

PROGRESSIVE INSURANCE BHD

(Company number 19002 - P)

(Incorporated in Malaysia)

**Unaudited Condensed Interim Financial Statements
For The Financial Period From
1 January 2016 to 30 June 2016**

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 2016

	Note	Group		Company	
		30.06.2016 RM	31.12.2015 RM	30.06.2016 RM	31.12.2015 RM
ASSETS					
Property and equipment		11,416,672	11,856,637	11,416,672	11,856,637
Investments:		261,604,024	253,501,279	264,645,571	255,663,979
- Available-for-sale ("AFS") financial assets	9 (a)	66,543,873	68,055,131	189,813,252	188,161,781
- Financial assets at fair value through profit or loss ("FVTPL")	9 (b)	195,060,151	185,446,148	74,832,319	67,502,198
Reinsurance assets	10	97,694,142	94,624,275	97,694,142	94,624,275
Loans and other receivables	11	160,789,194	173,031,352	154,217,176	167,896,302
Tax recoverable		-	1,291,504	-	1,291,504
Deferred tax assets		872,338	1,005,545	872,338	1,005,545
Insurance receivables	12	18,696,176	24,705,946	18,696,176	24,705,946
Cash and bank balances		10,541,983	12,302,801	10,270,691	11,881,832
TOTAL ASSETS		561,614,529	572,319,339	557,812,766	568,926,020
EQUITY AND LIABILITIES					
Share capital		100,000,000	100,000,000	100,000,000	100,000,000
Reserves		122,611,271	117,324,170	122,047,305	117,395,448
		222,611,271	217,324,170	222,047,305	217,395,448
Non-controlling interest		3,166,185	3,391,440	-	-
TOTAL EQUITY		225,777,456	220,715,610	222,047,305	217,395,448
Insurance contract liabilities	13	273,789,790	278,451,007	273,789,790	278,451,007
Other financial liabilities	14	35,490,665	36,207,219	35,490,665	36,207,219
Insurance payables	15	22,970,788	31,376,851	22,970,788	31,376,851
Other payables		3,343,392	5,568,652	3,271,780	5,495,495
Tax payable		242,438	-	242,438	-
TOTAL LIABILITIES		335,837,073	351,603,729	335,765,461	351,530,572
TOTAL EQUITY AND LIABILITIES		561,614,529	572,319,339	557,812,766	568,926,020

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

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

UNAUDITED CONDENSED INCOME STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2016

	Note	Group		Company	
		30.06.2016 RM	30.06.2015 RM	30.06.2016 RM	30.06.2015 RM
Gross written premiums	13 (ii)	81,605,287	84,862,699	81,605,287	84,862,699
Change in unearned premiums provision		(3,832,290)	(2,138,104)	(3,832,290)	(2,138,104)
Gross earned premiums	13 (ii)	<u>77,772,997</u>	<u>82,724,595</u>	<u>77,772,997</u>	<u>82,724,595</u>
Gross written premiums ceded to reinsurers	13 (ii)	(39,150,716)	(38,882,914)	(39,150,716)	(38,882,914)
Change in unearned premiums provision		1,646,082	208,934	1,646,082	208,934
Premiums ceded to reinsurers	13 (ii)	<u>(37,504,634)</u>	<u>(38,673,980)</u>	<u>(37,504,634)</u>	<u>(38,673,980)</u>
Net earned premiums		<u>40,268,363</u>	<u>44,050,615</u>	<u>40,268,363</u>	<u>44,050,615</u>
Investment income, net		6,610,513	6,151,316	6,302,607	5,808,445
Realised gains and losses		955,791	2,609,422	906,036	2,626,610
Fair value gains and losses		(213,965)	(1,161,315)	(1,116,828)	(1,743,455)
Commission income		8,742,261	9,380,255	8,742,261	9,380,255
Other operating income		2,100,651	3,189,723	2,100,651	3,189,723
Other income		<u>18,195,251</u>	<u>20,169,401</u>	<u>16,934,727</u>	<u>19,261,578</u>
Gross claims paid		(35,459,584)	(35,725,077)	(35,459,584)	(35,725,077)
Claims ceded to reinsurers		8,196,554	9,415,357	8,196,554	9,415,357
Gross change in contract liabilities		8,493,507	(45,507,562)	8,493,507	(45,507,562)
Change in contract liabilities ceded to reinsurers		1,423,785	37,614,276	1,423,785	37,614,276
Net claims incurred		<u>(17,345,738)</u>	<u>(34,203,006)</u>	<u>(17,345,738)</u>	<u>(34,203,006)</u>
Commission expenses		(10,373,839)	(10,444,544)	(10,373,839)	(10,444,544)
Management expenses		(15,799,578)	(15,992,147)	(15,587,428)	(15,793,521)
Other expenses		<u>(26,173,417)</u>	<u>(26,436,691)</u>	<u>(25,961,267)</u>	<u>(26,238,065)</u>
Profit before taxation		<u>14,944,459</u>	<u>3,580,319</u>	<u>13,896,085</u>	<u>2,871,122</u>
Tax expense		<u>(2,800,000)</u>	<u>(260,000)</u>	<u>(2,800,000)</u>	<u>(260,000)</u>
Net profit for the period		<u>12,144,459</u>	<u>3,320,319</u>	<u>11,096,085</u>	<u>2,611,122</u>

PROGRESSIVE INSURANCE BHD (19002-P)
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UNAUDITED CONDENSED INCOME STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2016

	Note	Group		Company	
		30.06.2016	30.06.2015	30.06.2016	30.06.2015
		RM	RM	RM	RM
Earnings per ordinary share		12.1	3.3	11.1	2.6
(sen) - basic and diluted					
Attributable to:					
Equity holder of the					
Company		12,053,930	3,240,374	11,096,085	2,611,122
Non-controlling interests		90,529	79,945	-	-
		<u>12,144,459</u>	<u>3,320,319</u>	<u>11,096,085</u>	<u>2,611,122</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 COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2016

	Group		Company	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM	RM	RM	RM
Net profit for the period	12,144,459	3,320,319	11,096,085	2,611,122
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	532,487	607,393	855,088	1,234,924
Transferred to profit or loss upon disposal	173,303	20,177	173,303	20,177
Deferred tax	247,381	(43,320)	247,381	(43,320)
Other comprehensive (loss)/income for the year, net of tax	<u>953,171</u>	<u>584,250</u>	<u>1,275,772</u>	<u>1,211,781</u>
Total comprehensive income for the period	<u>13,097,630</u>	<u>3,904,569</u>	<u>12,371,857</u>	<u>3,822,903</u>
Total comprehensive income for the year attributable to:				
Equity holder of the Company	13,007,101	3,824,624	12,371,857	3,822,903
Non-controlling interests	90,529	79,945	-	-
	<u>13,097,630</u>	<u>3,904,569</u>	<u>12,371,857</u>	<u>3,822,903</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 2016

Group	← 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 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	-	-	-	(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>
At 1 January 2016	100,000,000	2,617,432	348,026	114,358,712	217,324,170	3,391,440	220,715,610
Total comprehensive income/(loss) for the year	-	-	953,171	12,053,930	13,007,101	90,529	13,097,630
Dividend paid during the year (Note 6)	-	-	-	(7,720,000)	(7,720,000)	-	(7,720,000)
Net creation of units in wholesale unit trust funds	-	-	-	-	-	(315,784)	(315,784)
At 30 June 2016	<u>100,000,000</u>	<u>2,617,432</u>	<u>1,301,197</u>	<u>118,692,642</u>	<u>222,611,271</u>	<u>3,166,185</u>	<u>225,777,456</u>

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UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2016

Company	← 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 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	-	-	-	(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>
At 1 January 2016	100,000,000	2,617,432	1,000,907	113,777,109	217,395,448
Total comprehensive income/(loss) for the year	-	-	1,275,772	11,096,085	12,371,857
Dividend paid during the year (Note 6)	-	-	-	(7,720,000)	(7,720,000)
At 30 June 2016	<u>100,000,000</u>	<u>2,617,432</u>	<u>2,276,679</u>	<u>117,153,194</u>	<u>222,047,305</u>

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PROGRESSIVE INSURANCE BHD (19002-P)
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UNAUDITED CONDENSED STATEMENT OF CASH FLOW
FOR THE PERIOD ENDED 30 JUNE 2016

GROUP	30.06.2016	30.06.2015
	RM	RM
Cash flow from operating activities		
Profit before taxation	14,944,459	3,580,319
Investment (income)/loss and cash flows:		
Interest income	(6,240,038)	(6,024,035)
Dividend income	(1,240,698)	(617,825)
Realised gains recorded in income statement	(955,791)	(2,609,422)
Fair value gains/(loss) recorded in income statement	213,965	1,161,315
Purchase of AFS financial assets	(27,580,251)	(45,378,235)
Proceeds from disposal of AFS financial assets	29,401,475	41,323,575
Purchase of FVTPL financial assets	(110,204,552)	(64,641,530)
Proceeds from disposal of FVTPL financial assets	101,801,489	62,184,489
Non-cash items:		
Depreciation of property and equipment	666,927	734,366
Net amortisation of discounts	325,150	212,950
Net allowance for/(reversal of) impairment on insurance receivables	218,682	367,315
Impairment of AFS financial assets	200,000	50,000
Gain on disposal of property and equipment	-	(64,883)
Changes in working capital:		
(Increase)/decrease in loans and receivables	(2,196,664)	(1,283,646)
Increase in insurance contract liabilities	(7,731,081)	9,822,455
Decrease/(increase) in insurance receivables	5,791,088	(3,403,292)
Increase in fixed and call deposits	14,029,016	3,464,137
Decrease/(increase) in insurance payables	(8,406,062)	75,870
Decrease/(increase) in other payables	(2,699,383)	2,843,059
Cash generated from operating activities	<u>337,731</u>	<u>1,796,982</u>
Income tax (paid)/refunded, net	<u>(1,554,934)</u>	<u>1,772,258</u>
Net cash generated from operating activities	<u>(1,217,203)</u>	<u>3,569,240</u>
Investing Activities		
Proceeds from disposal of property and equipment	-	120,050
Purchase of property and equipment	(226,963)	(1,471,384)
Interest received	6,213,100	5,866,513
Dividend received	1,192,357	399,107
Net cash used in investing activities	<u>7,178,494</u>	<u>4,914,286</u>

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UNAUDITED CONDENSED STATEMENT OF CASH FLOW
FOR THE PERIOD ENDED 30 JUNE 2016

GROUP	30.06.2016	30.06.2015
	RM	RM
Financing Activity		
Dividends paid to shareholders	(7,720,000)	(8,560,000)
Payment for cancellation of units to non-controlling interests	(2,109)	(5,945)
	<u>(7,722,109)</u>	<u>(8,565,945)</u>
Net (decrease)/ increase in cash and cash equivalents	(1,760,818)	(82,419)
Cash and cash equivalents at beginning of year	<u>12,302,801</u>	<u>8,512,319</u>
Cash and cash equivalents at end of period	<u>10,541,983</u>	<u>8,429,900</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 2016

COMPANY	30.06.2016	30.06.2015
	RM	RM
Cash flow from operating activities		
Profit before taxation	13,896,085	2,871,122
Investment (income)/loss and cash flows:		
Interest income	(3,094,375)	(3,078,750)
Dividend income	(1,240,698)	(617,825)
Distribution income	(2,526,332)	(2,322,081)
Realised gains recorded in income statement	(906,036)	(2,626,610)
Fair value gains/(loss) recorded in income statement	1,116,828	1,743,455
Purchase of AFS financial assets	(27,580,251)	(45,378,235)
Proceeds from disposal of AFS financial assets	29,401,475	41,323,575
Purchase of FVTPL financial assets	(47,651,527)	(28,634,269)
Proceeds from disposal of FVTPL financial assets	40,891,539	29,006,139
Non-cash items:		
Depreciation of property and equipment	666,927	734,366
Net amortisation of discounts	13,339	(67,383)
Net allowance for/(reversal of) impairment on insurance receivables	218,682	367,315
Impairment of AFS financial assets	200,000	50,000
Gain on disposal of property and equipment	-	(64,883)
Changes in working capital:		
Increase in loans and receivables	(2,196,664)	(1,283,646)
(Increase)/Decrease in insurance receivables	5,791,088	(3,403,292)
Increase in insurance contract liabilities	(7,731,081)	9,822,455
Increase in fixed and call deposits	15,201,925	3,384,937
Decrease/(Increase) in insurance payables	(8,406,062)	75,870
Decrease/(Increase) in other payables	(2,697,838)	2,844,441
Cash generated from operating activities	<u>3,367,024</u>	<u>4,746,701</u>
Income tax (paid)/refunded, net	(1,554,934)	1,772,258
Net cash generated from operating activities	<u>1,812,090</u>	<u>6,518,959</u>

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UNAUDITED CONDENSED STATEMENT OF CASH FLOW
FOR THE PERIOD ENDED 30 JUNE 2016

COMPANY	30.06.2016	30.06.2015
	RM	RM
Investing Activities		
Proceeds from disposal of property and equipment	-	120,050
Purchase of property and equipment	(226,962)	(1,471,384)
Interest received	3,331,374	2,913,116
Dividend received	1,192,357	399,107
Net cash used in investing activities	<u>4,296,769</u>	<u>1,960,889</u>
Financing Activity		
Dividends paid to shareholders, representing net cash used in financing activity	<u>(7,720,000)</u>	<u>(8,560,000)</u>
Net (decrease)/ increase in cash and cash equivalents	(1,611,141)	(80,152)
Cash and cash equivalents at beginning of year	<u>11,881,832</u>	<u>8,350,929</u>
Cash and cash equivalents at end of period	<u>10,270,691</u>	<u>8,270,777</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, 2015, except for the adoption of the following:

Description	Effective date
Amendments to MFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations (Annual Improvements to 2012-2014 Cycle)	1 January 2016
Amendments to MFRS 7 - Financial Instruments: Disclosures (Annual Improvements to 2012-2014 Cycle)	1 January 2016
Amendments to MFRS 10, MFRS12 and MFRS 128 - Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 11 - Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 101 - Disclosure Initiative	
Amendments to MFRS 116 - Property, Plant and Equipment: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 - Property, Plant and Equipment (Bearer Plants)	1 January 2016
Amendments to MFRS 119 - Employee Benefits (Annual Improvements 2012–2014 Cycle)	1 January 2016
Amendments to MFRS 127 - Separate Financial Statements: Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 134 - Interim Financial Reporting (Annual Improvements 2012–2014 Cycle)	1 January 2016
Amendments to MFRS 138 - Intangible Assets: Clarification of Acceptable Method of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 141 - Agriculture: Bearer Plants	1 January 2016
MFRS 14 - Regulatory Deferral Accounts	1 January 2016

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.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

2. Seasonality or Cyclical

The business operations of the Company were not significantly affected by the seasonality or cyclical factors for the interim period ended 30 June 2016.

3. Unusual items

There was a decrease of RM12.3million in the insurance claim liabilities arising from Malaysia Motor Insurance Pool during the interim period ended June 2016. It has been reflected in the condensed interim financial statements for the interim period.

4. Changes in estimates

There were no material changes in the basis used for accounting estimates for the current interim period ended 30 June 2016.

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 2016, the Company paid a final single-tier dividend in respect of the financial year ended 31 December 2015 of 7.72% on 100,000,000 ordinary shares amounting to a total dividend of RM7,720,000 (7.72 sen per ordinary share) on 25 May, 2016.

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 2016.

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

9. INVESTMENTS

(a) AFS Financial Assets

	Group		Company	
	30.06.2016	31.12.2015	30.06.2016	31.12.2015
	RM	RM	RM	RM
Malaysian Government Securities	-	958,400	-	958,400
Corporate debt securities	66,543,873	67,096,731	66,230,077	67,096,731
Wholesale unit trust funds	-	-	123,583,175	120,106,650
Total	66,543,873	68,055,131	189,813,252	188,161,781

(b) Financial Assets at FVTPL

	Group		Company	
	30.06.2016	31.12.2015	30.06.2016	31.12.2015
	RM	RM	RM	RM
Held for trading:				
Corporate debt securities	120,227,832	117,943,950	-	-
Unit trusts funds	6,066,249	5,527,467	6,066,249	5,527,467
Equity securities	68,766,070	61,974,731	68,766,070	61,974,731
Total	195,060,151	185,446,148	74,832,319	67,502,198
Total investments	261,604,024	253,501,279	264,645,571	255,663,979

10. REINSURANCE ASSETS

	Note	Group/Company	
		30.06.2016	31.12.2015
		RM	RM
Reinsurance of insurance contracts			
Claim liabilities	13 (i)	78,282,626	76,858,841
Premium liabilities	13 (ii)	19,411,516	17,765,434
		97,694,142	94,624,275

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

10. REINSURANCE ASSETS (CONT'D.)

	Group/Company	
	30.06.2016	31.12.2015
	RM	RM
Movement in allowance for impairment accounts - individually impaired:		
At 1 January	-	2,000,000
Reversal of allowance for impairment	-	(2,000,000)
At 30 June 2016 / 31 December 2015	<u>-</u>	<u>-</u>

11. LOANS AND OTHER RECEIVABLES

	Group		Company	
	30.06.2016	31.12.2015	30.06.2016	31.12.2015
	RM	RM	RM	RM
Other receivables:				
Other receivables, deposits and prepayments	2,239,185	1,563,321	2,239,185	1,563,321
Income due and accrued	2,501,714	2,495,947	972,342	1,230,634
Share of the asset held by MMIP	72,461,269	73,188,651	72,461,269	73,188,651
Amounts receivable from sale of shares/matured bonds	3,024,248	1,041,639	3,024,248	1,041,639
Less: Impairment of other receivables	(200,000)	(50,000)	(200,000)	(50,000)
	<u>80,026,416</u>	<u>78,239,558</u>	<u>78,497,045</u>	<u>76,974,246</u>
Fixed and call deposits with:				
Licensed banks in Malaysia	41,762,778	55,791,794	36,720,131	51,922,056
Other financial institutions	39,000,000	39,000,000	39,000,000	39,000,000
	<u>80,762,778</u>	<u>94,791,794</u>	<u>75,720,131</u>	<u>90,922,056</u>
Total loans and other receivables	<u>160,789,194</u>	<u>173,031,352</u>	<u>154,217,176</u>	<u>167,896,302</u>

Included in the fixed and call deposits are cash collaterals received from policyholders of RM 34,408,270(2015: RM36,207,219) for guarantee issued on behalf of policyholders (Note 14).

12. INSURANCE RECEIVABLES

	Group/Company	
	30.06.2016	31.12.2015
	RM	RM
Due premiums including agents/brokers and co-insurers balances	19,596,571	24,647,862
Due from reinsurers and cedants	2,314,295	3,020,774
	<u>21,910,866</u>	<u>27,668,636</u>
Less: Allowance for impairment	(3,214,690)	(2,962,690)
	<u>18,696,176</u>	<u>24,705,946</u>

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

13. INSURANCE CONTRACT LIABILITIES

Group/Company

	← 30. 06. 2016 →			← 31.12.2015 →		
	Gross RM	Reinsurance RM	Net RM	Gross RM	Reinsurance RM	Net RM
Provision for claims reported by policyholders	142,845,158	(65,442,782)	77,402,376	143,985,515	(65,845,847)	78,139,668
Provision for incurred but not reported claims ("IBNR")	46,339,831	(5,801,952)	40,537,879	54,212,407	(3,955,076)	50,257,331
Claims handling expenses	1,931,299	-	1,931,299	1,769,961	-	1,769,961
Provision of risk margin for adverse deviations ("PRAD")	13,213,714	(7,037,892)	6,175,822	12,855,626	(7,057,918)	5,797,708
Claim liabilities (i)	204,330,002	(78,282,626)	126,047,376	212,823,509	(76,858,841)	135,964,668
Premiums liabilities (ii)	69,459,788	(19,411,516)	50,048,272	65,627,498	(17,765,434)	47,862,064
	<u>273,789,790</u>	<u>(97,694,142)</u>	<u>176,095,648</u>	<u>278,451,007</u>	<u>(94,624,275)</u>	<u>183,826,732</u>

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

13. INSURANCE CONTRACT LIABILITIES (CONT'D.)

Group/Company

	← 30. 06. 2016 →			← 31.12.2015 →		
	Gross RM	Reinsurance RM	Net RM	Gross RM	Reinsurance RM	Net RM
(i) Claims Liabilities						
At 1 January	212,823,509	(76,858,841)	135,964,668	190,192,601	(65,044,554)	125,148,047
Claims incurred in the current accident year	97,628,929	(11,394,350)	86,234,579	169,863,363	(41,193,905)	128,669,458
Movements in claims incurred in prior accident years	(70,662,852)	1,774,011	(68,888,841)	(76,078,182)	6,314,818	(69,763,364)
Impairment loss on reinsurance asset recognised during the year	-	-	-	-	2,000,000	2,000,000
Claims paid during the year	(35,459,584)	8,196,554	(27,263,030)	(71,154,273)	21,064,800	(50,089,473)
At 30.06.2016 / 31.12.2015	204,330,002	(78,282,626)	126,047,376	212,823,509	(76,858,841)	135,964,668
(ii) Premium Liabilities						
At 1 January	65,627,498	(17,765,434)	47,862,064	67,216,618	(18,770,815)	48,445,803
Premiums written in the year	81,605,287	(39,150,716)	42,454,571	159,094,486	(72,835,614)	86,258,872
Premiums earned during the year	(77,772,997)	37,504,634	(40,268,363)	(160,683,606)	73,840,995	(86,842,611)
At 30.06.2016 / 31.12.2015	69,459,788	(19,411,516)	50,048,272	65,627,498	(17,765,434)	47,862,064

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

14. OTHER FINANCIAL LIABILITIES

	Note	Group/Company	
		30.06.2016 RM	31.12.2015 RM
Cash collateral deposits received from policyholders	11	34,398,398	34,834,709
Interest on cash collateral deposits received from policyholders		1,092,267	1,372,510
		<u>35,490,665</u>	<u>36,207,219</u>

15. INSURANCE PAYABLES

	Group/Company	
	30.06.2016 RM	31.12.2015 RM
Due to reinsurers and cedants	21,027,411	29,342,991
Due to agents/brokers and co-insurers balances	1,943,377	2,033,860
	<u>22,970,788</u>	<u>31,376,851</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 carry 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:

	30.06.2016 RM	31.12.2015 RM
Not later than 1 year	567,432	566,172
Later than 1 year and not later than 5 years	1,576,153	1,621,498
Later than 5 years	811,726	1,171,726
	<u>2,955,311</u>	<u>3,359,396</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	
	30.06.2016	31.12.2015
	RM	RM
Wholesale unit trust funds:		
Distribution income	2,526,332	4,749,660
	<u>2,526,332</u>	<u>4,749,660</u>
	Group/Company	
	30.06.2016	31.12.2015
	RM	RM
Fellow subsidiary:		
Balances:		
Corporate debt securities	2,000,000	5,000,000
Fixed deposits placement at year end	5,000,000	5,000,000
Transactions:		
Interest income	101,760	388,640
	<u>101,760</u>	<u>388,640</u>
Related Companies:		
Balances:		
Corporate debt securities	5,000,000	5,000,000
Transactions:		
Gross premium	5,595,534	7,573,572
Gross claims paid	(658,946)	(1,787,275)
Commission income	(250,214)	(419,909)
	<u>(250,214)</u>	<u>(419,909)</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 2016, 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	5,785,000	-	-	5,785,000	5,785,000
Long-term leasehold office lot	3,195,100	-	-	3,195,100	3,195,100
	<u>8,980,100</u>	<u>-</u>	<u>-</u>	<u>8,980,100</u>	<u>8,980,100</u>
AFS financial assets:					
Corporate debt securities	66,543,873	-	66,543,873	-	66,543,873
	<u>66,543,873</u>	<u>-</u>	<u>66,543,873</u>	<u>-</u>	<u>66,543,873</u>
Financial assets at FVTPL:					
Corporate debt securities	120,227,832	-	120,227,832	-	120,227,832
Unit trust funds	6,066,249	6,066,249	-	-	6,066,249
Equity securities	68,766,070	68,766,070	-	-	68,766,070
	<u>195,060,151</u>	<u>74,832,319</u>	<u>120,227,832</u>	<u>-</u>	<u>195,060,151</u>

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

18. FAIR VALUE ESTIMATION (CONT'D.)

As at 30 June 2016, the fair value of the Group's and Company's assets are as follows: (cont'd.)

Company	Carrying Value	Level 1	Level 2	Level 3	Total
Property and equipment					
Freehold office lots	5,785,000	-	-	5,785,000	5,785,000
Long-term leasehold office lot	3,195,100	-	-	3,195,100	3,195,100
	<u>8,980,100</u>	<u>-</u>	<u>-</u>	<u>8,980,100</u>	<u>8,980,100</u>
AFS financial assets:					
Corporate debt securities	66,230,077	-	66,230,077	-	66,230,077
Wholesale unit trust funds	123,583,175	123,583,175	-	-	123,583,175
	<u>189,813,252</u>	<u>123,583,175</u>	<u>66,230,077</u>	<u>-</u>	<u>189,813,252</u>
Financial assets at FVTPL:					
Unit trust funds	6,066,249	6,066,249	-	-	6,066,249
Equity securities	68,766,070	68,766,070	-	-	68,766,070
	<u>74,832,319</u>	<u>74,832,319</u>	<u>-</u>	<u>-</u>	<u>74,832,319</u>

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

18. FAIR VALUE ESTIMATION (CONT'D.)

As at 31 December 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	5,850,000	-	-	5,850,000	5,850,000
Long-term leasehold office lot	3,231,000	-	-	3,231,000	3,231,000
	<u>9,081,000</u>	<u>-</u>	<u>-</u>	<u>9,081,000</u>	<u>9,081,000</u>

AFS financial assets:

Malaysian Government Securities	958,400	-	958,400	-	958,400
Corporate debt securities	67,096,731	-	67,096,731	-	67,096,731
	<u>68,055,131</u>	<u>-</u>	<u>68,055,131</u>	<u>-</u>	<u>68,055,131</u>

Financial assets at

FVTPL:

Corporate debt securities	117,943,950	-	117,943,950	-	117,943,950
Unit trust funds	5,527,467	5,527,467	-	-	5,527,467
Equity securities	61,974,731	61,974,731	-	-	61,974,731
	<u>185,446,148</u>	<u>67,502,198</u>	<u>117,943,950</u>	<u>-</u>	<u>185,446,148</u>

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

18. FAIR VALUE ESTIMATION (CONT'D.)

As at 31 December 2015, the fair value of the Group's and Company's assets are as follows:
(cont'd.)

Company	Carrying Value	Level 1	Level 2	Level 3	Total
Property and equipment					
Freehold office lots	5,850,000	-	-	5,850,000	5,850,000
Long-term leasehold office lot	3,231,000	-	-	3,231,000	3,231,000
	<u>9,081,000</u>	<u>-</u>	<u>-</u>	<u>9,081,000</u>	<u>9,081,000</u>

AFS financial assets:

Malaysian Government Securities	958,400	-	958,400	-	958,400
Corporate debt securities	67,096,731	-	67,096,731	-	67,096,731
Wholesale unit trust funds	120,106,650	120,106,650	-	-	120,106,650
	<u>188,161,781</u>	<u>120,106,650</u>	<u>68,055,131</u>	<u>-</u>	<u>188,161,781</u>

Financial assets at FVTPL:

Unit trust funds	5,527,467	5,527,467	-	-	5,527,467
Equity securities	61,974,731	61,974,731	-	-	61,974,731
	<u>67,502,198</u>	<u>67,502,198</u>	<u>-</u>	<u>-</u>	<u>67,502,198</u>

For investments in unit trust funds, fair value is determined by reference to published net asset values, while the fair values of equity securities are obtain from Bursa Malaysia. All of which are regarded as Level 1, quoted in an active market.

The fair values of Malaysian Government Securities and corporate debts securities is obtained from Bond Pricing Agency Malaysia ("BPAM"). These financial instruments are regarded as Level 2, as the significant inputs are observable.

For property and equipment, the fair value is obtained from valuations as performed by the external valuers using the comparison method and are regarded as Level 3, as the significant inputs are not observable.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS

18. FAIR VALUE ESTIMATION (CONT'D.)

Movements in level 3 property and equipment measured at fair value.

The following tables present the reconciliation for property and equipment measured at fair value based on significant unobservable inputs (Level 3):

	30.06.2016	31.12.2015
	RM	RM
Opening balance	6,500,000	6,500,000
Total depreciation charge	<u>(715,000)</u>	<u>(650,000)</u>
Closing balance	<u>5,785,000</u>	<u>5,850,000</u>

There was no movement from beginning to ending balances for assets carried under the Level 3 hierarchy of the Group and Company in the previous and current financial years. There were also no changes in classification of assets under Level 1 and Level 2 of the fair value hierarchy.

The following financial assets and liabilities are not carried at fair values, but their carrying values approximate fair values as they are short term in nature or the impact of discounting is not

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

	30.06.2016	31.12.2015
	RM	RM
Eligible Tier 1 Capital		
Share capital (paid-up)	100,000,000	100,000,000
Retained earnings	117,153,194	113,777,109
Tier 2 Capital		
Eligible reserves	4,894,111	3,618,339
	<u>222,047,305</u>	<u>217,395,448</u>
Amount deducted from capital	(872,338)	(1,005,545)
Total capital available	<u><u>221,174,967</u></u>	<u><u>216,389,903</u></u>