deferred tax liabilities	658	1,042	13,792	4,719	14,450	5,761
Insurance payables	48,714	61,951	64,234	69,920	112,948	131,871
Other payables	7,786	14,451	36,935	50,710	44,721	65,161
<b>Total Liabilities</b>	404,542	422,079	3,384,575	3,260,595	3,789,117	3,682,674
<b>TOTAL EQUITY, POLICYHOLDERS' FUND AND LIABILITIES</b>	701,304	713,662	3,384,575	3,260,595	4,085,879	3,974,257

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

**Interim Income Statement/Revenue Accounts by Funds**  
**For the six months period ended 31 December 2010**

	Shareholders' & General Funds		Life Fund		Total	
	6 months ended 31.12.2010 RM'000	6 months ended 31.12.2009 RM'000	6 months ended 31.12.2010 RM'000	6 months ended 31.12.2009 RM'000	6 months ended 31.12.2010 RM'000	6 months ended 31.12.2009 RM'000
<b>Operating revenue</b>	<u>118,473</u>	<u>101,941</u>	<u>326,817</u>	<u>300,152</u>	<u>445,290</u>	<u>402,093</u>
Gross earned premiums	117,052	101,936	245,562	228,467	362,614	330,403
Premiums ceded to reinsurers	<u>(51,783)</u>	<u>(47,875)</u>	<u>(2,893)</u>	<u>(4,615)</u>	<u>(54,676)</u>	<u>(52,490)</u>
<b>Net earned Premiums</b>	<u>65,269</u>	<u>54,061</u>	<u>242,669</u>	<u>223,852</u>	<u>307,938</u>	<u>277,913</u>
Fee and commission income	8,495	8,743	-	(796)	8,495	7,947
Investment income	9,404	7,998	79,830	71,364	89,234	79,362
Realised gains	663	800	25,477	25,344	26,140	26,144
Fair value gains	-	-	5,118	3,978	5,118	3,978
Other operating income	<u>696</u>	<u>2,066</u>	<u>537</u>	<u>3,239</u>	<u>1,233</u>	<u>5,305</u>
<b>Other revenue</b>	<u>19,258</u>	<u>19,607</u>	<u>110,962</u>	<u>103,129</u>	<u>130,220</u>	<u>122,736</u>
Gross benefits and claims paid	(59,954)	(42,999)	(168,712)	(139,386)	(228,666)	(182,385)
Claims ceded to reinsurers	21,492	11,525	1,390	1,549	22,882	13,074
Gross change to contract liabilities	(10,731)	656	(100,523)	(108,069)	(111,254)	(107,413)
Change in contract liabilities ceded to reinsurers	<u>6,435</u>	<u>(7,548)</u>	<u>(1)</u>	<u>-</u>	<u>6,434</u>	<u>(7,548)</u>
<b>Net benefits and claims</b>	<u>(42,758)</u>	<u>(38,366)</u>	<u>(267,846)</u>	<u>(245,906)</u>	<u>(310,604)</u>	<u>(284,272)</u>

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

**Interim Income Statement/Revenue Accounts by Funds (Contd.)**  
**For the six months period ended 31 December 2010**

	Shareholders' & General Funds		Life Fund		Total	
	6 months ended	6 months ended	6 months ended	6 months ended	6 months ended	6 months ended
	31.12.2010	31.12.2009	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Fee and commission expenses	(12,866)	(11,706)	(47,525)	(43,174)	(60,391)	(54,880)
Management expenses	(16,980)	(15,524)	(25,452)	(25,451)	(42,432)	(40,975)
<b>Other expenses</b>	<u>(29,846)</u>	<u>(27,230)</u>	<u>(72,977)</u>	<u>(68,625)</u>	<u>(102,823)</u>	<u>(95,855)</u>
<b>Profit/surplus before tax</b>	11,923	8,072	12,808	12,450	24,731	20,522
Taxation (note 11)	(1,910)	(2,299)	(12,808)	(12,450)	(14,718)	(14,749)
<b>Net Profit/Surplus after tax</b>	<u>10,013</u>	<u>5,773</u>	<u>-</u>	<u>-</u>	<u>10,013</u>	<u>5,773</u>

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

**Interim statements of financial position for Investment-Linked Funds**

**As at 31 December 2010**

	<b>As at 31.12.2010 RM'000</b>	<b>As at 30.06.2010 RM'000</b>
<b><u>ASSETS</u></b>		
Financial investments	84,311	77,365
Other receivables	873	602
Cash and bank balances	1,833	4,339
<b>Total Assets</b>	<b>87,017</b>	<b>82,306</b>
<b><u>LIABILITIES</u></b>		
Deferred tax liabilities	707	312
Other payables	97	68
<b>Total Liabilities</b>	<b>804</b>	<b>380</b>
<b>Net asset value of funds (Note 15)</b>	<b>86,213</b>	<b>81,926</b>

**Interim Income statements for Investment-Linked Funds**

**For the six months period ended 31 December 2010**

	<b>6 months ended 31.12.2010 RM'000</b>	<b>6 months ended 31.12.2009 RM'000</b>
<b>Operating Revenue</b>	<b>11,554</b>	<b>10,045</b>
Gross earned premiums	9,360	8,628
Premiums ceded to reinsurers	-	-
<b>Net earned Premiums</b>	<b>9,360</b>	<b>8,628</b>
Investment income	2,195	1,417
Fair value gains	200	-
Fee and commission income	(499)	(403)
Other operating income	5,118	3,978
<b>Other revenue</b>	<b>7,014</b>	<b>4,992</b>
Gross benefits and claims paid	(11,560)	(8,571)
Gross change to contract liabilities	(4,288)	(4,667)
<b>Net benefits and claims</b>	<b>(15,848)</b>	<b>(13,238)</b>
Management expenses	(8)	(8)
<b>Other expenses</b>	<b>(8)</b>	<b>(8)</b>
<b>Profit/ Surplus before tax</b>	<b>518</b>	<b>374</b>
Taxation	(518)	(374)
<b>Net Profit/ Surplus after tax</b>	<b>-</b>	<b>-</b>