

PROGRESSIVE INSURANCE BHD

(Company number 19002 - P)

(Incorporated in Malaysia)

**Unaudited Condensed Interim Financial Statements
For The Financial Period From
1 January 2015 to 30 June 2015**

PROGRESSIVE INSURANCE BHD (19002-P)
(Incorporated in Malaysia)

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PROGRESSIVE INSURANCE BHD (19002-P)
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015

	Note	Group		Company	
		30.06.2015	31.12.2014	30.06.2015	31.12.2014
		RM	RM	RM	RM
ASSETS					
Property and equipment		12,411,881	11,730,028	12,411,881	11,730,028
Investments:		247,662,160	239,148,409	249,819,793	241,469,959
- Available-for-sale ("AFS") financial assets	9 (a)	69,198,095	64,468,661	187,306,103	179,627,056
- Financial assets at fair value through profit or loss ("FVTPL")	9 (b)	178,464,065	174,679,748	62,513,690	61,842,903
Reinsurance assets	10	119,638,579	81,815,369	119,638,579	81,815,369
Loans and other receivables	11	167,403,155	169,396,729	162,072,941	163,979,204
Tax recoverable		573,659	3,214,705	573,659	3,214,705
Deferred tax assets		1,446,641	881,174	1,446,641	881,174
Insurance receivables	12	24,985,309	21,949,332	24,985,309	21,949,332
Cash and bank balances		8,429,900	8,512,319	8,270,777	8,350,929
TOTAL ASSETS		582,551,284	536,648,065	579,219,580	533,390,700
EQUITY AND LIABILITIES					
Share capital		100,000,000	100,000,000	100,000,000	100,000,000
Reserves		105,398,634	110,134,010	105,464,046	110,201,143
		205,398,634	210,134,010	205,464,046	210,201,143
Non-controlling interest		3,333,789	3,259,789	-	-
TOTAL EQUITY		208,732,423	213,393,799	205,464,046	210,201,143
Insurance contract liabilities	13	305,054,885	257,409,219	305,054,885	257,409,219
Other financial liabilities	14	36,946,881	33,197,575	36,946,881	33,197,575
Insurance payables	15	27,517,879	27,442,009	27,517,879	27,442,009
Other payables		4,299,216	5,205,463	4,235,889	5,140,754
TOTAL LIABILITIES		373,818,861	323,254,266	373,755,534	323,189,557
TOTAL EQUITY AND LIABILITIES		582,551,284	536,648,065	579,219,580	533,390,700

The accompanying notes form an integral part of the financial statement

PROGRESSIVE INSURANCE BHD (19002-P)
(Incorporated in Malaysia)

UNAUDITED CONDENSED INCOME STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2015

	Note	Group		Company	
		30.06.2015 RM	30.06.2014 RM	30.06.2015 RM	30.06.2014 RM
Operating revenue		<u>91,291,609</u>	<u>98,156,157</u>	<u>90,948,738</u>	<u>97,497,358</u>
Gross written premiums	13 (ii)	84,862,699	91,254,824	84,862,699	91,254,824
Change in unearned premiums provision		(2,138,104)	(4,289,684)	(2,138,104)	(4,289,684)
Gross earned premiums	13 (ii)	<u>82,724,595</u>	<u>86,965,140</u>	<u>82,724,595</u>	<u>86,965,140</u>
Gross written premiums ceded to reinsurers	13 (ii)	(38,882,914)	(41,250,976)	(38,882,914)	(41,250,976)
Change in unearned premiums provision		208,934	(1,373,478)	208,934	(1,373,478)
Premiums ceded to reinsurers	13 (ii)	<u>(38,673,980)</u>	<u>(42,624,454)</u>	<u>(38,673,980)</u>	<u>(42,624,454)</u>
Net earned premiums		<u>44,050,615</u>	<u>44,340,686</u>	<u>44,050,615</u>	<u>44,340,686</u>
Investment income, net		6,151,316	6,566,105	5,808,445	5,907,306
Realised gains and losses		2,609,422	2,657,196	2,626,610	2,943,874
Fair value gains and losses		(1,161,315)	2,088,842	(1,743,455)	1,963,637
Commission income		9,380,255	10,090,050	9,380,255	10,090,050
Other operating income		3,189,723	422,014	3,189,723	422,014
Other income		<u>20,169,401</u>	<u>21,824,207</u>	<u>19,261,578</u>	<u>21,326,881</u>
Gross claims paid		(35,725,077)	(43,888,373)	(35,725,077)	(43,888,373)
Claims ceded to reinsurers		9,415,357	14,928,741	9,415,357	14,928,741
Gross change in contract liabilities		(45,507,562)	(3,356,293)	(45,507,562)	(3,356,293)
Change in contract liabilities ceded to reinsurers		37,614,276	(474,278)	37,614,276	(474,278)
Net claims incurred		<u>(34,203,006)</u>	<u>(32,790,203)</u>	<u>(34,203,006)</u>	<u>(32,790,203)</u>
Commission expenses		(10,444,544)	(11,768,562)	(10,444,544)	(11,768,562)
Management expenses		(15,992,147)	(14,022,861)	(15,793,521)	(13,847,621)
Other expenses		<u>(26,436,691)</u>	<u>(25,791,423)</u>	<u>(26,238,065)</u>	<u>(25,616,183)</u>
Profit before taxation		<u>3,580,319</u>	<u>7,583,267</u>	<u>2,871,122</u>	<u>7,261,181</u>
Tax expense		(260,000)	(600,000)	(260,000)	(600,000)
Net profit for the period		<u>3,320,319</u>	<u>6,983,267</u>	<u>2,611,122</u>	<u>6,661,181</u>

PROGRESSIVE INSURANCE BHD (19002-P)
(Incorporated in Malaysia)

UNAUDITED CONDENSED INCOME STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2015

	Note	Group		Company	
		30.06.2015	30.06.2014	30.06.2015	30.06.2014
		RM	RM	RM	RM
Earnings per ordinary share		3.3	7.0	2.6	6.7
(sen) - basic and diluted					
Attributable to:					
Equity holder of the					
Company		3,240,374	6,938,773	2,611,122	6,661,181
Non-controlling interests		79,945	44,494	-	-
		<u>3,320,319</u>	<u>6,983,267</u>	<u>2,611,122</u>	<u>6,661,181</u>

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

PROGRESSIVE INSURANCE BHD (19002-P)
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2015

	Group		Company	
	30.06.2015	30.06.2014	30.06.2015	30.06.2014
	RM	RM	RM	RM
Net profit for the period	3,320,319	6,983,267	2,611,122	6,661,181
Other comprehensive income/ (loss)				
<u>Items that may be reclassified to income statements in subsequent periods:</u>				
Fair value change on AFS financial assets:				
(Loss) / gain on fair value changes	607,393	(397,602)	1,234,924	(175,341)
Transferred to profit or loss upon disposal	20,177	(129,113)	20,177	(76,843)
Deferred tax	(43,320)	162,715	(43,320)	162,715
Other comprehensive (loss)/income for the year, net of tax	<u>584,250</u>	<u>(364,000)</u>	<u>1,211,781</u>	<u>(89,469)</u>
Total comprehensive income for the period	<u>3,904,569</u>	<u>6,619,267</u>	<u>3,822,903</u>	<u>6,571,712</u>
Total comprehensive income for the year attributable to:				
Equity holder of the Company	3,824,624	6,574,773	3,822,903	6,571,712
Non-controlling interests	79,945	44,494	-	-
	<u>3,904,569</u>	<u>6,619,267</u>	<u>3,822,903</u>	<u>6,571,712</u>

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PROGRESSIVE INSURANCE BHD (19002-P)
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UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2015

	← Attributable to owners of the Company →						
	← Non-distributable →			Distributable			
	Share capital RM	Property revaluation reserve RM	Available for sale ("AFS") reserve RM	Retained earnings RM	Total equity RM	Non- controlling Interests RM	Total equity RM
At 1 January 2014	100,000,000	2,617,432	249,696	97,746,876	200,614,004	2,142,829	202,756,833
Total comprehensive income/(loss) for the year	-	-	(364,000)	6,938,773	6,574,773	44,494	6,619,267
Dividend paid during the year	-	-	-	(7,714,100)	(7,714,100)	-	(7,714,100)
Net creation of units in wholesale unit trust funds	-	-	-	-	-	706,229	706,229
At 30 June 2014	<u>100,000,000</u>	<u>2,617,432</u>	<u>(114,304)</u>	<u>96,971,549</u>	<u>199,474,677</u>	<u>2,893,552</u>	<u>202,368,229</u>
At 1 January 2015	100,000,000	2,617,432	233,856	107,282,722	210,134,010	3,259,789	213,393,799
Total comprehensive income/(loss) for the year	-	-	584,250	3,240,374	3,824,624	79,945	3,904,569
Dividend paid during the year (Note 6)	-	-	-	(8,560,000)	(8,560,000)	-	(8,560,000)
Net creation of units in wholesale unit trust funds	-	-	-	-	-	(5,945)	(5,945)
At 30 June 2015	<u>100,000,000</u>	<u>2,617,432</u>	<u>818,106</u>	<u>101,963,096</u>	<u>205,398,634</u>	<u>3,333,789</u>	<u>208,732,423</u>

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PROGRESSIVE INSURANCE BHD (19002-P)
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UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2015

	← Non-distributable →			Distributable	
	Share capital	Property revaluation reserve	Available for sale ("AFS") reserve	Retained earnings	Total equity
	RM	RM	RM	RM	RM
At 1 January 2014	100,000,000	2,617,432	574,474	97,489,567	200,681,473
Total comprehensive income/(loss) for the year	-	-	(89,469)	6,661,181	6,571,712
Dividend paid during the year	-	-	-	(7,714,100)	(7,714,100)
At 30 June 2014	<u>100,000,000</u>	<u>2,617,432</u>	<u>485,005</u>	<u>96,436,648</u>	<u>199,539,085</u>
At 1 January 2015	100,000,000	2,617,432	688,144	106,895,567	210,201,143
Total comprehensive income/(loss) for the year	-	-	1,211,781	2,611,122	3,822,903
Dividend paid during the year (Note 6)	-	-	-	(8,560,000)	(8,560,000)
At 30 June 2015	<u>100,000,000</u>	<u>2,617,432</u>	<u>1,899,925</u>	<u>100,946,689</u>	<u>205,464,046</u>

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

PROGRESSIVE INSURANCE BHD (19002-P)
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UNAUDITED CONDENSED STATEMENT OF CASH FLOW
FOR THE PERIOD ENDED 30 JUNE 2015

GROUP	30.06.2015	30.06.2014
	RM	RM
Cash flow from operating activities		
Profit before taxation	3,580,319	7,583,267
Investment (income)/loss and cash flows:		
Interest income	(6,024,035)	(5,761,938)
Dividend income	(617,825)	(1,453,443)
Realised gains recorded in income statement	(2,609,422)	(2,657,196)
Fair value gains/(loss) recorded in income statement	1,161,315	(2,088,842)
Purchase of AFS financial assets	(45,378,235)	37,560,086
Proceeds from disposal of AFS financial assets	41,323,575	52,787,375
Purchase of FVTPL financial assets	(64,641,530)	(139,980,070)
Proceeds from disposal of FVTPL financial assets	62,184,489	95,130,745
Non-cash items:		
Depreciation of property and equipment	734,366	699,848
Net amortisation of discounts	212,950	405,650
Net allowance for/(reversal of) impairment on insurance receivables	367,315	537,711
Impairment of AFS financial assets	50,000	-
Gain on disposal of property and equipment	(64,883)	-
Changes in working capital:		
(Increase)/decrease in loans and receivables	(1,283,646)	781,472
Increase in insurance contract liabilities	9,822,455	9,493,732
Decrease/(increase) in insurance receivables	(3,403,292)	5,096,545
Increase in fixed and call deposits	3,464,137	302,480
Decrease/(increase) in insurance payables	75,870	(4,391,722)
Decrease/(increase) in other payables	2,843,059	(7,297,700)
Cash generated from operating activities	<u>1,796,982</u>	<u>46,748,000</u>
Income tax refunded/(paid), net	<u>1,772,258</u>	<u>(1,142,108)</u>
Net cash generated from operating activities	<u>3,569,240</u>	<u>45,605,892</u>
Investing Activities		
Proceeds from disposal of property and equipment	120,050	-
Purchase of property and equipment	(1,471,384)	(1,061,459)
Interest received	5,866,513	5,753,774
Dividend received	399,107	1,251,989
Net cash used in investing activities	<u>4,914,286</u>	<u>5,944,304</u>

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UNAUDITED CONDENSED STATEMENT OF CASH FLOW
FOR THE PERIOD ENDED 30 JUNE 2015

GROUP	30.06.2015	30.06.2014
	RM	RM
Financing Activity		
Dividends paid to shareholders	(8,560,000)	(7,714,100)
Proceeds from creation of units to non-controlling interests	-	1,000,000
Payment for cancellation of units to non-controlling interests	(5,945)	(44,039,628)
	<u>(8,565,945)</u>	<u>(50,753,728)</u>
Net (decrease)/ increase in cash and cash equivalents	(82,419)	796,468
Cash and cash equivalents at beginning of year	<u>8,512,319</u>	<u>8,853,864</u>
Cash and cash equivalents at end of year	<u>8,429,900</u>	<u>9,650,332</u>

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

PROGRESSIVE INSURANCE BHD (19002-P)
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF CASH FLOW
FOR THE PERIOD ENDED 30 JUNE 2015

COMPANY	30.06.2015	30.06.2014
	RM	RM
Cash flow from operating activities		
Profit before taxation	2,871,122	7,261,181
Investment (income)/loss and cash flows:		
Interest income	(3,078,750)	(3,223,208)
Dividend income	(617,825)	(1,453,443)
Distribution income	(2,322,081)	(1,621,727)
Realised gains recorded in income statement	(2,626,610)	(2,943,874)
Fair value gains/(loss) recorded in income statement	1,743,455	(1,963,637)
Purchase of AFS financial assets	(45,378,235)	(11,439,914)
Proceeds from disposal of AFS financial assets	41,323,575	12,796,225
Purchase of FVTPL financial assets	(28,634,269)	(81,142,120)
Proceeds from disposal of FVTPL financial assets	29,006,139	75,388,745
Non-cash items:		
Depreciation of property and equipment	734,366	699,848
Net amortisation of discounts	(67,383)	55,842
Net allowance for/(reversal of) impairment on insurance receivables	367,315	537,711
Impairment of AFS financial assets	50,000	-
Gain on disposal of property and equipment	(64,883)	-
Changes in working capital:		
Increase in loans and receivables	(1,283,646)	(6,252)
(Increase)/Decrease in insurance receivables	(3,403,292)	5,096,545
Increase in insurance contract liabilities	9,822,455	9,493,732
Increase in fixed and call deposits	3,384,937	9,519,132
Decrease/(Increase) in insurance payables	75,870	(4,391,722)
Decrease/(Increase) in other payables	2,844,441	(7,414,703)
Cash generated from operating activities	4,746,701	5,248,361
Income tax refunded/(paid), net	1,772,258	(1,142,108)
Net cash generated from operating activities	<u>6,518,959</u>	<u>4,106,253</u>

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UNAUDITED CONDENSED STATEMENT OF CASH FLOW
FOR THE PERIOD ENDED 30 JUNE 2015

COMPANY	30.06.2015	30.06.2014
	RM	RM
Investing Activities		
Proceeds from disposal of property and equipment	120,050	-
Purchase of property and equipment	(1,471,384)	(1,061,459)
Interest received	2,913,116	3,811,844
Dividend received	399,107	1,251,989
Distribution received	-	268,041
Net cash used in investing activities	<u>1,960,889</u>	<u>4,270,415</u>
Financing Activity		
Dividends paid to shareholders, representing net cash used in financing activity	<u>(8,560,000)</u>	<u>(7,714,100)</u>
Net (decrease)/ increase in cash and cash equivalents	(80,152)	662,568
Cash and cash equivalents at beginning of year	<u>8,350,929</u>	<u>8,830,108</u>
Cash and cash equivalents at end of year	<u>8,270,777</u>	<u>9,492,676</u>

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

PROGRESSIVE INSURANCE BHD (19002-P)
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NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Basis of Preparation

Statement of Compliance

The condensed interim financial statements of the Company are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standard (MFRS) 134 and International Accounting Standard 34 , International Financial Reporting Standards and the requirements of the Companies Act, 1965, and the Financial Services Act, 2013 in Malaysia. They do not include full information as required for annual financial statements hence, it should be read in conjunction with the Company's audited financial statements.

The accounting policies and presentation adopted by the Company for the condensed interim financial statements are consistent with those adopted by the Company's audited annual financial statements for the year ended 31 December, 2014, except for the adoption of the following:

Description	Effective date
Amendments to MFRS 13: <i>Fair Value Measurement</i> (Annual Improvements to 2011-2013 Cycle)	1 July 2014
Amendments to MFRS 116: <i>Property, Plant and Equipment</i> (Annual Improvements to 2010-2012 Cycle)	1 July 2014
Amendments to MFRS 124: <i>Related Party Disclosure</i> (Annual Improvements to 2010-2012 Cycle)	1 July 2014

The initial application of the aforesaid applicable standards, amendments or interpretations are not expected to have any significant financial impact to the financial statements upon their first adoption.

PROGRESSIVE INSURANCE BHD (19002-P)
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NOTES TO THE INTERIM FINANCIAL STATEMENTS

2. Seasonality or Cyclicity

The business operations of the Company were not significantly affected by the seasonality or cyclicity factors for the interim period ended 30 June 2015.

3. Unusual items

There were no items affecting assets, liabilities, equity, net income or cash flows that were unusual because of their nature, size or incidence for the interim period ended 30 June 2015.

4. Changes in estimate

There were no material changes in the basis used for accounting estimates for the current interim period ended 30 June 2015.

5. Debt and equity securities

There were no issuance, cancellations, repurchases, resale and repayment of debt and equity securities by the Company during the current financial period.

6. Dividend paid

During the interim period ended 30 June 2015, the Company paid a final single-tier dividend in respect of the financial year ended 31 December 2014 of 8.56% on 100,000,000 ordinary shares amounting to a total dividend of RM8,560,000 (8.56 sen per ordinary share) on 25 May, 2015.

7. Events after the interim period

There were no material events after the interim period that have not been reflected in the condensed interim financial statements for the interim period.

8. Changes in the composition of the Company

There were no changes in the composition of the Company during the interim period ended 30 June 2015.

PROGRESSIVE INSURANCE BHD (19002-P)
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NOTES TO THE INTERIM FINANCIAL STATEMENTS

9. INVESTMENTS

(a) AFS Financial Assets

	Group		Company	
	30.06.2015	31.12.2014	30.06.2015	31.12.2014
	RM	RM	RM	RM
Malaysian Government Securities	-	507,800	-	507,800
Corporate debt securities	69,198,095	63,960,861	69,198,095	63,960,861
Wholesale unit trust funds	-	-	118,108,008	115,158,395
Total	69,198,095	64,468,661	187,306,103	179,627,056

(b) Financial Assets at FVTPL

	Group		Company	
	30.06.2015	31.12.2014	30.06.2015	31.12.2014
	RM	RM	RM	RM
Held for trading:				
Corporate debt securities	115,950,375	112,836,845	-	-
Unit trusts funds	4,641,325	5,422,923	5,461,033	5,422,923
Equity securities	57,872,365	56,419,980	57,052,657	56,419,980
Total	178,464,065	174,679,748	62,513,690	61,842,903
Total investments	247,662,160	239,148,409	249,819,793	241,469,959

10. REINSURANCE ASSETS

	Note	Group/Company	
		30.06.2015	31.12.2014
		RM	RM
Reinsurance of insurance contracts			
Claim liabilities	13 (i)	101,658,831	65,044,554
Premium liabilities	13 (ii)	18,979,748	18,770,815
		120,638,579	83,815,369
Allowance for impairment		(1,000,000)	(2,000,000)
		119,638,579	81,815,369

PROGRESSIVE INSURANCE BHD (19002-P)
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NOTES TO THE INTERIM FINANCIAL STATEMENTS

10. REINSURANCE ASSETS (CONT'D.)

	Group/Company	
	30.06.2015	31.12.2014
	RM	RM
Movement in allowance for impairment accounts - individually impaired:		
At 1 January	2,000,000	-
Allowance for impairment	(1,000,000)	2,000,000
At 30 June 2015 / 31 December 2014	<u>1,000,000</u>	<u>2,000,000</u>

11. LOANS AND OTHER RECEIVABLES

	Group		Company	
	30.06.2015	31.12.2014	30.06.2015	31.12.2014
	RM	RM	RM	RM
Other receivables:				
Other receivables, deposits and prepayments	1,442,144	1,528,275	1,442,144	1,528,275
Income due and accrued	2,189,241	2,430,388	988,932	1,221,968
Share of the asset held by MMIP	64,459,363	63,317,540	64,459,363	63,317,540
Amounts receivable from sale of shares/matured bonds	1,258,270	602,251	1,258,270	602,251
	<u>69,349,018</u>	<u>67,878,454</u>	<u>68,148,709</u>	<u>66,670,034</u>
Fixed and call deposits with:				
Licensed banks in Malaysia	59,054,137	62,518,275	54,924,232	58,309,170
Other financial institutions	39,000,000	39,000,000	39,000,000	39,000,000
	<u>98,054,137</u>	<u>101,518,275</u>	<u>93,924,232</u>	<u>97,309,170</u>
Total loans and other receivables	<u>167,403,155</u>	<u>169,396,729</u>	<u>162,072,941</u>	<u>163,979,204</u>

Included in the fixed and call deposits are cash collaterals received from policyholders of RM35,543,566 (2014: RM31,920,474) for guarantee issued on behalf of policyholders (Note 14).

12. INSURANCE RECEIVABLES

	Group/Company	
	30.06.2015	31.12.2014
	RM	RM
Due premiums including agents/brokers and co-insurers balances	24,854,035	19,510,918
Due from reinsurers and cedants	3,116,643	5,033,783
	<u>27,970,678</u>	<u>24,544,701</u>
Less: Allowance for impairment	(2,985,369)	(2,595,369)
	<u>24,985,309</u>	<u>21,949,332</u>

PROGRESSIVE INSURANCE BHD
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NOTES TO THE INTERIM FINANCIAL STATEMENTS

13. INSURANCE CONTRACT LIABILITIES

Group/Company

	← 30. 06. 2015 →			← 31.12.2014 →		
	Gross RM	Reinsurance RM	Net RM	Gross RM	Reinsurance RM	Net RM
Provision for claims reported by policyholders	159,878,366	(82,366,033)	77,512,333	125,152,685	(52,741,638)	72,411,047
Provision for incurred but not reported claims ("IBNR")	57,662,023	(8,930,548)	48,731,475	51,860,428	(6,092,970)	45,767,458
Claims handling expenses	1,688,603	-	1,688,603	1,546,166	-	1,546,166
Provision of risk margin for adverse deviations ("PRAD")	16,471,171	(10,362,249)	6,108,922	11,633,322	(6,209,946)	5,423,376
Claim liabilities (i)	235,700,163	(101,658,830)	134,041,333	190,192,601	(65,044,554)	125,148,047
Premiums liabilities (ii)	69,354,722	(18,979,749)	50,374,973	67,216,618	(18,770,815)	48,445,803
	<u>305,054,885</u>	<u>(120,638,579)</u>	<u>184,416,306</u>	<u>257,409,219</u>	<u>(83,815,369)</u>	<u>173,593,850</u>

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(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL STATEMENTS

13. INSURANCE CONTRACT LIABILITIES (CONT'D.)

Group/Company

	← 30. 06. 2015 →			← 31.12.2014 →		
	Gross RM	Reinsurance RM	Net RM	Gross RM	Reinsurance RM	Net RM
(i) Claims Liabilities						
At 1 January	190,192,601	(65,044,554)	125,148,047	191,187,539	(69,342,922)	121,844,617
Claims incurred in the current accident year	147,690,739	(46,309,819)	101,380,920	144,482,811	(20,069,217)	124,413,594
Movements in claims incurred in prior accident years	(66,458,099)	1,280,185	(65,177,914)	(62,659,151)	436,623	(62,222,528)
Impairment loss on reinsurance asset recognised during the year		(1,000,000)	(1,000,000)	-	(2,000,000)	(2,000,000)
Claims paid during the year	(35,725,077)	9,415,357	(26,309,720)	(82,818,598)	25,930,962	(56,887,636)
At 30.06.2015 / 31.12.2014	235,700,164	(101,658,831)	134,041,333	190,192,601	(65,044,554)	125,148,047
(ii) Premium Liabilities						
At 1 January	67,216,618	(18,770,815)	48,445,803	72,454,169	(21,264,863)	51,189,306
Premiums written in the year	84,862,699	(38,882,914)	45,979,785	167,027,050	(75,474,355)	91,552,695
Premiums earned during the year	(82,724,596)	38,673,981	(44,050,615)	(172,264,601)	77,968,403	(94,296,198)
At 30.06.2015 / 31.12.2014	69,354,721	(18,979,748)	50,374,973	67,216,618	(18,770,815)	48,445,803

PROGRESSIVE INSURANCE BHD (19002-P)
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NOTES TO THE INTERIM FINANCIAL STATEMENTS

14. OTHER FINANCIAL LIABILITIES

	Note	Group/Company	
		30.06.2015	31.12.2014
		RM	RM
Cash collateral deposits received from policyholders	11	35,543,566	31,920,474
Interest on cash collateral deposits received from policyholders		1,403,315	1,277,101
		<u>36,946,881</u>	<u>33,197,575</u>

15. INSURANCE PAYABLES

	Group/Company	
	30.06.2015	31.12.2014
	RM	RM
Due to reinsurers and cedants	25,503,749	24,378,536
Due to agents/brokers and co-insurers balances	2,014,130	3,063,473
	<u>27,517,879</u>	<u>27,442,009</u>

16. OPERATING LEASE ARRANGEMENTS

The Group and the Company as lessee

The Group and the Company have entered into non-cancellable operating lease arrangements for the use of certain office premises. Certain contracts in these leases carrying renewal options in the contracts. These contracts include fixed rentals over the tenure of the lease period.

The Group and the Company also leases office equipment under non-cancellable operating lease agreements with an automatic yearly renewal option unless a written termination notice is served by either party.

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

Future minimum rental payments:

	30.06.2015	31.12.2014
	RM	RM
Not later than 1 year	558,252	558,252
Later than 1 year and not later than 5 years	1,618,100	1,692,267
Later than 5 years	1,171,726	1,350,247
	<u>3,348,078</u>	<u>3,600,766</u>

PROGRESSIVE INSURANCE BHD (19002-P)
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NOTES TO THE INTERIM FINANCIAL STATEMENTS

17. RELATED PARTY DISCLOSURES

For the purpose of these financial statements, parties are considered to be related to the Group and the Company if the Group and the Company have the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The transactions between the Group and the Company and its related parties were based on normal commercial terms and conditions and made on terms equivalent to those that prevail in arm's length transactions.

(a) The Group and the Company had the following significant transactions and balances with related parties during and at the end of the year:

	Company	
	30.06.2015	31.12.2014
	RM	RM
Wholesale unit trust funds:		
Distribution income	2,322,081	4,056,090
	<u>2,322,081</u>	<u>4,056,090</u>
	Group/Company	
	30.06.2015	31.12.2014
	RM	RM
Fellow subsidiary:		
Balances:		
Corporate debt securities	5,000,000	5,000,000
Fixed deposits placement at year end	5,000,000	5,000,000
Transactions:		
Interest income	282,897	388,486
	<u>282,897</u>	<u>388,486</u>
Related Companies:		
Balances:		
Corporate debt securities	5,000,000	5,000,000
Transactions:		
Gross premium	5,497,195	6,268,903
Gross claims paid	(608,087)	(1,067,601)
Commission income	(248,734)	(387,277)
	<u>(248,734)</u>	<u>(387,277)</u>

PROGRESSIVE INSURANCE BHD (19002-P)
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NOTES TO THE INTERIM FINANCIAL STATEMENTS

17. RELATED PARTY DISCLOSURES (CONT'D.)

(b) The key management of the Company comprise the Chief Executive Officer who is also the Executive Director and the Directors.

18. FAIR VALUE ESTIMATION

As at 30 June 2015, the fair value of the Group's and Company's assets are as follows:

Group	Carrying Value	Level 1	Level 2	Level 3	Total
Property and equipment					
Freehold office lots	5,915,000	-	6,500,000	-	6,500,000
Long-term leasehold office lot	3,266,900	-	3,598,000	-	3,598,000
	<u>9,181,900</u>	<u>-</u>	<u>10,098,000</u>	<u>-</u>	<u>10,098,000</u>
AFS financial assets:					
Corporate debt securities	69,198,095	-	69,198,095	-	69,198,095
	<u>69,198,095</u>	<u>-</u>	<u>69,198,095</u>	<u>-</u>	<u>69,198,095</u>
Financial assets at FVTPL:					
Corporate debt securities	115,950,375	-	115,950,375	-	115,950,375
Unit trust funds	4,641,325	4,641,325	-	-	4,641,325
Equity securities	57,872,365	57,872,365	-	-	57,872,365
	<u>178,464,065</u>	<u>62,513,690</u>	<u>115,950,375</u>	<u>-</u>	<u>178,464,065</u>

The fair values of Malaysian Government Securities and corporate debts securities managed by external fund manager are based on average of bid prices quoted by respective bankers at reporting date. Whereas for self-managed debt securities, the fair value is obtained from Bond Pricing Agency Malaysia("BPAM").

PROGRESSIVE INSURANCE BHD (19002-P)
(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL STATEMENTS

18. FAIR VALUE ESTIMATION (CONT'D.)

Company	Carrying Value	Level 1	Level 2	Level 3	Total
Property and equipment					
Freehold office lots	5,915,000	-	6,500,000	-	6,500,000
Long-term leasehold office lot	3,266,900	-	3,598,000	-	3,598,000
	<u>9,181,900</u>	<u>-</u>	<u>10,098,000</u>	<u>-</u>	<u>10,098,000</u>
AFS financial assets:					
Corporate debt securities	69,198,095	-	69,198,095	-	69,198,095
Wholesale unit trust funds	118,108,008	118,108,008	-	-	118,108,008
	<u>187,306,103</u>	<u>118,108,008</u>	<u>69,198,095</u>	<u>-</u>	<u>187,306,103</u>
Financial assets at FVTPL:					
Unit trust funds	5,461,033	5,461,033	-	-	5,461,033
Equity securities	57,052,657	57,052,657	-	-	57,052,657
	<u>62,513,690</u>	<u>62,513,690</u>	<u>-</u>	<u>-</u>	<u>62,513,690</u>

The fair values of Malaysian Government Securities and corporate debts securities managed by external fund manager are based on average of bid prices quoted by respective bankers at reporting date. Whereas for self-managed debt securities, the fair value is obtained from Bond Pricing Agency Malaysia("BPAM").

PROGRESSIVE INSURANCE BHD (19002-P)
(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL STATEMENTS

18. FAIR VALUE ESTIMATION (CONT'D.)

As at 31 December 2014, the fair value of the Group's and Company's assets are as follows:

Group	Carrying Value	Level 1	Level 2	Level 3	Total
Property and equipment					
Freehold office lots	5,980,000	-	6,500,000	-	6,500,000
Long-term leasehold office lot	3,302,800	-	3,598,000	-	3,598,000
	<u>9,282,800</u>	<u>-</u>	<u>10,098,000</u>	<u>-</u>	<u>10,098,000</u>
AFS financial assets:					
Malaysian Government Securities	507,800	-	507,800	-	507,800
Corporate debt securities	63,960,861	-	63,960,861	-	63,960,861
	<u>64,468,661</u>	<u>-</u>	<u>64,468,661</u>	<u>-</u>	<u>64,468,661</u>
Financial assets at FVTPL:					
Corporate debt securities	112,836,845	-	112,836,845	-	112,836,845
Unit trust funds	5,422,923	5,422,923	-	-	5,422,923
Equity securities	56,419,980	56,419,980	-	-	56,419,980
	<u>174,679,748</u>	<u>61,842,903</u>	<u>112,836,845</u>	<u>-</u>	<u>174,679,748</u>

The fair values of Malaysian Government Securities and corporate debts securities managed by external fund manager are based on average of bid prices quoted by respective bankers at reporting date. Whereas for self-managed debt securities, the fair value is obtained from Bond Pricing Agency Malaysia("BPAM").

PROGRESSIVE INSURANCE BHD (19002-P)
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NOTES TO THE INTERIM FINANCIAL STATEMENTS

18. FAIR VALUE ESTIMATION (CONT'D.)

Company	Carrying Value	Level 1	Level 2	Level 3	Total
Property and equipment					
Freehold office lots	5,980,000	-	6,500,000	-	6,500,000
Long-term leasehold office lot	3,302,800	-	3,598,000	-	3,598,000
	<u>9,282,800</u>	<u>-</u>	<u>10,098,000</u>	<u>-</u>	<u>10,098,000</u>
AFS financial assets:					
Malaysian Government Securities	507,800	-	507,800	-	507,800
Corporate debt securities	63,960,861	-	63,960,861	-	63,960,861
Wholesale unit trust funds	115,158,395	115,158,395	-	-	115,158,395
	<u>179,627,056</u>	<u>115,158,395</u>	<u>64,468,661</u>	<u>-</u>	<u>179,627,056</u>
Financial assets at FVTPL:					
Unit trust funds	5,422,923	5,422,923	-	-	5,422,923
Equity securities	56,419,980	56,419,980	-	-	56,419,980
	<u>61,842,903</u>	<u>61,842,903</u>	<u>-</u>	<u>-</u>	<u>61,842,903</u>

The fair values of Malaysian Government Securities and corporate debts securities managed by external fund manager are based on average of bid prices quoted by respective bankers at reporting date. Whereas for self-managed debt securities, the fair value is obtained from Bond Pricing Agency Malaysia("BPAM").

The Group and the Company did not have any financial instruments carried at fair value using Level 3 valuation techniques in the current and previous financial year.

The following financial assets and liabilities are not carried at fair values, but their carrying value approximate fair values as they are short term in nature:

- Loans and receivables
- Insurance receivables
- Cash and bank balances
- Other financial liabilities
- Insurance payables
- Other payables (that are financial instruments)

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

19. REGULATORY CAPITAL REQUIREMENTS

The Company is required to comply with the mandatory capital requirement prescribed in the RBC Framework which is prescribed in BNM/RH/GL 003-2: Prudential Framework of Corporate Governance for Insurers issued by BNM. Under the RBC Framework, insurance companies are required to satisfy a minimum capital adequacy ratio of 130% and the Group and the Company has a capital adequacy ratio in excess of the minimum requirement.

The capital structure of the Company, as prescribed under the RBC Framework is provided below:

	30.06.2015	31.12.2014
	RM	RM
Eligible Tier 1 Capital		
Share capital (paid-up)	100,000,000	100,000,000
Retained earnings	100,946,690	106,895,567
Tier 2 Capital		
Eligible reserves	4,517,357	3,305,576
	<u>205,464,047</u>	<u>210,201,143</u>
Amount deducted from capital	(1,446,641)	(881,173)
Total capital available	<u><u>204,017,406</u></u>	<u><u>209,319,970</u></u>